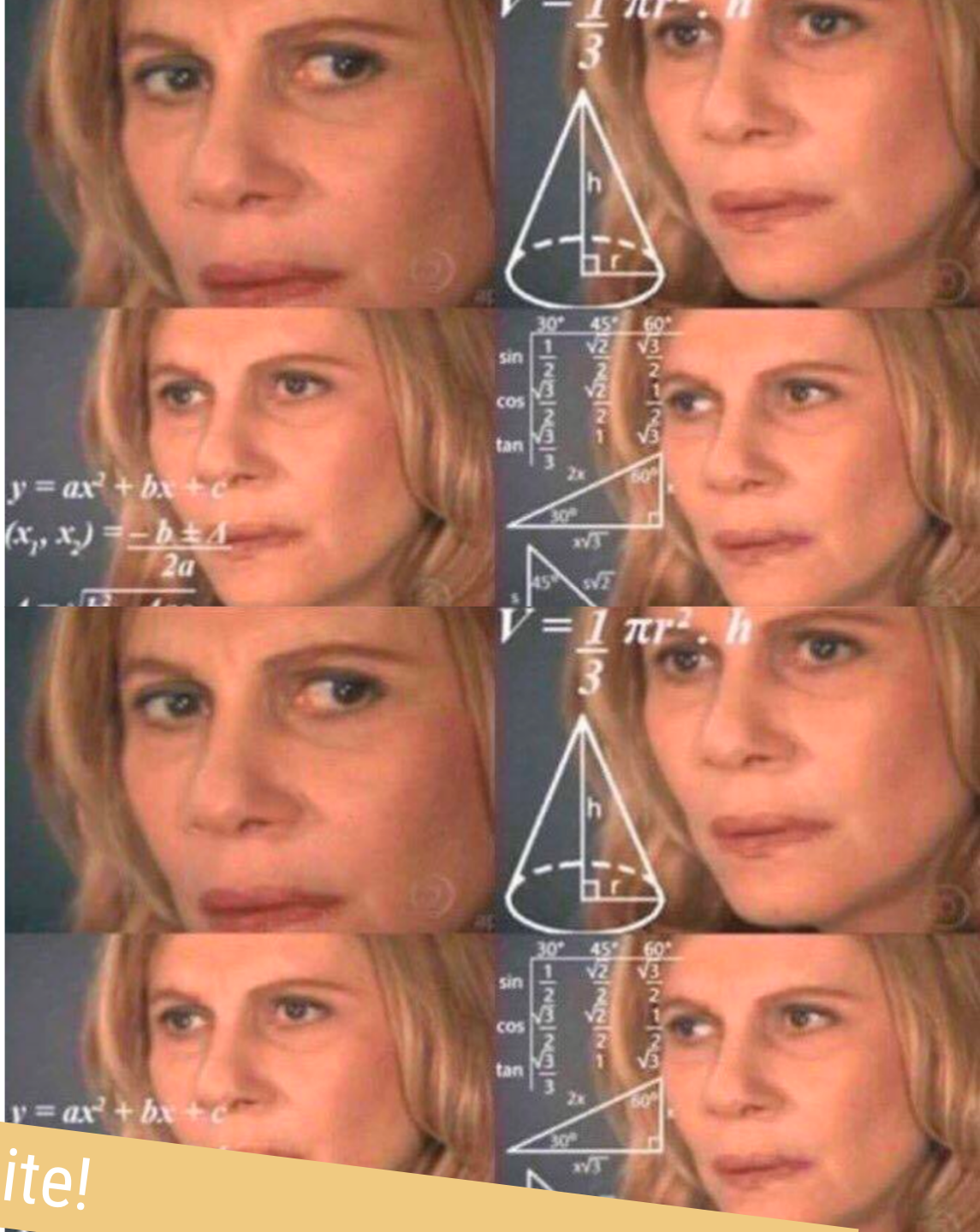
Government institutions I

MPA 612: Public Management Economics

March 12, 2018



Fill out your reading report on Learning Suite!

Plan for today

Efficiency and fairness

Multiplicative Products, Inc.

Addressing external effects

Current events

Miscellaneous business

Midterm

Lab

Problem sets 6/9

Efficiency and fairness

Pareto efficiency

No alternative allocation where one person would be better off and nobody would be worse off

Fairness

Is the allocation just and equitable?

Rawlsian veil of ignorance

Others?

“But let judgment run down as waters, and righteousness as a mighty stream.” (Amos 5:24, KJV)

“Learn to do good; seek justice, rescue the oppressed, defend the orphan, plead for the widow.” (Isaiah 1:17, NRSV)

“This was the guilt of your sister Sodom: she and her daughters had pride, excess of food, and prosperous ease, but did not aid the poor and needy.” (Ezekiel 16:49, NRSV)

Is international trade efficient?

