

School of Economics and Finance

**PUBL/ECON 411:**  
**PUBLIC ECONOMICS: ECONOMICS OF SOCIAL REGULATION**

Trimester One 2010

**COURSE OUTLINE**

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**Course lecturer and coordinator**

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Lectures: RWW129 Wed 9:30-11:20, 3 March - 2 June

Office hours: RH 324 Wed 12:30-1:30 or by arrangement

There is no textbook. There will be **readings** every week and audio recordings some weeks. Usually the readings and audio files can be downloaded via links embedded in pages 2 and 3 of this outline, or on [Blackboard](#). But on occasion, hard copies of readings may be made available at the SEF reception area on the third floor of Rutherford House. Links to supplementary material will also on blackboard.

Course documents, **announcements**, assignment questions and other information will also be available on the blackboard website: <http://blackboard.vuw.ac.nz>.

**Assessment:**

assignment 1	2500 word essay	20%	28 April
assignment 2	cost-benefit exercise	20%	02 June
2 hour final exam		60%	Fri 11 June - Wed 30 June

Silent non-programmable calculators will be permitted in the exam, but not useful.

The exam date has not yet been set, although it will be some time between Fri 11 June & Wed 30 June. If you enrol in this course, or any course with an exam, you have to be able to attend an exam at the University at any time during the formal examination period.

Assignments that are late without permission will attract **penalties** of 5% points a day. They will only be assessed up to the word limit.

There are no **mandatory course requirements**.

The **expected workload** is a total of 150 hours. In addition to the 24 hours of classes, this might comprise nine hours per week outside classes during teaching weeks spent reading, studying and writing assignments, and a further 18 hours revising during the mid-trimester break and study week.

**Required background**

Although this is not a particularly technical course by honours standards, a basic understanding of microeconomic concepts and methods will be assumed. ECON 201 is officially a prerequisite and should be more than enough. But if you are not familiar with concepts such as *externality*, *Pareto efficiency* and *partial differentiation*, then you probably need to do some background

reading. You will need to follow some mathematical argument in lectures and in the readings. In addition, you need to have or acquire some ability to read and interpret regression results.

**Course delivery:** Weekly two-hour lectures.

Information on **withdrawal from courses** available via:

- Withdrawal dates: Late withdrawals with Associate Dean (Students) permission (See Section 8: Withdrawals - from the Personal Courses of Study Statute)  
[http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz POLICY~000000001743.pdf](http://policy.vuw.ac.nz/Amphora!~~policy.vuw.ac.nz%20POLICY~000000001743.pdf)
- Withdrawal dates: refunds:  
<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

### **Learning Objectives:**

Students passing this 400 level course in Public Economics should be able to:

1. Distinguish paternalist from externality-based motivations for intervention.
2. Compare regulatory approaches such as specification standards, performance standards, process-based standards and general duties in terms of their efficiency and their susceptibility to distortion and regulatory failure.
3. Evaluate the robustness of price- and quantity-based policy instruments to uncertainty, heterogeneity and enforcement costs.
4. Appraise the potential of developments in behavioural economics to inform debates about social regulation and corrective taxes.
5. Discuss the role of cost benefit analysis in evaluating proposed regulations.

Assignment 1 will address objective 2 and assignment 2 will address objective 4. Any of the objectives may be addressed in the exam.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

**Class representative** A class representative will be elected in the first class. That persons name and contact details will be available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

### **Links:**

Academic Integrity & Plagiarism: <http://www.victoria.ac.nz/home/study/plagiarism.aspx>  
General University Policies & Statutes: <http://www.victoria.ac.nz/home/about/policy>  
Faculty of Commerce & Administration Offices: <http://www.victoria.ac.nz/fca/studenthelp/>  
Manaaki Pihipihinga Programme: [http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)  
AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support  
[http://www.victoria.ac.nz/home/about\\_victoria/avcacademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx)

