

School of Government

**MAPP 522 / MMPM 503
ECONOMICS AND PUBLIC POLICY /
ECONOMIC POLICY CHALLENGES
FOR PUBLIC MANAGERS
(15 Points)**

Trimester Two / 2010

COURSE OUTLINE

Names and Contact Details

Course Coordinator: **Dr Grant Scobie**
The Treasury
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Room RH 821, Level 8, Rutherford House, Pipitea Campus
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Email: darren.morgan@vuw.ac.nz

Office Hours: 8.30am to 5.00pm, Monday to Friday

Trimester Dates

Teaching Period: Thursday 8 July – Thursday 4 November 2010

Class Times and Room Numbers

Module One:	Thursday 8 July 2010	8.30am – 6.00pm
Module Two:	Thursday 26 August 2010	8.30am – 6.00pm
Module Three:	Thursday 21 October 2010	8.30am – 6.00pm

Locations: Classes will be held on the Pipitea Campus of Victoria University in Wellington and you will be advised of your classroom one week prior to each module by email.

Withdrawal Dates

Notice of withdrawal must be in writing / emailed to the Masters Administrator. Ceasing to attend or verbally advising a member of staff will NOT be accepted as a notice of withdrawal.

Your fees will be refunded if you withdraw from this course on or before **Tuesday 27 July 2010**.

The last date for withdrawal from this course is **Monday 27 September 2010**. After this date, permission to withdraw requires the approval of the Associate Dean (Students), as set out in section 8 of the Personal Courses of Study Statute

(<http://policy.vuw.ac.nz/Amphora!~policy.vuw.ac.nz~POLICY~000000001743.pdf>). To apply for this permission, fill in the Late Withdrawal form available from either of our Student Customer Service Desks, or downloaded from www.victoria.ac.nz/fca/studenthelp/Forms.aspx.

Economists don't know very much about the economy; other people, including politicians who make economic policy, know even less

Herbert Stein

Course Learning Objectives

This course brings to bear the fundamental tools of economics on complex or “wicked” policy issues. It aims to apply economic frameworks to scope the issues and develop policy options. In many instances, a purely economic approach may not necessarily encompass all the relevant dimensions of a comprehensive policy analysis. Hence the course will recognise the role of other frameworks which can complement the use of economic paradigms to support the development of policy options that encompass economic, social, environmental and cultural outcomes.

By the end of the course, participants will:

1. Develop an enhanced understanding of fundamental elements of economics and their application to policy issues;
2. Gain insights into other frameworks that can complement an economic approach to complex policy issues; and
3. Demonstrate skills in economic reasoning and communication as applied to complex policy issues.

Course Content

The course is designed for those involved in the development of public policy. It has three overarching themes:

- a strong foundation of economic principles that underpin much of public policy;
- an appreciation of other paradigms that can complement economic frameworks; and
- an emphasis on bringing both sets of frameworks to bear of contemporary but challenging areas of public policy through a series of selected case studies.

The case studies form a central part of the course. They provide an opportunity for reading and analysis of important but difficult areas of policy. More importantly, while economic principles will underpin the analysis of these problems, they will almost inevitably require the use of other frameworks to enrich understanding and provide a broader perspective for the development of policy approaches. Finally, the case studies will provide students with an opportunity to further hone their communication skills through class workshops and discussions. In three instances, the case studies will be led by experts in the respective fields.

Course Delivery

This course is delivered in a modular format, which includes a minimum of 24 hours contact. The 24 hours are broken up into three separate days of eight hours each (a ‘module’). There are three modules in the course with approximately five to six weeks between each module. **Attendance is required at all three modular teaching days (8.30am – 6.00pm).**

Course Structure: An Overview

Session	Module 1 8 July 2010	Module 2 26 August 2010	Module 3 21 October 2010
	Dr Veronica Jacobsen	Dr Grant Scobie	Dr Grant Scobie
8.30am – 10.30am	Economic principles and their application to policy issues 1.1 How the Market Works	2.1 Widening the net <ul style="list-style-type: none"> ➤ Behavioural Economics ➤ Institutional Economics ➤ Rights based models ➤ Social Capital 	3.1 Case Study <ul style="list-style-type: none"> ➤ Housing Affordability Guest lecturer: Dr Andrew Coleman
10.30am – 10.45am	<i>Morning Tea</i>		
10.45am – 12.45pm	1.2 When the market fails	2.2 Class workshop: Whither New Zealand <ul style="list-style-type: none"> ➤ The 2025 Task Force 	3.2 Case Study <ul style="list-style-type: none"> ➤ Globalisation and the Financial Crisis
12.45pm – 1.45pm	<i>Lunch</i>		
1.45pm – 3.45pm	1.3 When government fails	2.3 Case Study <ul style="list-style-type: none"> ➤ Savings and Retirement 	3.3 Case Study <ul style="list-style-type: none"> ➤ Taxation: Principles and Reform Guest Lecturer: Dr Norman Gemmell
3.45pm – 4.00pm	<i>Afternoon Tea</i>		
4.00pm – 6.00pm	1.4 Case Study <ul style="list-style-type: none"> ➤ Criminal Justice 	2.4 Case Study <ul style="list-style-type: none"> ➤ Obesity: A Public Health Issue? Guest lecturer: Dr Bronwyn Croxson	3.4. Case Study <ul style="list-style-type: none"> ➤ NZ's Productivity and Economic Growth

Expected Workload

The learning objectives set for each course are demanding and, to achieve them, candidates must make a significant commitment in time and effort to reading, studying, thinking, and completion of assessment items outside of contact time. The course requires preparation before the first module. Regular learning is necessary between modules (students who leave everything to the last moment rarely achieve at a high level). Expressed in input terms, the time commitment required usually translates to 65-95 hours (excluding class contact time) per course.