Is international trade fair/just?

NAFTA KILLS
JOBS ACROSS BORDERS

CITY A.M.
BUSINESS WITH PERSONALITY

CRYPTO NEEDN'T BE CRYPTIC
eToro

00 HEAVEN WE TAKE THE NEW ASTON FOR A TEST DRIVE P34

HOLD YOUR NERVE WHY HAMMOND SHOULDN'T TURN ON THE TAPS P20

TUESDAY 6 MARCH 2018 | ISSUE 3,076 CITYAM.COM

HIT THE CHEVY WITH A LEVY, TAX YOUR WHISKEY & RYE

EU DOUBLES DOWN ON THREAT TO RETALIATE AS TRUMP'S TRADE WAR HEATS UP

CATHERINE NEILAN
@CatNeilan

THE EUROPEAN Union will tomorrow announce a "swift, firm and proportionate" response to US President Donald Trump's threat to impose a unilateral 25 per cent tariff on steel and aluminium imports, as fears grow of a looming global trade war.

Over the weekend the EU, which already levies a 10 per cent tax on US-made cars, warned it could target other American goods including bourbon and Levi's jeans.

"We are looking at possibilities to retaliate, meaning we will also put taxes or tariffs on US imports to the EU," trade commissioner Cecilia Malmstrom said yesterday.

The threat of a trade war set off alarm bells at the World Trade Organization. "An eye for an eye will leave us all blind and the world in deep recession," director-general Roberto Azevedo said. "We must make every effort to avoid the fall of the first dominoes. There is still time."

will discuss our reaction [to Trump's threat], which will be swift, firm and proportionate."

Trump triggered a stock market sell-off last week with a series of comments ramping up the prospect of US protectionism. "Trade wars are good, and easy to win," he tweeted.

Late on Sunday night the controversial president added: "We are on the losing side of almost all trade deals. Our friends and enemies have taken advantage of the US for many years... Sorry, it's time for a change!"

French President Emmanuel Macron blasted the move as "economic nationalism", adding it was a war in which all sides lose.

Over the weekend, Prime Minister Theresa May called Trump to express her "deep concern" at his motive, urging "multilateral action" to resolve global steel disputes.

Bernardine Adkins, head of EU trade and competition at law firm Gowling WLG, commented: "This trade war is a timely reminder that no future of completely free bilateral trade awaits the UK. Brexit Britain's Dunkirk

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during the 12 months to March 2017, posting a £67m loss before tax.

Later last year, the contractor – which employs 15,000 people in the UK – was forced back to the negotiating table to thrash out a deal with lenders led by HSBC.

Laing O'Rourke was due to repay £125m in October 2017. However, it appealed to banks to waive covenant testing amid concerns it would breach arrangements put in place little over a year earlier.

And two weeks ago the firm secured £13.7m of extra bank support, which was coupled with a £15m standby shareholder loan facility. The repayment of core lending has now been delayed until