03 March	First-best implementation	Cameron Hepburn, , 'Regulation by Prices, Quantities, or Both: A Review of Instrument Choice', <i>Oxford Review of Economic Policy</i> , 2006, 22(2):226-247. <a href="http://ideas.repec.org/a/oup/oxford/v22y2006i2p226-247.html">http://ideas.repec.org/a/oup/oxford/v22y2006i2p226-247.html</a>
10 March	Regulatory failure	Audio: <a href="#">Sam Peltzman</a> on econtalk in 2006.
17 March	Up- & downstream,	Don Fullerton and Ann Wolverton, 'Two generalizations of a deposit-refund system', <i>American Economic Review</i> 2000, 90(2):238-242 <a href="http://www.rau.ro/intranet/Aer/2000/9002/90020238.pdf">http://www.rau.ro/intranet/Aer/2000/9002/90020238.pdf</a>
	Enforcement & evasion	David Driesen and Amy Sinden, 'The missing instrument: dirty input limits', <i>Harvard Environmental Law Review</i> , 2009 33:65-116. <a href="http://www.law.harvard.edu/students/orgs/elr/vol33_1/Driesen%20&amp;%20Sinden.pdf">http://www.law.harvard.edu/students/orgs/elr/vol33_1/Driesen%20&amp;%20Sinden.pdf</a>
		Agnar Sandmo, 'Efficient Environmental Policy with Imperfect Compliance', Audio: <a href="#">Bob Page and Mark Jaccard</a> on Quirks and Quarks in 2008. Video: <a href="#">Michael Herz</a> at Cardozo in 2009 <i>Environmental and Resource Economics</i> , 2004, 23:85-103 pp85-90 <a href="http://www.springerlink.com/content/rj57786507657778">http://www.springerlink.com/content/rj57786507657778</a>
24 March	Heterogeneity & flexibility	Richard Revesz & Robert Stavins, Environmental law and policy, §3.1, in A. Mitchell Polinsky & Steven Shavell (eds.) <i>The Handbook of Law and Economics</i> 2005 NH/Elsevier. <a href="http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP04-023/\$File/rwp04_023_stavins4.pdf">http://ksgnotes1.harvard.edu/Research/wpaper.nsf/rwp/RWP04-023/\$File/rwp04_023_stavins4.pdf</a>
31 March	Politics & leakage	Bernard <i>et al</i> , 'Is there a rationale for output-based rebating of environmental levies?', <i>Resource and Energy Economics</i> , 2007, 29:83-101
07 April	Cap-&-trade v. taxes	Louis Kaplow & Steven Shavell, 'On the superiority of corrective taxes to quantity regulation', <i>American Law and Economics Review</i> , 2002, 4:1-17 <a href="http://www.law.harvard.edu/faculty/shavell/pdf/4_Amer_Law_Econ_Rev_1.pdf">http://www.law.harvard.edu/faculty/shavell/pdf/4_Amer_Law_Econ_Rev_1.pdf</a>
14 April	Midterm break	
21 April	Midterm break	
28 April	<b>Assignment 1 due</b>	Intensity based schemes

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28 April	Rationales for RIA	Cass Sunstein (2000) Cognition and cost-benefit analysis, <i>Journal of Legal Studies</i> 29(2):1059-1104 <a href="http://papers.ssrn.com/sol3/Delivery.cfm/991012101.pdf?abstractid=186669&amp;mirid=1">http://papers.ssrn.com/sol3/Delivery.cfm/991012101.pdf?abstractid=186669&amp;mirid=1</a> Audio: <a href="#">Bruce Yandle</a> on econtalk in 2007 Audio: <a href="#">Ricky Revesz</a> at NYU in 2008.
05 May	Valuation in cba	Robin Boadway, Principles of cost-benefit analysis, <i>Public Policy Review</i> , 2006, Vol.2, No.1
12 May	CBA controversies A	Allan Feldman & Roberto Serrano, <i>Welfare economics and social choice theory</i> 2nd ed 2006, chap 11. downloadable from <a href="#">VUW library site</a> Audio: <a href="#">Chris Dye</a> at Gresham College in 2008
19 May	CBA controversies B	<a href="#">Kimble and Tawney</a> Audio: <a href="#">Tom Schelling</a> at Resources for the Future in 2006. Audio: <a href="#">Nick Stern</a> at LSE in 2008.
26 May	Internality taxes	Ted O'Donoghue and Matt Rabin, 'Studying optimal paternalism, illustrated by a model of sin taxes', <i>American Economic Review</i> , 2003, 93(2):186-191 <a href="#">rau.ro</a> Audio: <a href="#">David Laibson</a> at LSE in 2007. Audio: <a href="#">Jody Sindelar</a> at the Tax Foundation in 2009.
02 June	<b>Assignment 2 due</b>	cba exercise
02 June	Libertarian paternalism	Richard Thaler and Cass Sunstein (2003), Libertarian paternalism is not an oxymoron, <i>American Economic Review</i> 93(2):175-179 Audio: <a href="#">Richard Thaler</a> on econtalk in 2006. Audio: <a href="#">Colin Camerer</a> at the RSA in 2009.

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07 June	Study period begins
11 June	Exam period begins
30 June	Exam period ends

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