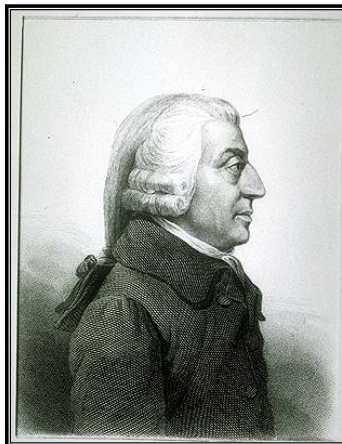


Introduction to Public Policy
Lecture 1
Public Policy
in the Market Economy



Adam Smith, 1723-1790



"Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things."

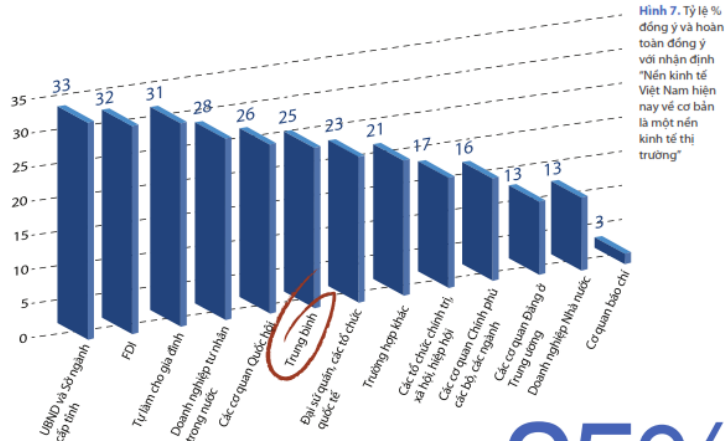
Smith on the role of the state

- Internal and external security
- “Perfect administration of justice” or the rule of law
- “Erecting and maintaining public works and institutions that it could never be the interest of any individual to erect or maintain”

Market failure

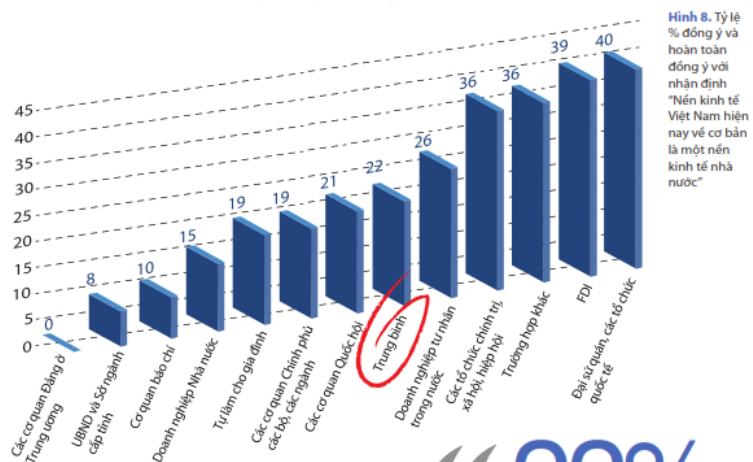
- Monopoly: Does the market automatically lead to monopoly?
- Inequality of power: Can workers be said to freely enter into contracts with employers?
- Inequality of wealth: Is equal opportunity enough or do we also need to guarantee equal outcomes?
- Externalities: costs and benefits do not fall to parties of the contract. For example, pollution.
- Public goods: Where is the borderline between public and private goods?

Vietnam is a market economy?



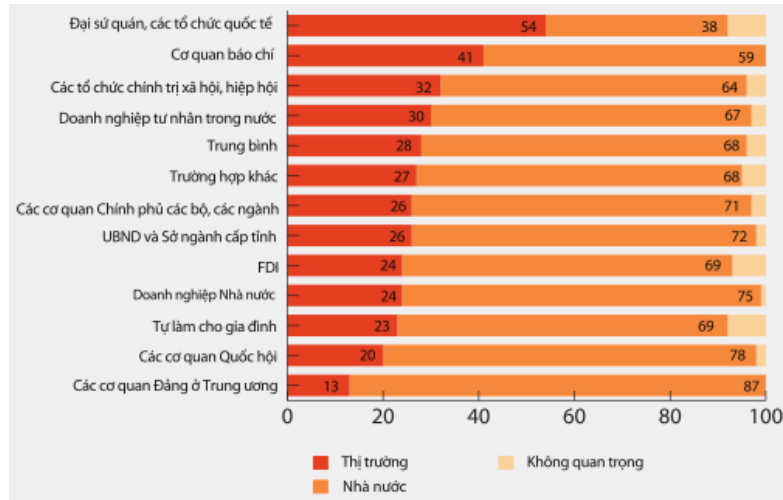
“ 25% ”

Vietnam is a state led economy?

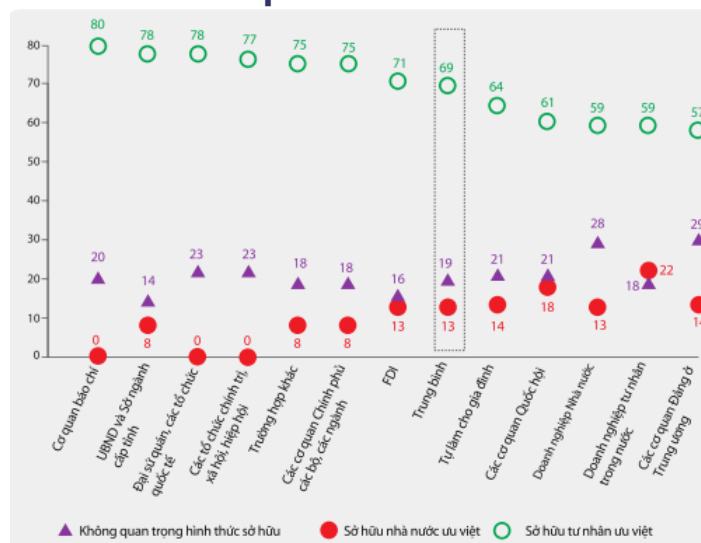


“ 22% ”

Who should set the prices of essential household goods?



What form of enterprise ownership is preferable?



Contribution of large SOEs to the Vietnamese economy