Maggie Haberman ✓
@maggieNYT

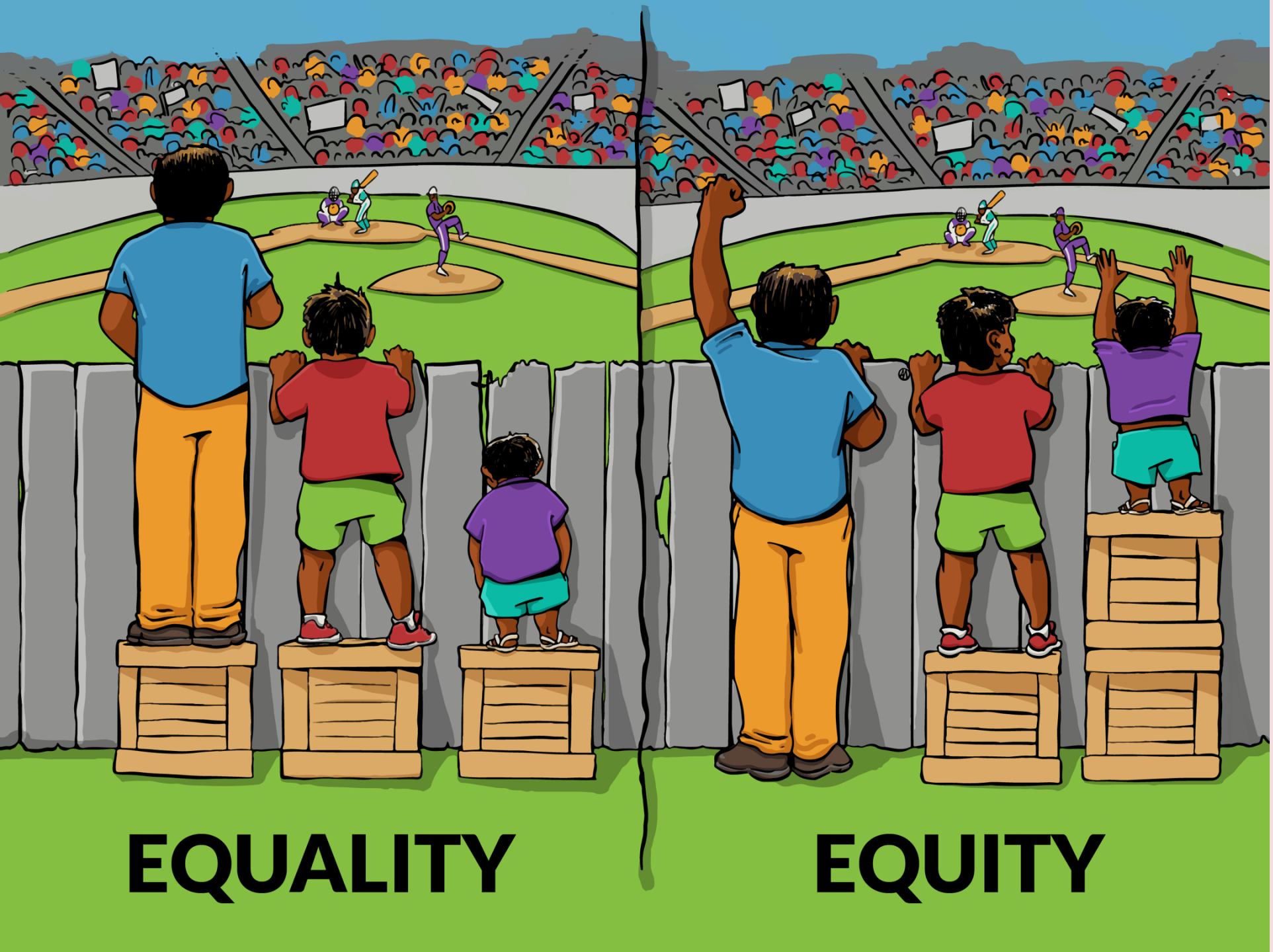
Following

Trump says tariffs will be done in a "loving, loving way"

1:50 PM - 6 Mar 2018

500 Retweets **1,651** Likes

1.1K 500 1.7K


EQUALITY
EQUITY

Multiplicative Products, Inc.

