

School of Government

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

Trimester 1, 2016

**COURSE OUTLINE**

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**Prescription – PUBL203**

Analysis of the roles of government in a modern economy. Topics include contemporary market failures including imperfect competition, externalities, missing information, destructive strategic behaviour, and inefficient saving; decision-making in the public sector; taxation, income distribution and labour market incentives.

**Prescription – PUBL209**

This course explores the role of government, community and the private sector in achieving economic, social and environmental well-being. Incentives, behaviour and the design of policies are analysed for selective topics, including taxation, public expenditure, and social and environmental issues.

**Course Objectives and Expected Workload**

This course examines the role of government in a market economy. The emphasis is on the ways government expenditure and taxation can improve social outcomes in a market economy, and the limits of these tools.

The course is worth 20 points as PUBL 203 and 15 points as PUBL 209. There are two fifty-minute classes per week and one fifty-minute tutorial. The expected workload for PUBL203 is a total of 200 hours, and for PUBL209 is a total of 150, including all contact time. This is an average of approximately 13 and 10 hours per week, respectively. Lecture attendance is strongly recommended for successful learning.

Students are also required to attend ONE tutorial hour each week, to be chosen from among three-four sessions made available. The first week's tutorials will be used to revise economics content for those with little background in economics. Subsequent tutorials will reinforce course material through class discussion of the required readings and application to selected public policy issues.

**Course Delivery**

This course will be delivered through two fifty-minute lectures per week, plus one fifty-minute tutorial per week.

<b>Course Objectives:</b> By the end of this course, students should be able to:	
1	understand the role that prices play in a market economy, both as a method of allocating resources in the private sector, and as a guide for public policy
2	understand the twin objectives of efficiency and equity, and explain why there is often a trade-off between these two objectives
3	understand the connection between relative prices and notions of efficiency
4	understand the mechanics of the New Zealand tax system, the connection between the tax system and policy objectives, and their joint connection to the fiscal responsibility provisions of the Public Finance Act
5	communicate ideas of public economics in jargon-free English, both orally and in writing

### **Trimester Dates**

Teaching Period: Monday, 29 February – Friday 3<sup>rd</sup> June  
 Study Period: Monday 6<sup>th</sup> June – Thursday 9<sup>th</sup> June  
 Examination Period: Friday 10<sup>th</sup> June – Wednesday 29<sup>th</sup> June (inclusive)

### **Withdrawal from Courses**

Your fees will be refunded if you withdraw from this course on or before Friday 11 March 2016

The standard last date for withdrawal from this course on or before Friday 13 May 2016. 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*' including supporting documentation. This application form is available from either of the Faculty's Student Customer Service Desks or online.

### **Names and Contact Details**

**Course Co-ordinator: Dr Eric Crampton**

Phone: 021 233 4527  
 Email: Eric.Crampton@vuw.ac.nz

Administrator: Robyn McCallum  
 Room: Rutherford House, Level 8, Room 821 (Reception)  
 Phone: (04) 463 6599  
 Email: Robyn.McCallum@vuw.ac.nz

Tutor: Hamish Slack

## **Class Times and Room Numbers**

Lecture Timetable:	<b>11:30-12:20</b>	<b>Tuesday</b>	<b>GBLT4</b>
	<b>11:30-12:20</b>	<b>Friday</b>	<b>RHLT2</b>
Tutorial Timetable:	<b>12:40 – 13:30</b>	<b>Monday</b>	<b>GB117</b>
	<b>15:40 – 16:30</b>	<b>Monday</b>	<b>RWW222</b>
	<b>9:30 – 10:20</b>	<b>Tuesday</b>	<b>RWW125</b>

I am a contract lecturer and work full-time. Rather than having a regular weekly time to meet with students, I would like to organise a time to meet which is before or after class when this is possible. Please contact me by email to organise an appointment at a different time.

I will regularly check in on Blackboard. General course questions should be posted online in the blog forum and should not be sent by email. This contributes to a community of learning by letting all students see both the question and the answers. Questions that are student-specific, such as enquiries related to absence due to medical impairment, can be directed to me by email.

## **Please enrol in a tutorial group**

To enrol in your desired tutorial group, you will need to log onto Myallocator. The PUBL203/209 signup will open at 10:00am on 19 February and close at 4:00pm on 04 March. Tutorials will begin during the week of Monday 29 February. If you have any serious problems selecting a tutorial group, please contact Robyn McCallum.

Final Examination: The exam date will be announced around the first week in May

## **Assessment Requirements**

The Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>

The purpose of the assessments is to measure the attainment of the learning objectives, as set out in the course outline.