Group Work

Students will engage in group discussion and work during the course; however assessments in the course will be based on individual assignments.

Readings / Course Materials

Textbook

The following book is required for the course. It comprises of short chapters on a wide range of public policy issues. It is however focussed on economic issues; so to gain an appreciation of other approaches, you will need to rely on the readings and your own research.

- Miller, Roger LeRoy, Daniel K Benjamin and Douglass C North (2007) *The Economics of Public Issues*. 15th ed. (Addison Wesley)

Other books that you could find useful

The first is an excellent economics text that is true to its title and provides examples of an economic approach to problems:

- Heyne, Paul, Peter J. Boettke and David L. Prychitko (2005) *The Economic Way of Thinking*. 11th ed. (Prentice Hall).

The next book is also a really good economics text. It combines the basics of microeconomics with a whole raft of examples in which the author applies the framework to policy issues – pollution, voting, plea bargaining, religious broadcasting....

- Friedman, David D. (1990) *Price Theory: An Intermediate Text*. (South-Western).

but wait... there is more... the book is online:

- www.daviddfriedman.com/Academic/Price_Theory/PThy_ToC.html

and for some lighter reading any of the following will stimulate your thinking about policy issues and are entertaining reading at the same time – great for the bedside table:

- Levitt, Steven D. and Stephen J. Dubner (2006) *Freakanomics: A Rogue Economist Explores the Hidden Side of Everything*. (William Morrow)
- Harford, Tim (2006) *The Undercover Economist: Exposing why the rich are rich, the poor are poor and why you can never buy a decent used car*. (New York: Oxford University Press).
- Ormerod, Paul (2007) *Why Everything Fail: Evolution, Extinction and Economics* (Wiley).
- Hamermesh, Daniel S. (2004) *Economics is Everywhere*. (New York: McGraw Hill).
- Coyne, Diane (2002) *Sex, Drugs and Economics: An Unconventional View* (New York: Texere).

Useful websites

- New Palgrave Dictionary of Economics: www.dictionaryofeconomics.com/dictionary
- Australian Policy Online (APO): www.apo.org.au/. This is an excellent source for current (Australian) policy reports.
- National Center for Policy Analysis: www.ncpa.org/, a similar site for the USA.
- For a wide range of papers in economics, see: <http://ideas.repec.org/>
- Mercatus Center, George Mason University: www.mercatus.org/ for a range of material under the Economics and Public Policy tab.
- Martin Wolf: Associate Editor and Chief Economics Correspondent for the *Financial Times*: <http://blogs.ft.com/wolfforum/>
- The blogosphere is full of the musings of good economists on public policy issues: among my favourites are:
 - www.marginalrevolution.com/
 - <http://delong.typepad.com/>
 - <http://krugman.blogs.nytimes.com/>
 - <http://freakonomics.blogs.nytimes.com/>
 - <http://gregmankiw.blogspot.com/>
 - www.economicthinking.org/
 - <http://offsettingbehaviour.blogspot.com/>
 - www.adamsmith.org/blog/
- Centre for Economics Policy Research (ANU): <http://cepr.anu.edu.au/discussionpapers.htm>
- Centre for Independent Studies: www.cis.org.au/
- The Australia Institute: www.tai.org.au/
- Institute for Public Policy Research (UK): www.ippr.org.uk/
- Policy Studies Institute (UK): www.psi.org.uk/
- International Policy Network: www.policynetwork.net/

Readings

All the readings are available on the web. They are a critical part of the course. Priority should be given to the required readings, but time spent in the supplementary readings will enhance your learning outcomes from the course.

For each of the case studies there is a list of required readings (and in most cases supplementary readings), together with a number of key questions. These questions are intended to guide your reading and form the basis of discussion groups during the class sessions. It is essential that you undertake the required readings for the Case Studies, prior to coming to the class, so you can make a full contribution to both group workshops and the general discussion.

Accessing the readings

Many of the readings are in the public domain and you can access them directly on the web. In every case, the link is provided. However, some journal articles are only available through subscription. The Victoria University library holds the subscriptions and thus provides students with access to its online holdings. To access these, you will need to log in to the Victoria University Library website via the myVictoria student web portal, so that you are recognised as being part of the University community which is entitled to use the resource.

As an example, here are the steps you would follow to access a working paper from the National Bureau of Economic Research (NBER):

1. Open a web browser and go to www.myvictoria.ac.nz.
2. Log into myVictoria using your ITS Username (on your Confirmation of Study) and password (if you've never used the Victoria University computer facilities before, your initial password is your student ID number, on your Confirmation of Study, Fees Assessment or student ID card – you may be asked to change it once you've logged in for the first time).
3. Once you've logged into myVictoria, select the Library tab (from the list of tabs along the top of the page).
4. On the right hand side, in the Library Catalogue box, as an example enter NBER as a keyword search.
5. The result will be about 2059 hits. Don't panic! Scroll down to the 7th item, NBER working paper series, and click on the link. Click on the Electronic Resource link and you will be taken to the NBER website.
6. Under Bibliographic Search for working papers only, put in the working paper number from the reading list (e.g. 14631) and click Search. The PDF full text should be available to you now.
7. Should you need further assistance, please contact:

Janet Keilar
Faculty Librarian – Commerce
Victoria University of Wellington
Room RWW 226a, Level 2, Railway West Wing, Pipitea Campus
P.O. Box 600, Wellington, New Zealand
Email: janet.keilar@vuw.ac.nz
Telephone: (04) 463 6945

Janet has kindly offered that if anyone has difficulty linking to the readings, they should contact her and as a last resort, she will send them the material as an email attachment, wherever possible.

