

SYLLABUS AND CLASS SCHEDULE

ADVANCED PUBLIC FINANCE: PADMN 6965/ 005 & POLS 5965/005

Course objectives:

This course introduces students to the theories, principles and tools of public financial policy. It is designed to develop students' knowledge and skills in the use financial economic theory to understand the relationships between the economy and government policy. To this end, students will learn how to analyze government programs utilizing economic theories and principles and how to predict the financial consequences of government action. Additionally, students will learn how to analyze government expenditure and tax programs and apply cost-benefit analyses to public programs.

Course description

Public Finance is concerned with how and why public financial resources are generated and managed, and how financial practices affect people, industry, and the overall economy. Particular focus is placed on the macroeconomic aspects of revenue sources, such as taxation, user fees, tariffs and debt. Thus the study of public finance provides a very useful framework for the analysis of important public policy questions such as:

1. Why does government intervene in the economy?
2. When is government intervention in the economy appropriate/inappropriate?
3. How do government policies impact economic behavior and income distribution?
4. What is the role of government fiscal policy in a market economy?
5. How can economic theory be used to analyze and predict the consequences of government activity or inactivity?
6. What are the equity implications of various tax policies?
7. What are the basic issues of public financial management?
8. What are the major sources of public revenues?
9. How are budgets designed and effectively managed?
10. Why are financial and other internal controls necessary?
11. What are the methods, techniques and processes of cash management and capital budgeting?

Generally, the course will examine the efficiency of market economies and rationales for government intervention in the market including: the provision of public goods, externalities, and equity. Participants will be required to use tools of economic to examine important public policy issues including: education, social security, health care, and poverty. Second participants will examine issues such as the distribution of the tax burden, how taxes impact the economic behavior of individuals and enterprises, and issues of tax reform. Third, participants will examine state and local government finance, including revenue sources, the distribution of the tax burden, the allocation of financial resources to programs and budgetary control.

Course Requirements

Participants will be required to:

1. Pass three written examinations each of which is worth 100 points
2. Prepare a 10 page paper
3. Keep up with class reading assignments and participate in class discussions
4. Attend all class sessions except for emergencies illness and other compelling reasons not to attend a particular class meeting.

Required Reading

1. **Harvey S Rosen, *Public Finance*, 7th ed., Irwin/McGraw-Hill, Boston, MA, 2005**
2. **Irene Rubin, *The Politics of Public Budgeting: Getting and Spending, Borrowing and Balancing*, 4th ed., Chatham House Publishers.**

WEEK	DATE	SUBJECT	READING
1	8-25	Introduction and Overview <ul style="list-style-type: none"> • Why study public finance? • Views of government • Government at a glance • Measurement of economic performance 	Rosen, Ch. 1
2.	9-01	Microeconomic Tools <ul style="list-style-type: none"> • Review of the theory of supply & demand • Economic efficiency • Indifference curves analysis • Income and substitution effects 	Rosen, pp 542-565
3.	9-08	Tools of positive and normative analysis <ul style="list-style-type: none"> • Methods of empirical analysis • Welfare economics • Theorems of welfare economics • Market failure 	Rosen, Ch 2 & 3
4.	9/15	Public goods and externalities <ul style="list-style-type: none"> • Efficient provision of public goods • The privatization debate • Education • Public choice theory and public goods • Nature and responses to externalities • Implications for income distribution <p style="text-align: center;"><i>TEST REVIEW</i></p>	Rosen, Ch. 4 & 5
5.	9/22	<i>First Midterm Test</i>	
6.	9/29	Principles of equity and income distribution <ul style="list-style-type: none"> • The growing American inequality • Rationales for income distribution • Expenditure incidence • Welfare spending • Income maintenance and work incentive • Transfer incomes 	Rosen, Ch., 6-9
7.	10/06	Taxation and efficiency <ul style="list-style-type: none"> • The excess burden theory • Measurement of excess burden • Differential taxation of input 	Rosen, Ch. 13 & 14
8.	10/20	Public sector budgeting <ul style="list-style-type: none"> • Public choice theory • Welfare economics • Micro and macro politics • Competing strategies • Variation among levels of government • <i>Test Review</i> 	Rubin, Ch. 1 & 2 Rubin, Ch. 3&5

WEEK	DATE	SUBJECT	READING
10	10/27	<i>Second midterm examination</i>	
11	11/03	Budget Forecasting: Methods & Techniques 1	Rubin, Ch. 6
		<ul style="list-style-type: none"> • Methods of forecasting information: Informal Monitoring by managers, Formal Scanning, Formal search method • Sources of forecasting information: External and internal sources • Multiple actors and ideologies • Environmental influences • The politics of balancing the budget 	
12	11/10	Budget Forecasting: Methods & Techniques 2	
		<ul style="list-style-type: none"> • <i>Qualitative Techniques</i>: Executive opinions, Delphi technique, historical analogy • <i>Time Series</i>: Trend Projection, Moving Average, Exponential Smoothing • <i>Causal Models</i>: Regression analysis, Econometric Models, Economic Indicators • Decision making and politics 	
13	11/17	Revenue Sources	
		<ul style="list-style-type: none"> • Different types of taxes in different contexts • Tax incidence, fiscal policy, fees and grants • Options and limitations of each source • Revenue issues in states, counties and cities • User fees and pricing of public services • Privatization of services • Choice theory—tax or borrow • Deficit budgeting 	
14.	12/01	Managing the Budget	Rubin, Ch.7, 8, 9
		<ul style="list-style-type: none"> • Adapting to changes. • Discretion, abuse, control cycle • Waste, fraud and abuse • Decision making and politics <p style="text-align: center;">TEST REVIEW</p>	
15.	12/01.	FINAL EXAMINATION	