For those taking the course for 15 points (i.e. as PUBL 209), course grades are determined by: one in-class test (worth 30%), a grade for participation in tutorials (10%), an op-ed style take-home essay (15%), and a final exam (45%).

Being able to convey complicated economics concepts in jargon-free English to a lay audience demonstrates both your mastery of the topic and your writing abilities. It is harder to write for an audience of laypersons than for an audience of other experts.

You will write one practice op-ed for in-tutorial discussion before producing your graded op-ed. In both, you will be required to explain, to a lay audience, a relatively jargon-heavy paper in public finance. The graded op-ed can total no more than 1000 words and should be suitable for an audience reading the National Business Review. You will be provided examples of jargon-free op-ed writing on economics topics, along with the required basic structure for an op-ed. 50% of the essay grade will be based on the writing and 50% on content.

While the practice op-ed is not graded, you must submit it for in-tutorial discussion if you wish to attend the tutorial session on op-ed writing.

Students taking the course for 20 points (i.e. as PUBL 203) will be required, in addition to the assessment described for PUBL 209, to write a longer take-home feature essay following the same format as described above. This essay should total no more than 1750 words and be suitable for an audience reading *North & South* or *The Listener*. Again, half the grade will be based on the quality of the writing and half on the essay's content.

In this case (PUBL 203), the weights are in-class test (25%), tutorial participation (10%), final exam (35%), short op-ed (10%) and longer essay (20%).

The in-class test will be on Friday, 22 April. It will cover the material contained in the syllabus outlined below up to and including *Taxation III: Income Taxation*. The final exam will cover the entire semester's material, but will be weighted more to the material not covered by the in-class test.

For both PUBL 203 and PUBL 209, 15% of the weight of the in-class test will be transferred to the final exam if it improves the student's grade.

The practice op-ed assignment will be assigned on 22 March and will be due on 5 April. This assessment must be submitted online through Turnitin. You must also provide an electronic copy to your tutorial workgroup for in-tutorial discussion.

The graded op-ed topic will be assigned on 12 April and will be due 6 May. The longer essay topic for PUBL209 students will be assigned on 6 May and will be due on 27 May. The graded assessment must be delivered in two forms by 5:00pm on the due date: submitted online through Turnitin, and an identical hard-copy version 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. Marking penalties apply on a daily basis to late submissions.

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

*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 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.*

## **Mandatory Course Requirements**

In addition to achieving a course mark of 50% or better, to pass this course, students must sit the final exam and attend at least 7 of the 11 tutorial sessions. Students who obtain a C- grade or better overall but otherwise fail to satisfy the mandatory requirements for passing this course, 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).

If you cannot complete an assignment or sit a test or examination, refer to [www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

## Course Syllabus

The course is in three parts, each taking approximately 4 weeks. The first part of the course introduces some basic tools of economics analysis, and explains the role of prices in a modern mixed economy, both in private markets and as the principal means through which government implements policy. The second and third parts then consider the two major ways in which government policy affects outcomes in a market economy: taxes and expenditure. The course is intended as a broad overview of public economics, rather than digging deeply into particular topics.

## Semester Outline

Date	Topic
Tuesday, 1 March 2016	Market Prices and Efficiency
Friday, 4 March 2016	Market Prices and Efficiency
Tuesday, 8 March 2016	Market Challenges: Externality
Friday, 11 March 2016	Market Challenges: Externality
Tuesday, 15 March 2016	Market Challenges: Public goods
Friday, 18 March 2016	Market Challenges: Equity
Tuesday, 22 March 2016	Government and policy
Friday, 25 March 2016	<i>UNIVERSITY CLOSED</i>
Tuesday, 29 March 2016	<i>UNIVERSITY CLOSED</i>
Friday, 1 April 2016	Taxation I: Principles of Tax Policy
Tuesday, 5 April 2016	Taxation I: Principles of Tax Policy
Friday, 8 April 2016	Taxation II: Tax incidence and analysis
Tuesday, 12 April 2016	Taxation II: Tax incidence and analysis
Friday, 15 April 2016	Taxation III: Income taxation
Tuesday, 19 April 2016	Taxation IV: Consumption taxation
Friday, 22 April 2016	<b>Mid-term test in-class</b>
Tuesday, 26 April 2016	<i>UNIVERSITY CLOSED</i>
Friday, 29 April 2016	<i>UNIVERSITY CLOSED</i>
Tuesday, 3 May 2016	Taxation V: Capital and Corporate taxation
Friday, 6 May 2016	Taxation VI: Land taxes and local government
Tuesday, 10 May 2016	Expenditure I: Public consumption goods
Friday, 13 May 2016	Expenditure II: Social Insurance
Tuesday, 17 May 2016	Expenditure III: Transfers
Friday, 20 May 2016	Budget 2016: Highlights
Tuesday, 24 May 2016	Off-budget expenditure: The regulatory budget
Friday, 27 May 2016	Cost-benefit assessment
Tuesday, 31 May 2016	Tax and Expenditure: The Public Finance Act
Friday, 3 June 2016	Tax and Expenditure: The ballot box constraint
<b>TBA</b>	<b>FINAL EXAM</b>

## Readings

There is no set textbook for this course. Instead, readings are listed here. Any that are not easily available via University's e-journal subscriptions will be available on Blackboard.