You are recommended to ensure that your computer access to myVictoria and the Victoria University Library is working before the course starts.

If you have any problems with myVictoria, you should contact the ITS Helpdesk on (04) 463 5050 or its-service@vuw.ac.nz, or visit the ITS Helpdesk on level 2 of the Railway West Wing, Pipitea Campus (see www.victoria.ac.nz/its/student-services/ for more information).

Introduction to the Course

Some problems are so complex that you have to be highly intelligent and well informed just to be undecided about them

Laurence J. Peter

Many of the problems we will address in the course are sometimes referred to as *wicked problems*. The following readings, that you should do *prior to the start of the course*, are intended to give you an appreciation of wicked problems in the context of public policy making.

Required Readings

- Batie, Sandra S. (2008) “Wicked Problems and Applied Economics” *American Journal of Agricultural Economics* 90(5):1176-1191.
- Australian Public Service Commission (2007) “Tackling Wicked Problems: A Public Policy Perspective.” Canberra. www.apsc.gov.au/publications07/wickedproblems.htm
- Conklin, E. Jeffrey (2005) “Wicked Problems and Social Complexity.” *Dialogue Mapping: Building Shared Understanding of Wicked Problems*, (New Jersey: Wiley): Chapter 1. www.cognexus.org/id26.htm#wicked_problems_and_fragmentation

Supplementary Readings

- Roberts, Nancy (2000) “Wicked Problems and Network Approaches to Resolution.” *International Public Management Review* 1(1):1-19. www.idt.unisg.ch/org/idt/ipmr.nsf/
- New Zealand Business Roundtable (2007) “Public Policy: An Introduction.” New Zealand Business Roundtable, Wellington. www.nzbr.org.nz/topic.asp?Topic=PublicSectorLocalGovtPolicy

Module 1: Economic Principles and their Application to Public Policy Issues

*Most of economics can be summarized in four words:
People respond to incentives. The rest is commentary.*

Steven E. Landsburg

1.1 How the market works

Required Readings

- Lazear, Edward P. (2000) “Economic Imperialism.” www.nber.org/papers/w7300.pdf
- Varian, Hal (1989) “What use is Economic Theory?” www.ischool.berkeley.edu/%7Ehal/Papers/theory.pdf
- Varuhas, Jason, Lindy Fursman and Veronica Jacobsen (2003) “Work and Family Balance: An Economic View.” Working Paper 03/26, New Zealand Treasury, Wellington. www.treasury.govt.nz/publications/research-policy/wp/2003/03-26/

Supplementary Readings

- Reed, W. Robert and Max Schanzbach (1996) *Prices and Information: A Simple Framework for Understanding Economics*.
www.ou.edu/class/econ3003/area1b.htm
- Friedman, David D (1990) *Price Theory: An Intermediate Text*. South-Western: Chapters 1-2.
www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_1/PThy_CHAP_1.html
www.daviddfriedman.com/Academic/Price_Theory/PThy_Chapter_2/PThy_CHAP_2.html
- Batie, Sandra (2008) “Wicked problems and applied economics.” *American Journal of Agricultural Economics* 90(5):1176-1191.

Key Questions

1. What are the advantages and disadvantages of economic analysis in addressing wicked policy problems?
2. What are the functions of price mechanism in a free market economy?
3. Should there be a market for human organs?

1.2 When the Market Fails

Required Readings

- Caplan, Bryan (2008) "Externalities." *The Concise Encyclopaedia of Economics*.
www.econlib.org/library/Enc/Externalities.html
- Cowen, Tyler (2008) "Public Goods." *The Concise Encyclopaedia of Economics*.
www.econlib.org/library/Enc/PublicGoods.html
- Crampton, Eric (2007) “Market Failure” *Encyclopaedia of Law and Society*.
www.econ.canterbury.ac.nz/personal_pages/eric_crampton/MktFailure.pdf

Supplementary Readings

- Feldman, Allan M. (2008) "Welfare economics." *The New Palgrave Dictionary of Economics Online*. www.dictionaryofeconomics.com/article?id=pde2008_W000050
- NZIER (2004) “Sustainable infrastructure: A policy framework” Report to the Ministry of Economic Development, May, New Zealand Institute of Economic Research, Wellington: Chapter 3. www.med.govt.nz/upload/18061/nzier.pdf
- Reed, Lawrence W. (1980) “Witch-hunting For Robber Barons: The Standard Oil Story” *Ideas on Liberty* (March).
www.dadyer.com/Economic%20Readings/witchhunting%20for%20robber%20barons.htm

Key Questions

1. Does market failure justify redistribution?
2. Is there market failure in global warming, and if so, what is it?
3. Is there market failure in education?

