

School of Government

PUBL 203 (20 points) / PUBL 209 (15 points)
INTRODUCTION TO PUBLIC ECONOMICS

Trimester One 2011

COURSE OUTLINE

Names and Contact Details

Course Co-ordinator: Dr Antong Victorio
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Administrator: Kerry Pert
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Trimester Dates

Teaching Period: Monday 28 February to Friday 3 June 2011
End of Year Study Period: Monday 6 June to Thursday 9 June 2011
Examination Period: Friday 10 June to Saturday 2 July (inclusive)

Class Times and Room Numbers

Lecture Timetable:
Wednesday 10.30am – 11.20pm Rutherford House Lecture Theatre 3 (RHLT3)
Friday 10.30am – 11.20pm Rutherford House Lecture Theatre 3 (RHLT3)

Tutorial Timetable:
Monday 1.40pm - 2.30 pm RHMZ05
Tuesday 9.30am - 10.30 am RHMZ05

Tutor(s): To be announced

Withdrawal from Courses:

1. Your fees will be refunded if you withdraw from this course on or before 11 March 2011.
2. The standard last date for withdrawal from this course is 14 May. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' form including supporting documentation.

The application form is available from either of the Faculty's Student Customer Service Desks.

Course Objectives and Expected Workload

This course examines the role of government in a modern economy. Emphasis is placed upon contemporary market failures such as imperfect competition, externalities, missing information, destructive strategic behaviour and inefficient saving. Other topics may include how decisions are made in the public sector, the incentive effects of taxation and income distribution.

The course is worth 20 points as PUBL 203 and 15 points as PUBL 209, and consists of two lecture hours per week and one strongly-recommended tutorial hour. It represents one-sixth of a normal full-time load and students are expected to spend about five hours a week on course-related study. Attendance is strongly recommended because of the course materials' heavy-reliance upon lecture topics. It is strongly recommended, but not required, that students also attend ONE tutorial hour each week, to be chosen from among two to three sessions made available. During the tutorials, discussions of course material and previous-years' tests help prepare for assessment. Unless advised, students may change their chosen tutorial without having to inform the lecturer.

Course Delivery

This course will be delivered through two one-hour lectures per week, plus one one-hour tutorial per week. The lectures may be complemented by teaching videos. The lecture outline gives an indication of the topics to be covered, but that may vary to accommodate topical issues. Tutorials provide an opportunity for greater discussion and for learning the topics by way of practicing on previous years' tests.

Learning Objectives

By the end of the course, students should be able to:

- a) Analyse the market-failure aspects of public policy; (Major Attribute [MA] 5)
- b) Apply economic analysis to problems that do not seem initially to be economic in nature; (MA 9)
- c) Compare altruism and social responsibility as complementary motivators to self-interest; (MA 8)
- d) Analyse property rights in the context of mutually-beneficial agreements; (MA 5)
- e) Demonstrate an ability to measure inefficiency in models of micro-economic behaviour; (MA 3)
- f) Identify some common policies governments use to correct economic inefficiencies; (MA 5)
- g) Illustrate some unintended consequences to economic policies; (MA 9)
- h) Identify some common policies governments use to correct economic inequalities; (MA 5)
- i) Describe the trade-off between making economic outcomes more efficient and making them more equitable. (MA 5)

Major Attributes: PUBL majors will be able to	
MA1	Judge the defining features of good policy analysis and advice and appraise how they are best produced
MA2	Demonstrate an understanding of the influence of political ideas and philosophies, and of constitutional and political institutions on public policy
MA3	Demonstrate an understanding of the contribution of quantitative and qualitative methods in policy analysis
MA4	Identify the nature and respective roles of state and civil society in the development, implementation and evaluation of public policy, and demonstrate an understanding of the distinction between government and governance
MA5	Appraise different disciplinary contributions to the development, implementation and evaluation of public policy
MA6	Judge the relevance and importance of evidence in policymaking
MA7	Apply the comparative method to policy analysis, and identify insights that

	might be drawn from other policy jurisdictions
MA8	Judge and articulate the relevant criteria that might be used in assessing the advantages and disadvantages of particular policy options
MA9	Analyse complex policy issues from multiple perspectives and identify opportunities for innovation
MA10	Express ideas succinctly and persuasively both in written form and orally
MA11	Construct and articulate rationales for public policy intervention
MA12	Demonstrate an understanding of the significance of ethics and accountability in the study and practice of public policy
MA13	Interpret the significance of the Treaty of Waitangi (Te Tiriti o Waitangi) in the study and practice of public policy in New Zealand

Assessment Requirements

The purpose of the assessments is to measure the attainment of the learning objectives, especially the ones for (a) to (f) set forth above.