03:00

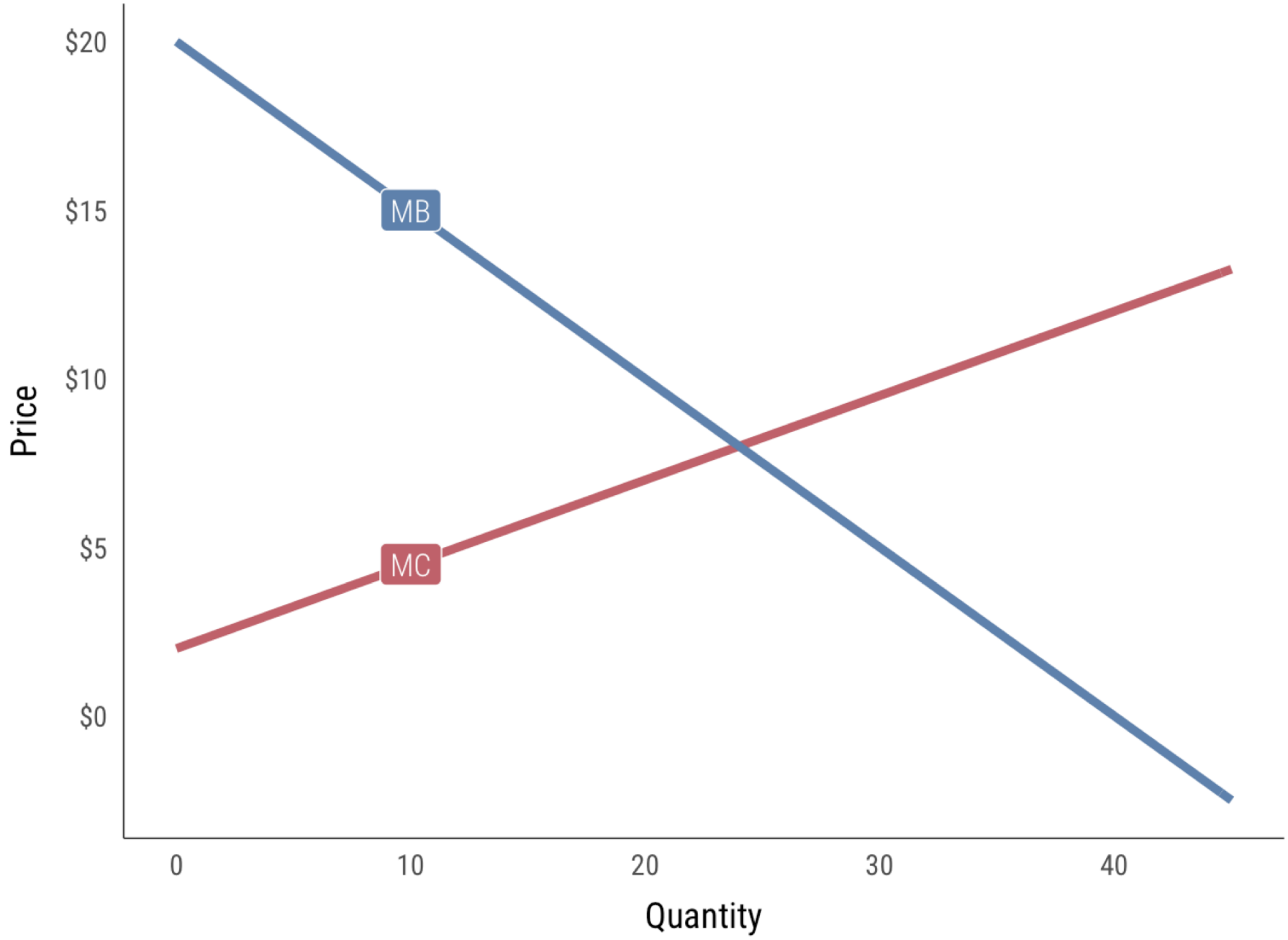
202 × 87	243 × 22	992 × 37
562 × 60	141 × 90	536 × 21
724 × 20	510 × 24	553 × 92
268 × 38	262 × 19	776 × 35
384 × 93	783 × 56	257 × 21

17,574	5,346	36,704
33,720	12,690	11,256
14,480	12,240	50,876
10,184	4,978	27,160
35,712	43,848	5,397

External effects (or externalities)