1.3 How the Government Fails

Required Readings

- Hausman, Daniel M (2008) “Market Failure, Government Failure, and the Hard Problems of Co-operation.” *Ethics and Economics* 6(1):1-5.
<https://papyrus.bib.umontreal.ca/jspui/handle/1866/3421>

- Myddelton, D. R. (2001) "They Meant Well: Government Project Disasters." Hobart Paper No. 160, Institute of Economic Affairs, London: Chapter 10.
<http://ssrn.com/abstract=1021302>
http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID1021302_code697984.pdf?abstractid=1021302&mirid=4
- Shughart II, William F (2008) "Public Choice." *The Concise Encyclopaedia of Economics*.
www.econlib.org/library/Enc/PublicChoice.html

Supplementary Readings

- Ambler, Tim (2009) "The Financial Crisis: Is Regulation Cure or Cause?" ASI Briefing Paper, Adam Smith Institute, London. www.adamsmith.org/images/pdf/financial-crisis.pdf
- Eiras, Ana Isabel (2003) "Ethics, Corruption, and Economic Freedom." Heritage Lecture No. 813, Heritage Institute, Washington.
www.heritage.org/research/tradeandeconomicfreedom/hl813.cfm
- Horwitz, Steven (2008) "An Open Letter to my Friends on the Left" Department of Economics, St. Lawrence University. http://myslu.stlawu.edu/~shorwitz/open_letter.htm
- Viscusi, W. Kip (2006) "Regulation of Health, Safety, and Environmental Risks." Harvard Law and Economics Discussion Paper No. 544, Harvard Law School, Cambridge MA.
www.law.harvard.edu/programs/olin_center/papers/pdf/Viscusi_544.pdf

Key Questions

1. What is the impact of banning the sale of human organs?
2. What instruments can be used to improve the quality of regulation?
3. How can corruption in government be addressed?

1.4 Case Study: Crime

Required Readings

- Friedman, David D. (2002) "Crime." *The Concise Encyclopaedia of Economics*.
www.econlib.org/LIBRARY/Enc/Crime.html
- Weatherburn, Don (2001) "What Causes Crime" Crime and Justice Bulletin No 51, NSW Bureau of Crime Statistics and Research, Canberra.
[www.cso.nsw.gov.au/lawlink/bocsar/ll_bocsar.nsf/vwFiles/CJB54.pdf/\\$file/CJB54.pdf](http://www.cso.nsw.gov.au/lawlink/bocsar/ll_bocsar.nsf/vwFiles/CJB54.pdf/$file/CJB54.pdf)
- Levitt, Steven D (2004) "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not." *Journal of Economic Perspectives* 18(1):163-190.

Supplementary Readings

- Aos, Steve, Miller, Marne and Elizabeth Drake (2006) "Evidence-Based Public Policy Options to Reduce Future Prison Construction, Criminal Justice Costs, and Crime Rates." Washington State Institute for Public Policy, Olympia.
www.wsipp.wa.gov/rptfiles/06-10-1201.pdf
- Austin, James, Todd Clear, Troy Duster, David F. Greenberg, John Irwin, Candace McCoy, Alan Mobley, Barbara Owen, Joshua Page (2007) "Unlocking America: Why and How To Reduce America's Prison Population." JFA Institute.
www.jfa-associates.com/publications/srs/UnlockingAmerica.pdf
- Ormerod, Paul (2005) "Crime: Economic incentives and social networks." Institute of Economic Affairs, London. www.iea.org.uk/files/upld-publication277pdf?.pdf

Key questions

1. What are the limitations of the economic approach to crime?
2. What is the impact of imprisonment on crime?
3. What is the most effective way of reducing crime?

Module 2

2.1 Widening the net: a synopsis of complementary frameworks

(Note: There are rather more readings in this section as it covers a wide range of complementary approaches to public policy issues)

Required Readings

- UK Cabinet Office (2010) *MindSpace: Influencing Behaviour through Public Policy*
New insights from science and behaviour change could lead to significantly improved outcomes, and at a lower cost, than the way many conventional policy tools are used.
www.civilservice.gov.uk/news/2010/march/mindspace.aspx
- Jacobsen, Veronica, Lindy Fursman, John Bryant, Megan Claridge and Benedikte Jensen (2004) *Theories of the Family and Policy*. Working Paper 04/02, New Zealand Treasury, Wellington. www.treasury.govt.nz/publications/research-policy/wp/2004/04-02/
- Ministry of Economic Development (2006) *Behavioural Analysis for Policy: New Lessons from Economics, Philosophy, Psychology, Cognitive Science, and Sociology*.
This paper is intended as an introductory guide to encourage policy analysts into a deeper understanding of people's behaviour, the factors that influence behaviour, and how to incorporate this into the policy development process.
www.med.govt.nz/templates/MultipageDocumentTOC_23634.aspx
- Thaler, Richard H. and Sendhil Mullainathan. "How Behavioral Economics Differs from Traditional Economics." *Concise Encyclopaedia of Economics*.
www.econlib.org/library/Enc/BehavioralEconomics.html
- Alston, L. J. (2008) "New Institutional Economics." *The New Palgrave Dictionary of Economics Online*. www.dictionaryofeconomics.com/article?id=pde2008_N000170
- Wilkinson, B. (2001) "Why Reform is so Difficult – Public Choice Theory." in *Constraining Government Regulation*. (Wellington: New Zealand Business Roundtable): Chapter 5.
www.nzbr.org.nz/documents/publications/publications-2001/constraining_govt.pdf

Supplementary Readings

- de Soto, Hernando (2001) "The Hidden Architecture of Capital." Institute for Liberty and Democracy, Lima. <http://ild.org.pe/en/articles/hidden>
- Bernheim, B. Douglas and Antonio Rangel (2008) "Behavioral public economics." *New Palgrave Dictionary of Economics Online*
www.dictionaryofeconomics.com/article?id=pde2008_B000331
- Tullock, Gordon (2008) "Public Choice." *The New Palgrave Dictionary of Economics Online*. www.dictionaryofeconomics.com/article?id=pde2008_P000240
- Thaler, Richard H. and Cass R. Sunstein (2008) "Economic policy for humans." *Boston Globe* April 17.
www.boston.com/bostonglobe/editorial_opinion/oped/articles/2008/04/17/economic_policy_for_humans/
- Caplan, Bryan (2008) "Economic Policy for Humans? What Thaler and Sunstein Miss."
http://econlog.econlib.org/archives/2008/04/economic_policy_3.html

- Shughart II, William F. “Public Choice.” Concise Encyclopaedia of Economics
www.econlib.org/library/Enc/PublicChoice.html

Key Questions

1. What is meant by the “new institutional economics?” Why does it matter? How does that differ from neo-classical economics?
2. What is the essence of behavioral economics? What does it add to a neo-classical view?
3. How does public choice theory help us in understanding the development of public policy?