To access the library's electronic journal holdings, search at <http://library.victoria.ac.nz/library-v2/>. Simply writing the article's title (in quotation marks), the author's last name, and the year of publication in the search bar often suffices. Otherwise, search for the journal, then for the correct issue and number.

It is recommended that students who have not taken ECON 130 should become familiar with some concepts relating to price theory using David Friedman's excellent text, entirely available online. The first two weeks' tutorials will focus on the basics of price theory. Students who did not take Econ 130 are especially encouraged to attend. Those who did take Econ 130 and who are not concurrently taking intermediate microeconomics should consider attending as refresher.

The first two weeks' of tutorials will cover chapters 3, 4, and 5 of:  
Friedman, David. 1990. "Price Theory: An Intermediate Text", South-Western Publishing Co. available at [http://www.davidfriedman.com/Academic/Price\\_Theory/Price%20Theory-%20D.%20Friedman.pdf](http://www.davidfriedman.com/Academic/Price_Theory/Price%20Theory-%20D.%20Friedman.pdf)

More advanced students with strong mathematical backgrounds but without strong economics backgrounds could alternatively consider any edition of Hal R. Varian's Intermediate Microeconomics.

There are also excellent texts out there that provide models of concise, jargon-free economic writing. These will be important in exam questions asking you to present your answer in the form of a short essay, and in the assigned essays.

I recommend:

Winter, Harold. 2013. *Trade-offs*. Second Edition. University of Chicago Press: Chicago.  
Harford, Tim. 2007. *The Undercover Economist*. Little, Brown: London.  
Harford, Tim. 2008. *The Logic of Life*. Little, Brown: London.

Economics blogs also can provide excellent, if sometimes idiosyncratic, examples of good economic writing aimed at an audience of intelligent laypersons. I particularly recommend:

Cowen, Tyler and Alex Tabarrok. *Marginal Revolution*. <http://marginalrevolution.com/>  
Caplan, Bryan, Scott Sumner et. al. *EconLog*. <http://econlog.econlib.org/>  
Harford, Tim. *The Undercover Economist*. <http://timharford.com/>

A best-of from New Zealand's economics blogs are indexed at the Science Media Centre's Dismal Science blog. <http://sciblogs.co.nz/thedismalscience/>

## Specific week-by-week readings

Required readings are listed below for topics covered prior to the mid-semester exam. Any optional ones are clearly labelled as optional.

Topic	Readings
<b>Market Prices and Efficiency</b>  <b>Week 1</b>	<p>Friedman, David. "Economic Efficiency". Chapter 15 in <i>Price Theory</i>. Read the chapter up to the section beginning at p.492, "Summing Utilities." We will read the rest of this chapter in Week 3. <a href="http://www.daviddfriedman.com/Academic/Price_Theory/Price%20Theory-%20D.%20Friedman.pdf">http://www.daviddfriedman.com/Academic/Price_Theory/Price%20Theory-%20D.%20Friedman.pdf</a></p> <p>Students who have not before encountered an Edgeworth Box may optionally consult "The Edgeworth Box" in David Friedman's text above-linked, at pages 162-166.</p> <p>Hayek, F.A. 1945. "The use of knowledge in society." <i>The American Economic Review</i> 35:4, pp. 519-530. His language is opaque: English was not his first language. Do not try to get every nuance but read for the main important point he is there making. It is main, and important. It's arguably the most important point made in the entirety of 20<sup>th</sup> Century economics.</p> <p>More advanced students familiar with basic price theory could read, as <i>optional</i> more systematic treatment, "Exchange". Chapter 31, pp. 565-589, in Varian, Hal R. <i>Intermediate Microeconomics</i>. I am here using the 7<sup>th</sup> Edition; prior editions (or subsequent ones) covering general equilibrium also suffice. I will not test you on material covered in Varian, but his is the canonical treatment at the intermediate level.</p>
<b>Market Challenges: Externality</b>  <b>Week 2</b>	<p>Dourado, Eli. 2012. "Is there a cybersecurity market failure?" Mercatus Center Working Paper 12-05. Available at <a href="http://mercatus.org/sites/default/files/publication/Cybersecurity_Dourado_WP1205_0.pdf">http://mercatus.org/sites/default/files/publication/Cybersecurity_Dourado_WP1205_0.pdf</a></p> <p>Winter, Harold. "Stop Bothering Me". Chapter 6, pp. 103-128, in Winter, Harold. 2013. <i>Trade-offs</i>. Second edition. University of Chicago Press.</p> <p>As <i>optional</i> additional background for those weaker backgrounds in economics, Friedman's Chapter 18 in <i>Price Theory</i> on Market Failure may prove useful.</p>
<b>Market Challenges: Public goods</b>  <b>Week 3</b>	<p>Demsetz, Harold. "The Private Production of Public Goods." <i>Journal of Law and Economics</i> 13 (October 1970): pp. 293-306.</p> <p>As <i>optional</i> additional background for those weaker backgrounds in economics, Friedman's Chapter 18 in <i>Price Theory</i> on Market Failure may prove useful.</p>
<b>Market Challenges: Equity</b>  <b>Week 3</b>	<p>Friedman, David. "Economic Efficiency". Chapter 15 in <i>Price Theory</i>. Read the section beginning at p. 492, "Summing Utilities: The Problem", through to the end of the chapter.</p>
<b>Government and policy</b>  <b>Week 4</b>	<p>Friedman, David. 2004. "Private and political markets both fail." New Zealand Business Roundtable. Available at <a href="http://nzinitiative.org.nz/site/nzinitiative/files/publications/publications-2004/cautionary_tale.pdf">http://nzinitiative.org.nz/site/nzinitiative/files/publications/publications-2004/cautionary_tale.pdf</a></p> <p>Lemieux, Pierre. 2004. "The Public Choice Revolution." <i>Regulation</i> (Fall): pp. 22-29.</p>