A cost or benefit to someone who did not choose that cost or benefit

Social marginal cost/benefit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Price
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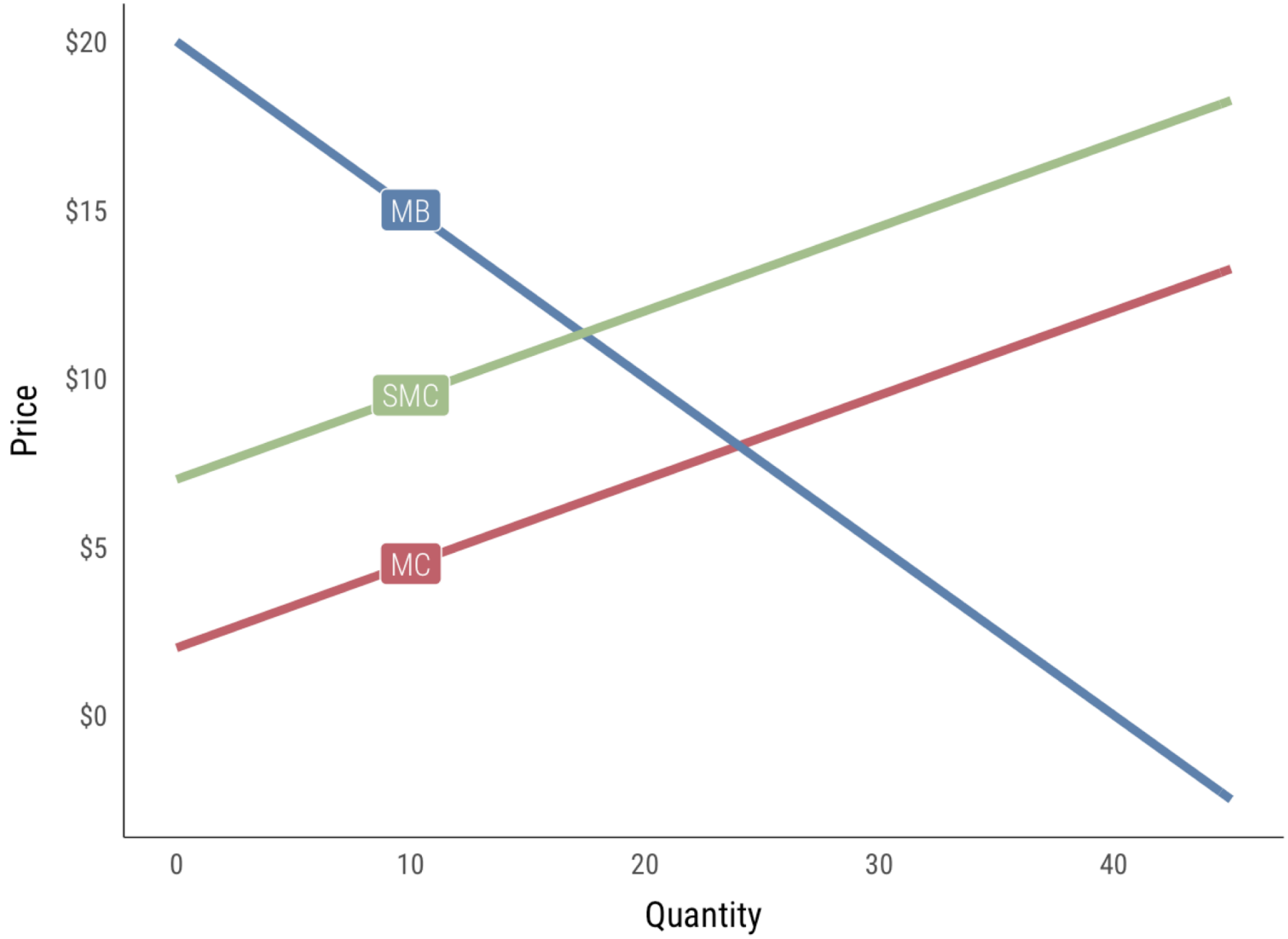
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03:00