2.2 Class Workshop: *Whither New Zealand?: The 2025 Task Force*

This session will take the form of an informal debate. The topic is:

- ***Can New Zealand ever reasonably be expected to catch up with Australia?***

The class will be divided equally into two groups (based alphabetically on surnames): the first group will take the *Affirmative* and the second the *Negative*.

Both groups will have the first 1 hour and 15 minutes of the session to meet and discuss their position and to elect 3 speakers.

There will then be 15 minute presentations from each group (each of the three speakers for 5 minutes each) with 15 minutes at the conclusion for general class discussion.

This exercise requires ***full participation and above all, preparation.***

Reading

It is essential that all students come prepared to contribute based on a thorough understanding of the issues.

The required reading is the 2025 Task Force Initial Report. However, you should be familiar with the materials in the background papers and presentations to the Task Force.

See: www.2025taskforce.govt.nz/index.htm

2.3 Case Study: Savings and Retirement

Required Readings

- Chung, Woojen, Richard Disney, Carl Emmerson and Matthew Wakefield (2008) “Public policy and retirement saving incentives in the UK.”
www.nottingham.ac.uk/economics/staff/details/richard_disney.html
- Barr, Nicholas and Peter Diamond (2008) “Reforming pensions.” CRR WP 2008-26, Center for Retirement Research at Boston College, December.
http://crr.bc.edu/working_papers/reforming_pensions.html
- Freebairn, John (2007) “Some Policy Issues in Providing Retirement Incomes.” Melbourne Institute Working Paper Series No. 6/07.
www.melbourneinstitute.com/publications/working/wpabstract.cfm?ID=373

- Scobie, Grant M., John Gibson and Trinh Le (2004) “Saving for Retirement: New Evidence for New Zealand.” Working Paper 04/12, New Zealand Treasury, Wellington.
www.treasury.govt.nz/publications/research-policy/wp/2004/04-12

Supplementary Readings

- Gibson, John and Trinh Le (2008) “How Much New Saving Will KiwiSaver Produce?” Working Paper 08/03, Department of Economics, University of Waikato.
<http://ideas.repec.org/p/wai/econwp/08-03.html>
- Bernheim, B.D. and A. Rangel (2005) “Behavioral Public Economics: Welfare and Policy Analysis with Non-Standard Decision-Makers.” NBER Working Paper No. 11518, National Bureau of Economic Research, Cambridge MA. www.nber.org/papers/w11518
- Scobie, Grant M., Trinh Le and John Gibson (2007) “Housing in the Household Portfolio and Implications for Retirement Saving: Some Initial Finding from SOFIE.” Working Paper 07/04, New Zealand Treasury, Wellington.
www.treasury.govt.nz/publications/research-policy/wp/2007/07-04/
- For a recent (2008) set of papers on retirement income issues in New Zealand, see: *Retirement income policies in New Zealand: looking back and looking forward*. All background materials, papers, and speaker details are available at www.symposium.ac.nz/

Key Questions

1. Left to make their own decisions, would most people inevitably under-invest in retirement savings?
2. Should New Zealand make retirement saving compulsory?
3. Will KiwiSaver increase net retirement wealth?

2.4 Case Study: Obesity

Required Readings

- Sunstein, Cass R and Thaler, Richard H. (2003) “Libertarian Paternalism is not an Oxymoron.” University of Chicago Law Review 70 (4) 1159 – 1202.
<http://faculty.chicagobooth.edu/richard.thaler/research/>
- Sacks, G, Swinburn, BA and Lawrence, MA. A systematic policy approach to changing the food system and physical activity environments to prevent obesity, Australia and New Zealand Health Policy, 5 (13) doi: 10.1186/1743-8462-5-13
www.anzhealthpolicy.com/content/5/1/13
- Kuchler, F and Golan, E. (2004) “Is there a role for government in reducing the prevalence of overweight and obesity?” Choices Fall: 41-45.
www.choicesmagazine.org/2004-3/obesity/index.htm

Supplementary Readings

- Philipson, T and Posner, R. (2008) “Is the obesity epidemic a public health problem? A decade of research on the economics of obesity.” NBER Working Paper No. 14010, National Bureau of Economic Research, Cambridge MA. www.nber.org/papers/w14010
- Mello, MM, Studdert, DM and Brennan, TA. (2009) “Obesity – The New Frontier of Public Health Law.” The New England Journal of Medicine 354 (24):2601-261.
<http://nejm.highwire.org/cgi/content/extract/354/24/2601>
- Ministry of Health (2008) “A Portrait of Health. Key results of the 2006/07 New Zealand Health Survey.” Chapter 2. www.moh.govt.nz/moh.nsf/indexmh/portrait-of-health?Open

- or any material on the relevant Ministry of Health webpage:
www.moh.govt.nz/moh.nsf/indexmh/obesity-publications

Key Questions

1. What are the determinants of obesity?
2. Does government have a role (or responsibility) to intervene in mitigating the ‘obesity epidemic’?
3. What are the similarities and differences between obesity and other health issues?
4. What levers are available to government when intervening to mitigate obesity – and what is likely to be effective (and cost-effective)? What are the political risks of intervention?