For those taking the course for 15 points (i.e. as PUBL 209), course grades are determined by three assessments: two in-class tests which count as 50% (25% for each), and a final exam which counts as 50%.

Those taking the course for 20 points (i.e. as PUBL 203) are strongly-recommended but not-required to submit a fourth assessment in addition to all of the above in the form of a take-home essay or test. Course grades are then determined by the following weights: 40% for the two in-class tests (20% for each), 40% for the final exam, and 20% for the take-home essay or test. If the fourth assessment is not submitted, those taking the course for 20 points (i.e. as PUBL 203) will have their grades determined in exactly the same way as those taking the course for 15 points.

The first in-class test will be held on Friday, 1 April 2011. The second in-class test will pertain only to material covered after the first test and it will be held on Friday, 20 May 2011. The final exam will be scheduled at some time during the exam period from Friday 10 June to Wednesday 29 June 2011.

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

Questions for the fourth assessment, which apply only to students enrolled for PUBL 203, will be given out in-class on Friday 27 May and will be due for submission by 5pm on Wednesday 1 June. This assessment must be delivered by hand to the assignment box at School of Government Reception (8th floor Rutherford House) during the office hours, which are 8.30 am – 5.00 pm. The assignment box is cleared daily, and assignments will be date stamped.

Note: 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.

Penalties

In exceptional cases, and only if official documentation is provided (for example, a medical certificate indicating the nature of the illness), the Course Co-ordinator may allow a student to sit a substitute test or (exam), which may be harder than the regular one. This is to be fair to other students who may have undertaken greater pains to overcome undocumented circumstances. Also, in exceptional circumstances an extension may be granted for the take-home essay/test, subject to marking penalties.

Mandatory Course Requirements

In addition to achieving a course mark of 50% or better, to pass this course students must sit the two in-class tests and sit the exam.

Students who fail to satisfy the mandatory requirements for passing this course, other than the requirement to obtain a C grade overall, will not receive a graded result, and their records will show a “K” (fail due to not satisfying mandatory course requirements, even though the student’s course requirements reached the level specified for a pass).

Course Content and Readings

There is no longer any set text for this course. Selected chapters from the text of last year, *Applied Models in Public Policy*, are included in a set of readings available for purchase at VicBooks, Student Book Centre, Pipitea, as a packet labelled “PUBL 203/209 – Introduction to Public Economics, Trimester One 2011, Readings and Practice Problems”. This packet also contains a summary of lectures from last year, all the readings listed below except for those indicated as *optional*, and copies and sample answers from previous years’ tests and final examinations. Copies of this packet are NOT available at the library.

Course requirements can be satisfied not just by keeping up with the readings, but also by practicing upon the test questions of previous years. Articles listed as *optional*, while useful for more advanced study, are not included in the readings packet.

In-class lectures will be supplemented by teaching videos produced by The Teaching Company. The presenters in these videos are prominent international economists, such as Professor Timothy Taylor, editor of the American Economic Association’s *Journal of Economic Perspectives*.

The reading weeks indicated below are for a Monday start and a Sunday end.

Part I: The fundamental theorems of welfare economics: (2 lecture weeks, 28 Feb to 13 March)

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2nd edition, Chaps. 1 and 2, (Introduction) and (Economics and Pareto Efficiency), Ateneo de Manila University (Philippines) and Macklev Books International (USA).

_____ (1995), *Applied Models in Public Policy* 2nd edition, Chapt. 3 (Perfect Competition).

_____ (2010), “The Theory Behind a Supply Curve,” Notes for Publ 203/209.

The Economist (2002), “Economics Focus: Never the Twain Shall Meet,” 2 February, p. 70.

_____ (2005), “Human Evolution: Homo Economicus?” 9 April, p. 65.

_____ (2000), “One True Model?” 8 April, p. 92.

_____ (2000), “Barriers Real and Imagined,” 9 December, p. 95.

Stiglitz, J. (1988), *Economics of the Public Sector*, “The Economic Rationale for Government – Chapter 3”, W W Norton. (optional)

Part II: Categories of market failure and economic instruments for intervention: (10 lecture weeks, 14 March to 3 June)

1) Imperfect competition:

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2nd edition, Chapt. 4 – Imperfect Competition.