<b>Taxation I: Principles of Tax Policy</b>	Leach, John. 2004. "Taxation." Chapter 16, pp. 241-255, in <i>A Course in Public Economics</i> . Cambridge University Press. Read up through page 247.
<b>Weeks 5 &amp; 6</b>	Tax Working Group. 2010. "A Tax System for New Zealand's Future". Read Chapter 1, available at <a href="http://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf">http://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf</a>
<b>Taxation II: Tax incidence and analysis</b>	Friedman, David. "Markets -- Putting it together." Chapter 7 in <i>Price Theory</i> . Linked previously.
<b>Weeks 6 &amp; 7</b>	Treasury. 2012. "The New Zealand Tax System." Available at <a href="http://www.treasury.govt.nz/publications/media-speeches/speeches/nzeconomytaxpolicy/taxpolicypriorities-17mar12.pdf">http://www.treasury.govt.nz/publications/media-speeches/speeches/nzeconomytaxpolicy/taxpolicypriorities-17mar12.pdf</a>
<b>Taxation III: Income taxation</b>	Connolly, Sara and Alistair Munro. 1999. "Taxes on Labour". Chapter 13, pp. 222-241, in <i>Economics of the Public Sector</i> . Prentice Hall. You will never be assessed on specifics of the UK tax system.
<b>Week 7</b>	
<b>Taxation IV: Consumption taxation</b>	Leach, John. 2004. "Taxation." Chapter 16, pp. 241-255, in <i>A Course in Public Economics</i> . Cambridge University Press.
<b>Week 8</b>	Tax Working Group. 2010. "Increasing the GST rate." pp. 45-48 at <a href="http://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf">http://www.victoria.ac.nz/sacl/centres-and-institutes/cagtr/pdf/tax-report-website.pdf</a>
	Hogan, S.D. (2011), "The case against a dirty GST: Some GST basics", blogpost at <a href="http://offsettingbehaviour.blogspot.co.nz/2011/08/case-against-dirty-gst-some-gst-basics.html">http://offsettingbehaviour.blogspot.co.nz/2011/08/case-against-dirty-gst-some-gst-basics.html</a>
	Hogan, S.D. (2011), "The case against a dirty GST: Illusory benefits of exclusions", blogpost at <a href="http://offsettingbehaviour.blogspot.co.nz/2011/08/case-against-dirty-gst-illusory.html">http://offsettingbehaviour.blogspot.co.nz/2011/08/case-against-dirty-gst-illusory.html</a> .
	<b>Readings for subsequent weeks will be provided later in the semester.</b>



## **Examinations**

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. The final examination for this course will be scheduled at some time during the period:

Friday 10 June – Wednesday 29 June 2016.

## **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](http://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 <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.

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 <http://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.

### **Student feedback**

Student feedback on University courses may be found at [www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php)

### **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 [eric.crampton@vuw.ac.nz](mailto:eric.crampton@vuw.ac.nz); use of the Blackboard forum is recommended for non-personal questions.

### **Link to general information**

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

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