Module 3

3.1 Case Study: Housing affordability

Required Readings

- Quigley, J.M. and Raphael, S. (2006) “Is housing unaffordable? Why isn’t it more affordable?” Berkeley Program on Housing and Urban Policy, Working Paper Series No. 1047. University of California, Berkeley. <http://ideas.repec.org/p/cdl/bphupl/1047.html>
- Rohe, W.M., Van Zandt, S and McCarthy, GM. (2001). “The social benefits and costs of homeownership: a critical assessment of the research.” Joint Center for Housing studies at Harvard University, LIHO-01.12, Cambridge, MA.
www.jchs.harvard.edu/publications/homeownership/index.html
- Coleman, A., and Scobie, G. (2009) “A simple model of housing rental and ownership with policy simulations.” New Zealand Treasury, Wellington.
www.treasury.govt.nz/publications/research-policy/wp/2009/09-05/
- Quigley, J.M and Rosenthal, J. (2005) The effects of land use regulation on the price of housing: what do we know? What can we learn? Berkeley Program on Housing and Urban Policy, Working Paper Series No. 1052, University of California, Berkeley.
<http://ideas.repec.org/p/cdl/bphupl/1052.html>

Supplementary Readings

- Coleman, A. (2008) “The Hidden Costs of Low Inflation: Savings, Tax and the Dearth of Home Ownership.” Motu Economic and Public Policy Research, Wellington.
www.motu.org.nz/publications/detail/the_hidden_costs_of_low_inflation_savings_tax_and_the_dearth_of_home_owners
- Department of Prime Minister and Cabinet. (2008) Final Report of the House Prices Unit: House price Increases and Housing in New Zealand (Wellington: Department of Prime Minister and Cabinet, March) www.dpmc.govt.nz/dpmc/publications/hpr-report/index.html
- Statistics New Zealand Statistics on Housing Affordability
www.stats.govt.nz/Publications/StandardOfLiving/statistics-on-housing-affordability/introduction.aspx
- Wilkinson, D. 1999. “Poor Housing and Ill Health: A Summary of the Research Evidence.” (Edinburgh: The Scottish Office) www.scotland.gov.uk/Publications/1999/05/2763/File-1

Key Questions

1. Why should governments care about housing affordability?
2. What are key differences between housing markets and the markets for other goods (e.g. food or cars)?
3. How can one measure housing costs and housing affordability?

4. If Governments wish to ensure that people have inexpensive housing, what policies are available, and which policies are likely to be most effective?
5. In what circumstances are changes in land use regulation likely to improve housing affordability?

3.2 Case Study: Globalisation and the Financial Crisis

(Note: This is a fast moving area and by October 2010 there will undoubtedly be more up to date articles to look out for)

Required Reading

- Easterly, W. (2008) “Globalization.” *The New Palgrave Dictionary of Economics Online*. www.dictionaryofeconomics.com/article?id=pde2008_G000178
- The Treasury (2009) “International Connections and Productivity: Making Globalisation Work for New Zealand.” Productivity Paper 9/01, Wellington. www.treasury.govt.nz/publications/research-policy/tprp/09-01
- Corden, W. Max (2008) “The World Debt Crisis: Understanding it, and what to do. Melbourne Institute Working Paper No. 25/08 www.melbourneinstitute.com/publications/working/wpabstract.cfm?ID=431
- Bedford, Paul (2008) “The global financial crisis and its transmission to New Zealand – an external balance sheet analysis” Reserve Bank of New Zealand: Bulletin 71(4):18-28. www.rbnz.govt.nz/research/bulletin/2007_2011/2008dec71_4Bedford.pdf

Supplementary Reading

- Dearnorff, Alan V. (2002) “What Might Globalization’s Critics Believe?” Discussion Paper No. 492. Gerald R. Ford School of Public Policy, The University of Michigan, Ann Arbor MI. <http://ideas.repec.org/p/mie/wpaper/492.html>
- Elmendorf, Douglas W., Jason Furman (2008) “If, When, How: A Primer on Fiscal Stimulus.” The Brookings Institution, Washington, DC. www.brookings.edu/papers/2008/0110_fiscal_stimulus_elmendorf_furman.aspx
- Freedman, Charles, Michael Kumhof, Douglas Laxton and Jaewoo Lee (2009) “The Case for Global Fiscal Stimulus” IMF Staff Position Paper SPN/09/03. International Monetary Fund, Washington, DC. www.imf.org/external/pubs/ft/spn/2009/spn0903.pdf
- Horwitz, Steven (2008) “An Open Letter to my Friends on the Left” Department of Economics, St. Lawrence University. http://myslu.stlawu.edu/~shorwitz/open_letter.htm
- Rodrik, Dani (2007) “How to Save Globalization from its Cheerleaders”. Department of Economics, Harvard University. <http://web.hks.harvard.edu/publications/workingpapers/citation.aspx?PubId=4954>
- Reinhart, Carmen M. and Kenneth S. Rogoff (2009) “The Aftermath of Financial Crises”. Paper prepared for presentation at the American Economic Association meetings in San Francisco, Saturday, January 3. www.economics.harvard.edu/faculty/rogoff/Recent_Papers_Rogoff
- Stacey, Bill and Julian Morris (2009) “How Not to Solve a Crisis”, Policy, Centre for Independent Studies. Autumn. www.cis.org.au/POLICY/autumn09/autumn09.html
- Cochrane, John H. (2009) “Fiscal Stimulus, Fiscal Inflation, or Fiscal Fallacies?” University of Chicago Booth School of Business. <http://faculty.chicagobooth.edu/john.cochrane/research/Papers/fiscal2.htm>
- Taylor, John B. (2009) “The Financial Crisis and Policy Responses: An Empirical Analysis of What Went Wrong”. NBER Working Paper No. 14631, National Bureau of Economic Research, Cambridge MA. www.nber.org/papers/w14631

Key Questions

1. What are the origins of the crisis? Was it crisis brought on simply by the greed of those running financial institutions?
2. How effective are fiscal stimulus packages likely to be in fostering economic recovery?
3. Globalisation has increased inequality within and between countries?
4. Globalisation has contributed to economic growth?
5. What public policies might New Zealand pursue in the face of increased globalisation?