The Dominion Post (2006), “Home Fees to Fall as MP’s Axe Monopoly,” 15 March, p. A5.

Sunday Times of London (1995), “American Tourists Get Half-Price Car Hire,” 15 January, p. 5.

The Economist (1998), “Indiscriminate Pricing,” 1 August, p. 70.

_____ (2000), “Divide and Rule,” 20 May, p. 104.

Landsburg, Steven E. (1991), *Price Theory and Applications*, “Monopoly – Chapt. 10”, The Dryden Press, New York. (optional)

2) Market failures from externalities, public goods and political decision-making:

Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy*, 2nd edition, Chapt. 5 – Economic Externalities.

- Hyman, David (1996), *Public Finance: A Contemporary Application of Theory to Policy 5th edition*, "Taxation, Prices, Efficiency and the Distribution of Income – Chapt. 11", pp. 363 – 393, Dryden Press.
- Victorio, Andres G. (Antong) (1994), Rubbish Disposal: Council v. Evaders. *The Evening Post*, Wellington, 27 May.
- The Dominion (1995), February 16, p. 2, "More Might Die if Speed Limit Rises, MP's Told" and "Speedcam Below Expectations".
- _____ (1995), February 24, p. 17, "Move to Get Foresters to Pay for Road Damage".
- The Economist (2001), "Economics Focus: Fuelling Discontent," 19 May, p. 75.
- _____ (2001), "Do Guns Mean Crime?" 13 January, p. 80.
- Nicholson, Walter (1990), *Microeconomic Theory, Fifth Edition*, "Externalities and Property Rights – Chapter 21", The Dryden Press. (optional)
- Victorio, Andres G. (Antong) (2004), *Applied Models in Public Policy, 2nd edition*, Chapt. 6 – Public Goods.
- _____ (2009), "Altruism and Externalities", *Applied Economics Letters*, Vol. 16, No. 15, October 2009, pp. 1529 – 1531. (optional)
- Landsburg, Steven E. (1991), *Price Theory and Applications*, "Common Property and Public Goods", pp. 463 – 471, Dryden Press, New York.
- The Economist (2000), "The Problems Stack Up," 9 December, p. 67.
- Hyman, David (1996), *Public Finance: A Contemporary Application of Theory to Policy 5th edition*, "Public Choice and the Political Process – Chapt. 5," pp. 150 – 185.

3) Failures from imperfect information, such as in the market for insurance:

- Victorio, A. (2004), "Information Failures", Chapter 6 in *Perspectives in Applied Economics*, draft of 2004, copyrighted to the author.
- _____ (2002), "Non-Market Insurance and Intrafamily Transfers", *Applied Economics Letters*, Vol. 9, No. 2, February, pp. 99 – 102. (optional)
- The Economist (1995), "An Insurer's Worst Nightmare," 29 July, p. 66.
- ASB Bank New Zealand (2000), "EasyLife Insurance: Information Booklet".

4) Other market failures – from inefficient strategic behaviour, superannuation and education:

- Victorio, A. (2004), *Applied Models in Public Policy 2nd edition*, Chapt. 15 – Game-Theoretic Models.
- _____ (2005), "Contemporary Economic Games," *Policy Quarterly* Vol. 1 No. 3, pp. 16 – 22.
- _____ (2008), "Rationalizing Social Security," *Journal of Business and Governance*, Vol. 10 No. 2, pp. 129-137.
- Rasmusen, E. (1989) *Games and Information: An Introduction to Game Theory*, "Chapt. 1 – The Rules of the Game", Basil Blackwell, New York. (optional)

Class Representative

A class representative will be elected in the first class, and that person's 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 the students.

Communication of Additional Information

Any information concerning changes to class times or the like will be conveyed to students in class. Blackboard may also be used for such announcements and for course-related materials. Queries may be sent to the Course Co-ordinator by email at antong.victorio@vuw.ac.nz or by leaving a phone message on 463 5709.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://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. You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources.

Other Information

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

Find key dates, explanations of grades and other useful information at
www.victoria.ac.nz/home/study

Find out about academic progress and restricted enrolment at
www.victoria.ac.nz/home/study/academic-progress

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy except qualification statutes, which are available via the Calendar webpage at www.victoria.ac.nz/home/study/calendar (See Section C)

Further information about the University's academic processes can be found on the website of the Assistant Vice Chancellor (Academic) at
www.victoria.ac.nz/home/about_victoria/avcademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/