

School of Economics and Finance

MMPE 504:

Regulation: Economics for the Public Sector

Trimester One 2016

COURSE OUTLINE

People and times

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Class times:	Fri 10:30–13:20		RWW314	
Office hours:	Please e-mail to arrange a time			

Prescription

An investigation of forces shaping the behaviour of individuals, private and public organisations. The course critiques the economic roles of law, policy and regulation in various settings, with case studies on regulatory impact assessment and of agencies such as Health, Education, and Social Development.

Course learning objectives:

Students passing this course should be able to:

1. evaluate potential justifications for regulatory intervention
2. identify advantages and disadvantages of various forms of regulation, by drawing on economic theory and empirical evidence
3. analyse the incentive properties of proposed social regulations
4. explain the objectives and methods underlying the use of Cost Benefit Analysis for regulatory review
5. use analytical skills to determine a range of policy options and translate these options in a way that will support useful debate.

Course content

The course deals with the economic analysis of social regulation. The emphasis will be on interventions that are motivated by externalities or by paternalism. The first part of the course covers topics in the use of Cost Benefit Analysis in regulatory review. This material should be complementary with the material on Cost Benefit Analysis in MMPE501. The rest of the course deals with the selection of appropriate policy instruments. Reference will be made to design standards, performance standards, corrective taxes, cap-and-trade schemes, restrictions on contracts, information provision and nudges.

Assumed background

We will make use of the concepts of *consumer surplus*, *indifference curves* and *marginal benefits and costs*. While these concepts will be briefly reviewed in class, if you haven't been exposed to them before then it might be advisable to do some preliminary reading in an introductory microeconomics textbook.

Lectures will sometimes involve a modest amount of mathematical analysis. The material on Cost-Benefit Analysis (weeks 1 to 3) will include some simple algebraic exercises. A few lectures (in weeks 4 to 6) will make reference to some elementary calculus. However, the emphasis will be on intuition rather than mathematical exercises. You will not be asked to do any calculus in any assessment for this course. But if you are worried, you might consider finding an introductory maths textbook and reviewing the concept of *partial differentiation*.

We will frequently refer to empirical evidence about the effects of social regulations. While you will not be expected to actually conduct any statistical analysis, you will be required to interpret empirical results. It will not be assumed that you have more than a basic appreciation of econometrics, and the empirical discussion will be more intuitive than formal.

Topic outline

Cost Benefit Analysis & regulatory review	
04 Mar	Objectives and components of CBA
11 Mar	Normative & conceptual foundations of CBA; some recent controversies
18 Mar	Total surplus analysis; nonmarket benefits
25 Mar	break
Implementation in prices and quantities	
01 Apr	Social efficiency: policies for externalities and internalities
08 Apr	Incentives vs controls; performance vs design standards <i>Assignment 1 due: CBA exercise</i>
15 Apr	Corrective taxes vs cap-and-trade
22 Apr	<i>Midterm test: CBA and regulatory design</i>
29 Apr	break
Regulatory failure	
06 May	Capture & preemption: Deepwater Horizon, the Endangered Species Act
13 May	Compensating behaviour: fuel efficiency standards, safety regulation
Market transmission & regulatory incidence	
20 May	Upstream vs downstream instruments: carbon leakage, accommodation mandates
Behavioural market failure & paternalism	
27 May	Paternalism & internality taxes: cigarettes <i>Assignment 2 due: mock Regulatory Impact Statement</i>
03 Jun	Nudges & information vs incentives & controls: consumer protection, retirement saving
10 Jun	First day of exam period

Trimester Dates

Teaching Period:	Monday 29 Feb - Friday 3 June
Study Period:	Monday 6 June - Thursday 9 June
Examination Period:	Friday 10 June - Wednesday 29 June (inclusive)

Withdrawal from course

1. Your fees will be refunded if you withdraw from this course on or before Friday 11 March.
2. The standard last date for withdrawal from this course is Friday 13 May. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Deans Permission to Withdraw Late' including supporting documentation. The application form is available from either of the Faculty's Student Customer Service Desks.

Course delivery

There will be three contact hours per week. On average, about two of those hours will be lectures. The remainder will be discussions, workshops and problem solving.

Reading

Most of the course will be based on readings rather than a textbook. These readings will be provided via links on [blackboard](#). However there is a textbook for the material on cost-benefit analysis, which you will be able to collect from Debbie:

Anthony Boardman, David Greenberg, Aidan Vining and David Weimer, *Cost-Benefit Analysis* (4e) Pearson [1520960](#)

Workload

The **expected workload** for MMPE 504 is 200 hours in aggregate; 12–15 hours per week during term, plus around 40 hours (in total) during the break and study period. Each week during term time you should expect to spend: 3 hours in lectures/discussion sessions and 9–12 hours reading, preparing for lectures, and completing assignments.

Assessment

Cost-Benefit exercise		15%	08 Apr
Midterm test	90 mins	30%	22 Apr
Regulatory impact exercise	2500 words	15%	27 May
Final test	120 mins	40%	TBA: during exam period

The first assignment is a cost-benefit exercise. The second is a mock Regulatory Impact Statement. **Assignments** can be handed in to box #74 on the first floor of the Railway Building. Assignments that are late without permission will attract **penalties** of 5% points a day. Silent non-programmable **calculators** will be permitted in the tests. This course has a **mandatory course requirement** that you obtain at least 40% in each of two tests.

From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

If you cannot complete an assignment or sit a test, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php.

Communication of additional information

Course documents, **announcements**, assignment questions and other information will also be available on the blackboard website: <http://blackboard.vuw.ac.nz>. If you have any problems accessing Blackboard, you might contact the ITS Service Desk on (04) 463 5050 or its-service@vuw.ac.nz. See www.victoria.ac.nz/its/student-services/.

Link to general information

For general information about course-related matters, go to:
www.victoria.ac.nz/vbs/studenthelp/general-course-information.

Note to students

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.