3.3 Case Study: Taxation: Principles and Reform

Required Reading

- Tax Working Group (2010) “A Tax System for New Zealand’s Future. Final Report”
www.victoria.ac.nz/sacl/cagtr/twg/Report.aspx
- Treasury (2009) “Estimating the Distortionary Costs of Income Taxation in New Zealand.” (Background paper for Session 5 of the Tax Working Group)
www.victoria.ac.nz/sacl/cagtr/twg/session-five.aspx
- Creedy (2009) “The Distortionary Costs of Taxation” (Non-technical background paper commissioned for the Tax Working Group)
www.victoria.ac.nz/sacl/cagtr/twg/session-five.aspx

Supplementary Reading

- TWG Background papers, available on the VUW-CAGTR website.
www.victoria.ac.nz/sacl/cagtr/twg/
especially papers for Sessions 2-5

Key Questions

1. What ‘principles’ do economists typically adopt to design direct and indirect taxes and what principles, in your view, should they adopt?
2. What is meant by ‘broad base, low rate’ in tax design and why is it advocated as a useful rule of thumb?
3. Should New Zealand align the top rate of personal income tax (currently 38%) with the trust tax rate (currently 33%) and the corporate tax rate (currently 30%), for example at 30%; or should it adopt a lower tax rate for some types of capital or corporate income?
4. What are the pros and cons for the taxation of capital gain income?
5. Why are consumption taxes such as New Zealand’s GST thought to be more growth-enhancing than income taxes?

3.4 Case Study: New Zealand’s Productivity and Economic Growth: The Big Picture

Required Reading

- Easterly, W. (2003) “National Policies and Economic Growth: A Reappraisal”. Working Paper No. 27. Center for Global Development, Washington, DC.
www.cgdev.org/content/publications/detail/2763
- New Zealand Treasury. Budget Statement May 2010, available on the Treasury Website
www.treasury.govt.nz/
- The Treasury (2004) “New Zealand Economic Growth: An Analysis of Performance and Policy.” Wellington. www.treasury.govt.nz/publications/research-policy/tp/economicgrowth

Supplementary Reading

- The Treasury (2008) “New Zealand’s Productivity Performance.” Wellington.
www.treasury.govt.nz/publications/research-policy/tprp/08-02
- Romer, Paul M. “Economic Growth: Compound Rates of Growth”. Concise Encyclopaedia of Economics www.econlib.org/library/Enc/EconomicGrowth.html
- Bates, Winton (1996) “The links between economic growth and social cohesion.” New Zealand Business Roundtable, Wellington.
www.nzbr.org.nz/documents/publications/word-publications/social-cohesion.doc.htm

Key Questions

1. What factors can you identify as helping to explain New Zealand’s economic growth performance?
2. Will the current policy settings improve our economic growth rate?
3. Can public policies really accelerate the rate of growth?

Assessment Requirements

There are three required assignments in this course. Each in turn relates to one of the three broad learning objectives of the course.

<i>Assignment</i>	<i>Due Date</i>	<i>Weight</i>	<i>Guidelines</i>
1. Applying economic reasoning	5.00pm, Thursday 12 August 2010	30%	1,500 words maximum
2. Using complementary perspectives	5.00pm, Thursday 30 September 2010	40%	2,000 words maximum
3. Preparing a policy paper	5.00pm, Thursday 4 November 2010	30%	1,500 words maximum

In each case, you should seek out current policy papers from NZ agencies, other countries (especially Australia, Canada, USA, UK, Denmark, etc), papers from international agencies (World Bank, IMF, OECD) as well as key pieces from the academic literature.

Please submit all assignments IN HARD COPY, by 5.00pm on the appropriate dates indicated, to:

Post Experience Programmes,
School of Government,
Victoria University of Wellington,
Level 8 Reception,
Rutherford House,
23 Lambton Quay,
P.O. Box 600,
Wellington.

Assignments that are submitted in person should be placed in the secure box at School of Government reception (Level 8, Rutherford House, Pipitea Campus) during office hours of 8.30am to 5.00pm, Monday to Friday. The assignment box is cleared daily, and assignments will be date stamped.

Assignment 1: Applying Economic Reasoning

Select one of the following topics:

- Fishing in international waters
- Water rights
- Illegal drugs
- Sale and supply of liquor
- Sale of human organs for transplantation

Your paper should:

- Define the problem
- Identify the key economic issues
- Draw on (and cite) both New Zealand and international literature and case studies
- Discuss public policy options based solely on economic analysis and criteria
- Identify the strengths and limitations of an economic approach to your topic

The purpose of this exercise is to (1) deepen your understanding of applying economic reasoning to public policy questions; (2) stimulate reflection on both the strengths and shortcomings of this approach, and (3) prepare for the application of complementary perspectives in the second assignment.

Assignment 2: Using Complementary Perspectives

Choose one policy issue. It may be from the list in Assignment 1, and you may wish to continue with the issue you chose in that assignment and develop it further. Alternatively, you may wish to choose a new area.