648 × 38	135 × 58	396 × 22
661 × 11	296 × 27	551 × 39
108 × 37	573 × 45	709 × 23
699 × 14	848 × 24	378 × 19
853 × 56	332 × 12	237 × 29

24,624	7,830	8,712
7,271	7,992	21,489
3,996	25,785	16,307
9,786	20,352	7,182
47,768	3,984	6,873

03:00

660 × 13	923 × 37	681 × 60
309 × 55	374 × 22	788 × 13
354 × 11	556 × 21	166 × 74
363 × 18	281 × 37	745 × 95
372 × 52	598 × 13	544 × 95

8,580	34,151	40,860
16,995	8,228	10,244
3,894	11,676	12,284
6,534	10,397	70,775
19,344	7,774	51,680

Examples of externalities

Pollution

Vaccinations

Cell phones and driving

Car alarms

Internet bandwidth

Research

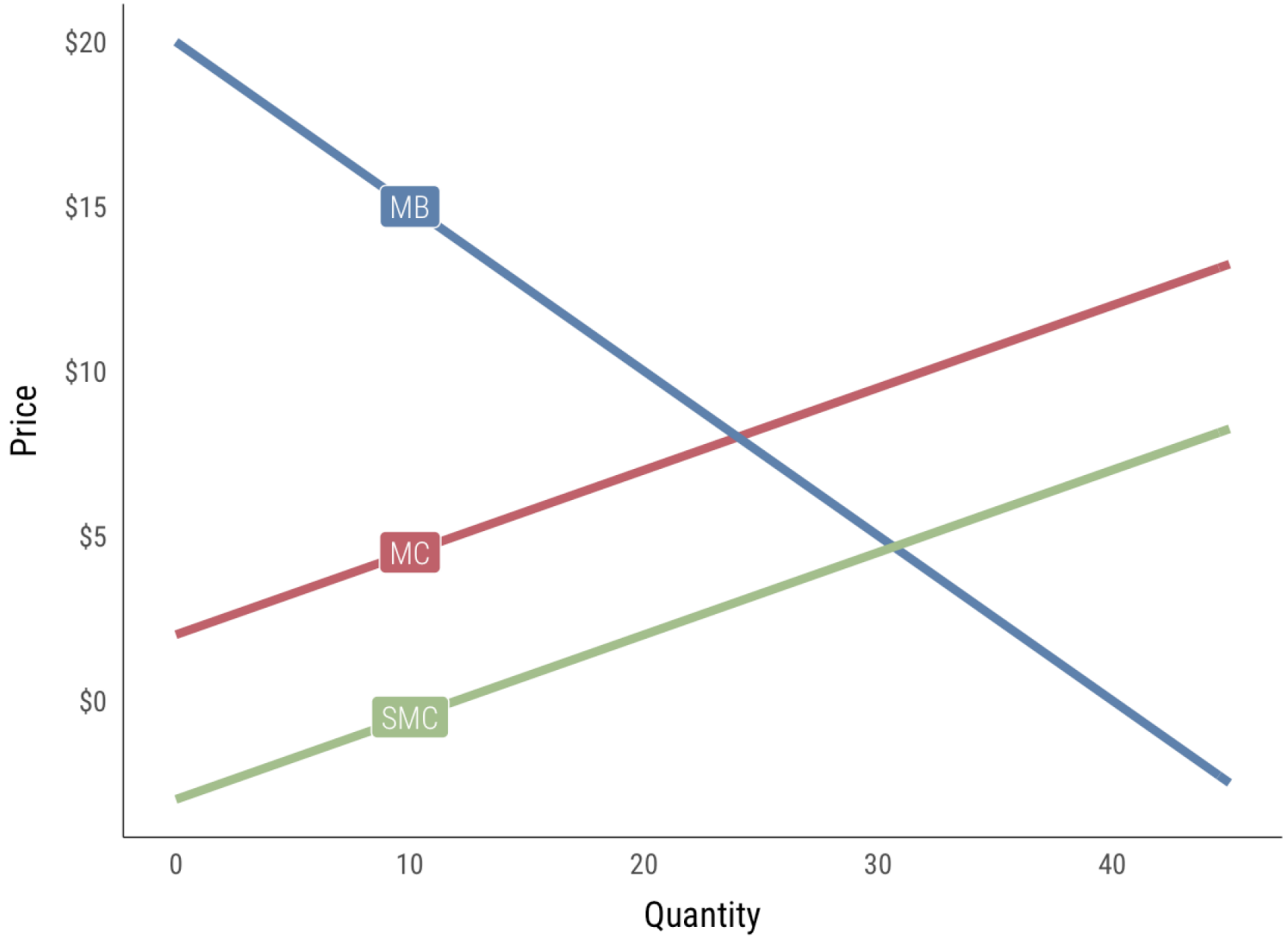
Education

Positive production effects

SMC *below* MC

Basic research

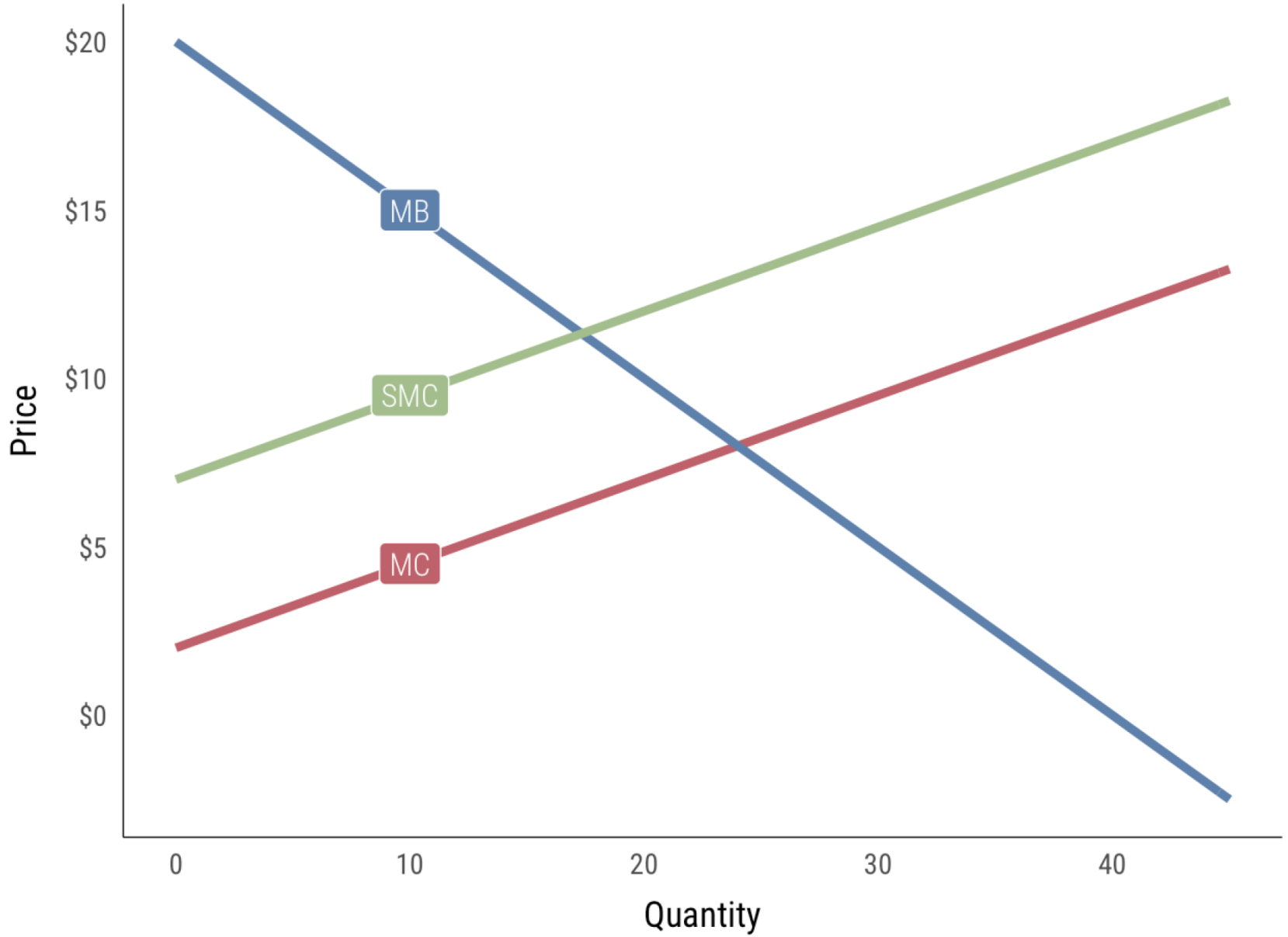
NSF, NIH, NEA



Negative production effects

SMC *above* MC

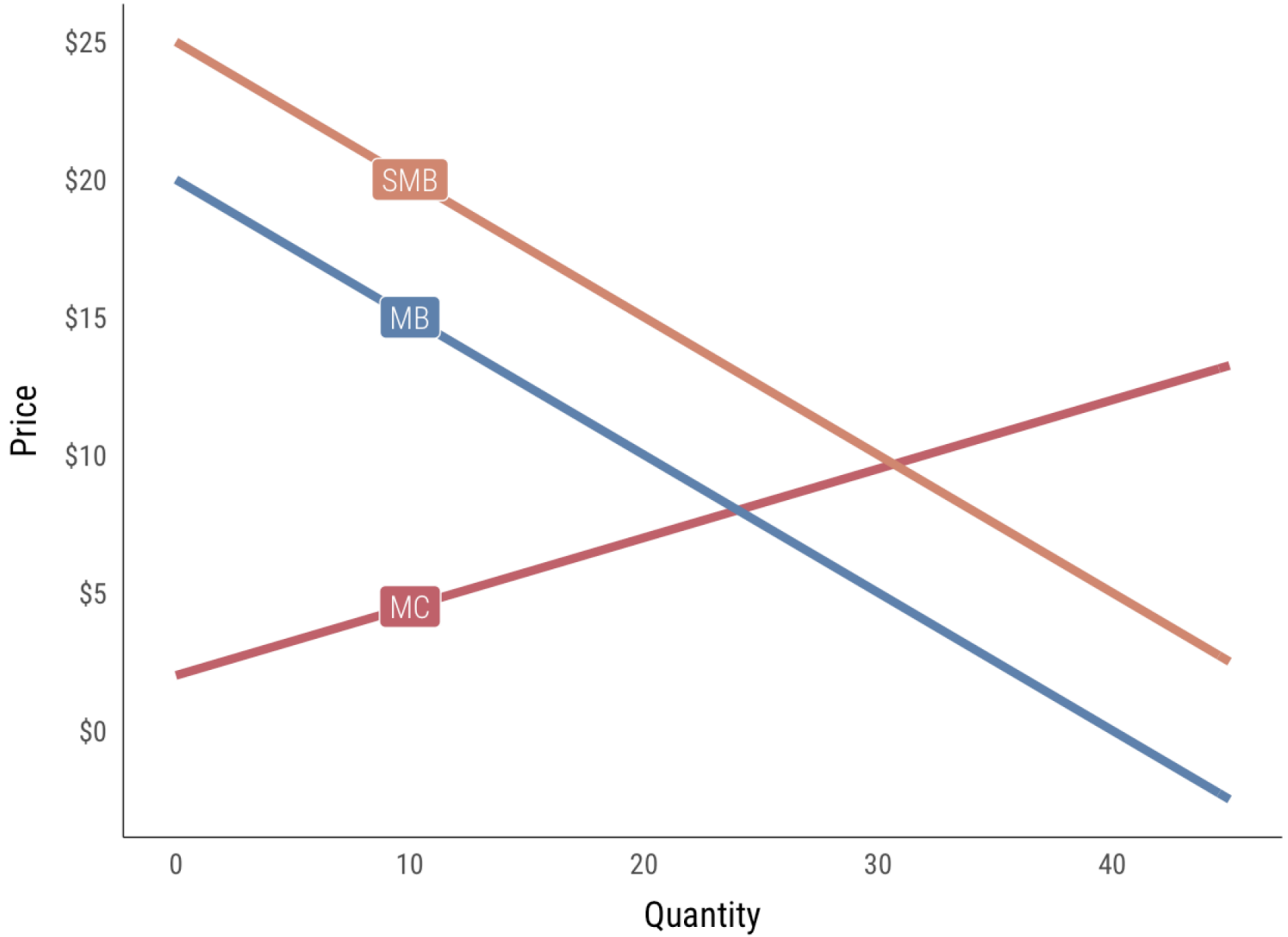
