

School of Economics and Finance

**ECON 341:  
Public Choice and Social Welfare**

Trimester Two 2011

**COURSE OUTLINE**

---

**Course lecturers**

Paul Calcott	RH 324	463-6585	<a href="mailto:paul.calcott@vuw.ac.nz">paul.calcott@vuw.ac.nz</a> (Coordinator)
Vladimir Petkov	RH 315	463-6190	<a href="mailto:vladimir.petkov@vuw.ac.nz">vladimir.petkov@vuw.ac.nz</a>
Lectures:	RWW315	Mon, Thur 15:40-16:30,	11 July - 13 Oct
Tutorials:	RWW314	Thur 16:40-17:30	6 weeks TBA
Office hours:	please email to arrange		

The **course content** is an introduction to the field of political economy. We begin with normative political economy and social choice theory. Then we turn to the economic theory of rent-seeking, bureaucracy and regulation. After the break, we discuss the behavior of the key actors in the political arena - voters, candidates, legislatures, interest groups, political parties, and the media. Then we discuss how political decisions are distorted away from those that would be made by a benevolent social planner and aspects of the optimal design of political institutions. Topics here include campaign finance policy, federalism, and fiscal restraints. The final section deals with how political institutions change over time.

There is no required textbook. However there is a recommended book:

Dennis Mueller, *Public Choice III*, CUP, 2003.

This is quite a comprehensive treatment of public choice, but is aimed a little high for this course. Vic Books should have copies. The library is ordering an ebook version of the third edition and has a hard copy of the second,

<http://victoria.lconz.ac.nz/vwebv/holdingsInfo?bibId=506090>. Google books makes a fair bit visible too.

There will be quite a few other readings. Links to this material will available on blackboard: <http://blackboard.vuw.ac.nz>.

Course documents, **announcements**, assignment questions and other information will also be available on blackboard. Some ideas for supplementary reading are provided below.

**Assessment:**

1 hour test	30%	18 Aug
assignment 1	10%	08 Sep
assignment 2	10%	06 Oct
2 hour exam	50%	Friday 21 October - Saturday 12 November (inclusive)

Silent non-programmable calculators will be permitted in the exam.

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.

**Tutorials** will be held in six of the 12 teaching weeks of the trimester. Information on which weeks they will be held in will be posted on blackboard. There is only one tutorial time (Thur 16:40-17:3, RWW314), so it is not necessary to enrol in it.

### **Required background**

The prerequisite is ECON 201. You should be prepared for some of the lecture material to involve mathematical notation and basic game-theoretic models.

**Course delivery:** Weekly two-hour lectures plus six tutorials.

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. articulate and interpret the basic assumptions and principles of political economy
2. comprehend the purpose and development of political institutions
3. use game-theoretic techniques to study politico-economic models
4. analyse models of voting in multi-candidate elections and voting
5. with incomplete information; explain the factors for voter turnout
6. understand the main results of theory of legislatures; apply models of non-cooperative bargaining to legislative decision making
7. get insight into the political influence of interest groups and the problems of campaign finance
8. explain the role of parties in the political system
9. analyse models of static and dynamic political distortions

10. identify the advantages and disadvantages of alternative electoral systems
11. understand the issues of policy assignment between local and central governments

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.

### Supplementary reading:

- Paul Anand, Prasanta Pattanaik and Clemens Puppe (eds), *The Handbook of Rational and Social Choice*, OUP, 2009
- Kaushik Basu and Ravi Kanbur (eds), *Arguments for a Better World*, Vol I, OUP, 2009
- Allan Feldman and Roberto Serrano, *Welfare Economics and Social Choice Theory*, 2nd ed, Springer, 2006
- Charles K. Rowley and Friedrich Schneider (eds), *Readings in Public Choice and Constitutional Political Economy*, Springer, 2008
- William F. Shughart and Laura Razzolini (eds), *The Elgar Companion to Public Choice*, Edward Elgar, 2001
- Gordon Tullock, Arthur Seldon and Gordon Brady, *Government Failure*, Cato, 2002
- Barry Weingast and Donald Wittman (eds), *The Oxford Handbook of Political Economy*, OUP, 2006

### 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/avcademic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/avcademic/Publications.aspx)