Suggestions include:

- Gambling
- Early childhood education
- Provision of legal aid
- Social welfare benefits
- Saving and Retirement Incomes

Based on readings from Section 2.1 and your own wider research, analyse the contribution that both economics and alternative perspectives can bring to public policy formation in the context of the particular issue you chose.

The purpose of this exercise is to (1) enhance your understanding of alternative approaches; (2) illustrate how these can be used to complement an economic analysis of a public policy issue, and (3) prepare for the third assignment.

Assignment 3: Preparing a Policy Paper

Your manager is required to present a report to the Minister. Your task is to provide him/her with a substantial *background paper* on the following topic:

- New Zealand's foreign aid programme should be refocused toward economic development rather than poverty elimination.

The purpose of this exercise is to (1) provide an opportunity to integrate your understanding of economic and complementary frameworks in analysing a complex policy issue, and (2) develop your written communication skills.

Citing references

It is critical you read widely for your assignment and cite correctly the material on which you draw. The preferred method is to place the author and the date in the text at the relevant point (Coleman 2008), and then list all the references at the end of the paper. They are not included in the word count, which applies to the body of the text only. Do not use *op. cit.*, *ibid.*, and do not place references in footnotes.

There are many referencing styles. The main thing is to be consistent. The following are meant as a guide to an easy and simple system. Examples:

For an article:

- Coleman, A. (2008) "Why does inflation matter?" *Journal of Improbable Outcomes* 43(2): 112-118.

For a book:

- Coleman, A. (2006) *The Value of Nothing*. London: Thames University Press.

For a working paper or report:

- Coleman, A. (2007) "Do sunspots affect economic growth?" Working Paper 08/2007, Lumsden Institute for All Things Groovy.

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.

Students should keep a copy of all submitted work.

Class Attendance

The School expects you to attend all three modules for the course. If, before enrolment for a course, you are aware that you will not be able to attend a module, you must notify the Director of Master's Programmes when you enrol explaining why you will not be able to attend. The Director of Master's Programmes will consult with the relevant course coordinator. In such circumstances, you may be declined entry into a course.

If you become aware after a course starts that you will be unable to attend a module or a significant part of a module (i.e. more than two hours in any given day), you must advise the course coordinator before the module explaining why you will be unable to attend. The course coordinator may excuse you from attendance and may also require you to complete compensatory work relating to the course content covered during your absence.

Penalties, Deadlines and Failure to Meet Due Dates

The ability to plan for and meet deadlines is a core competency of both advanced study and public management. Failure to meet deadlines disrupts course planning and is unfair on students who do submit their work on time. It is expected therefore that you will complete and hand in assignments by the due date. Marks will be deducted at the rate of five per cent for every day by which the assignment is late and no assignments will be accepted after five working days beyond the date they are due. For example, if you get 65% for an assignment, but you handed it in on Monday when it was due the previous Friday, you will get a mark of 50%.

If ill-health, family bereavement or other personal circumstances beyond your control prevent you from meeting the deadline for submitting a piece of written work or from attending class to make a presentation, you can apply for and may be granted an extension to the due date. You should let your course coordinator know as soon as possible in advance of the deadline (if circumstances permit) if you are seeking an extension. Where an extension is sought, evidence, by way of a medical certificate or similar, may be required by the course coordinator.

Mandatory Course Requirements

Submit or participate in all pieces of assessment required for this course.

Communication of Additional Information

Additional information or information on changes will be posted on Blackboard and conveyed to students by email.

Academic Integrity, Plagiarism, and the Use of Turnitin

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea. Even if it is presented in your own style, you must still acknowledge your sources fully and appropriately. This includes:

- material from books, journals or any other printed source
- the work of other students or staff
- information from the Internet
- software programs and other electronic material
- designs and ideas
- the organisation or structuring of any such material.

Acknowledgement is required for all material in any work submitted for assessment unless it is a 'fact' that is well-known in the context (such as "Wellington is the capital of New Zealand") or your own ideas in your own words. Everything else that derives from one of the sources above and ends up in your work – whether it is directly quoted, paraphrased, or put into a table or figure, needs to be acknowledged with a reference that is sufficient for your reader to locate the original source.

Plagiarism undermines academic integrity simply because it is a form of lying, stealing and mistreating others. Plagiarism involves stealing other people's intellectual property and lying about whose work it is. This is why plagiarism is prohibited at Victoria.

If you are found guilty of plagiarism, you may be penalised under the Statute on Student Conduct. You should be aware of your obligations under the Statute, which can be downloaded from the policy website (www.victoria.ac.nz/home/about/policy/students.aspx). You could fail your course or even be suspended from the University.

Plagiarism is easy to detect. The University has systems in place to identify it.

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine www.turnitin.com. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

There is guidance available to students on how to avoid plagiarism by way of sound study skills and the proper and consistent use of a recognised referencing system. This guidance may be found at the following website: www.victoria.ac.nz/home/study/plagiarism.aspx.

If in doubt, seek the advice of your course coordinator. **Plagiarism is simply not worth the risk.**

Other Information

For the following important information, follow the links provided:

- **Academic Integrity and Plagiarism**
www.victoria.ac.nz/home/study/plagiarism.aspx
- **General University Policies and Statutes**
www.victoria.ac.nz/home/about/policy
- **AVC (Academic) Website: information including Conduct, Academic Grievances, Students with Impairments, Student Support**
www.victoria.ac.nz/home/about_victoria/avcademic/Publications.aspx
- **Faculty of Commerce and Administration Offices**
www.victoria.ac.nz/fca/studenthelp/
- **Manaaki Pihipihinga Programme**
www.victoria.ac.nz/st_services/mentoring/