Pollution



Positive consumption effects

SMB *above* MB

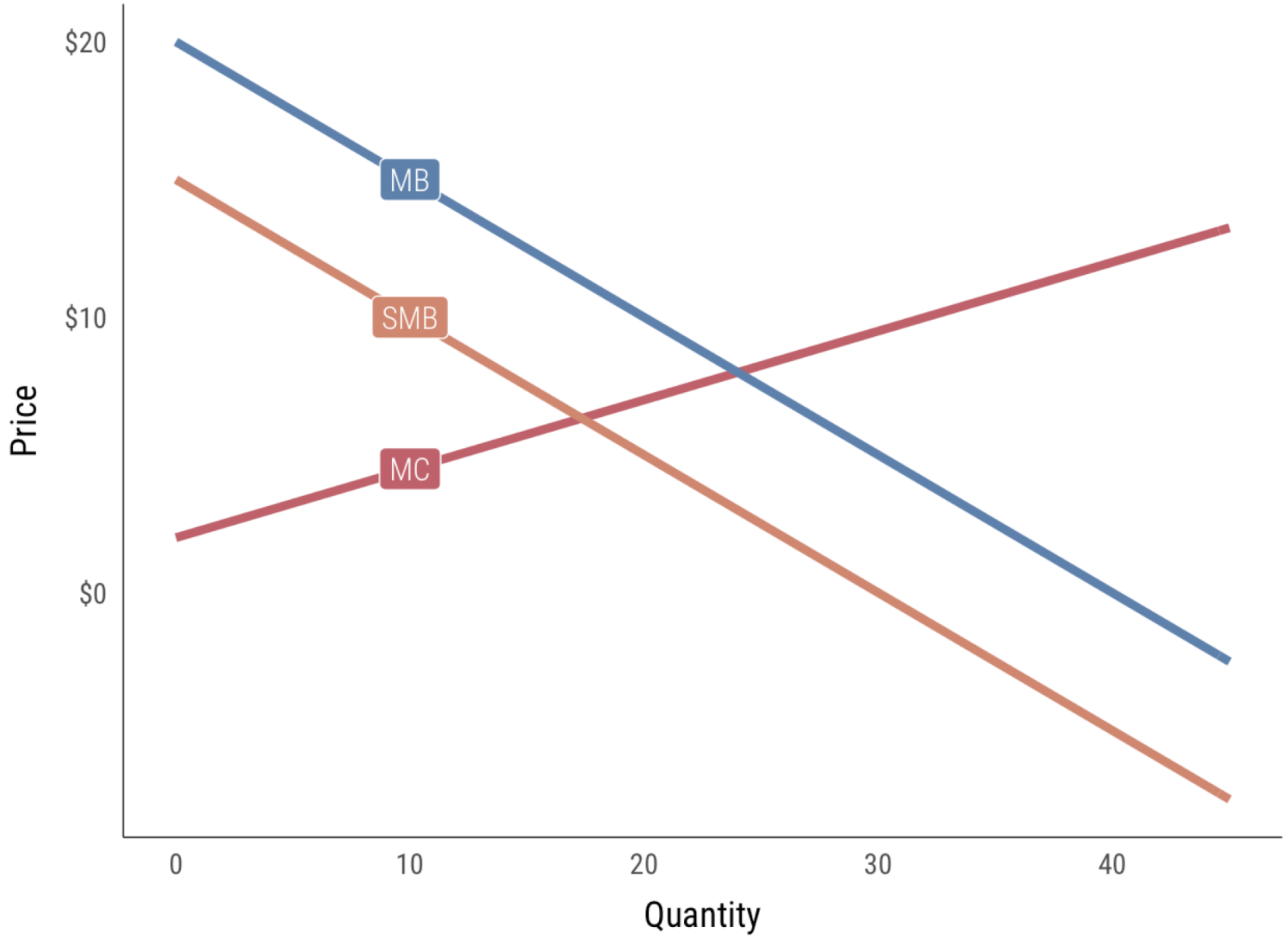
Car alarms



Negative consumption effects

SMB *below* MB

International airline travel



Addressing external effects

Internalize the externality

General solution to all externality problems

Make SMC/SMB part of the equation so that the price fully reflects the external costs and benefits of a party's actions