

University of Texas at Dallas
School of Economic, Political and Policy Sciences
Program in Public and Nonprofit Management

PA 7360 – Advanced Fiscal and Budgetary Policy

Wednesday, 7:00 pm – 9:45 pm, Spring 2021

Remote/Virtual Learning, Platform: Microsoft Teams - [PA 7360.501](#)

Instructor: Evgenia Gorina, Associate Professor, egorina@utdallas.edu

Office hours: by appointment

Course Description

PA 7360 is a graduate seminar that offers students an overview of key issues in the financial administration of the national and subnational governments in the U.S. It introduces students to the classic theory of public finance, examines principles of fiscal policy and budgeting at different levels of government, and discusses administrative environments in which public sector financial decisions take place. The course provides students with a foundation for analyzing changes in fiscal and budgetary policy at different levels of government and with an understanding of tradeoffs involved in policy choices. As a graduate seminar, the course maximally rewards student participation.

Upon completing the course, students will reinforce their understanding of:

- the role of government spending and taxation in the market economy;
- fiscal institutions that influence financial management in the public sector (e.g. balanced budget requirements, tax and expenditure limits, debt limits);
- types of budgeting and revenue forecasting;
- financial condition analysis using Comprehensive Annual Financial Reports (CAFR);
- principles of public sector capital finance;
- key challenges in the management of public sector retirement systems and in achieving fiscal sustainability in the public sector.

Course Expectations

A scholarly attitude, reflected in diligence, engagement, and respect for the opinions of others is an integral requirement and prerequisite for the course. The bulk of each class session will be devoted to a critical analysis and discussion of the assigned readings. Doing the assigned readings and coming to class prepared for the discussion is the most important task of a student.

Required Readings

Joseph H.E. Stiglitz and Jay K. Rosengard. 2015. Economics of the Public Sector, 4th edition. New York, NY: W.W.Norton & Company, Inc. ISBN: 978-0-393-92522-7. Please note the rental option on Amazon.

All the other required readings can be downloaded online or through the UT Dallas library.

Optional readings: Aman Khan. 2019. Fundamentals of Public Budgeting and Finance. Springer Nature. DOI: <https://doi.org/10.1007/978-3-030-19226-6>.

Grading

Class participation

Current event	50 points
Topic master	100 points
In-class readings discussion	250 points

Writing assignments

Readings review prompts (4 @50)	200 points
Literature review (150) and revision (50)	200 points
Research project and presentation	200 points

Grades will be awarded based on your performance on the assignments and contributions to class discussions. Students earning 90 percent or above on the graded assignments will earn an A/A-; grades of 80-89 represent a B- /B/B+; grades of 70-79 represent a C-/C/C+ .

Course Assignments*Current event (50 points)*

A current event is a 5-minute PowerPoint presentation of a news article on a topic covered in the course (e.g. taxation, spending, budgeting, financial management at any level of government). Your goal as a presenter is to summarize the article by using concepts from the course, explain the policy issue at stake, and comment on prospective policy directions for resolving the policy issue. Examples of the news outlets that feature public finance news include the Atlantic, the Economist, the Washington Post, the Financial Times, and the Bloomberg CityLab. Your PowerPoint presentation should not include more than six slides and should be posted on eLearning under *Current Events* before class.

Topic Master (100 points)

The topic master is a facilitator of the in-class discussions on the assigned topic. Your goal as the topic master is to focus the class on the discussion of key concepts, models, and policy issues covered in the course readings. The topic master is responsible for briefly overviewing the readings for the week to highlight themes that bring them together. The topic master is also responsible for preparing questions on the assigned readings, distributing them to the class by the end of Tuesday before the Wednesday night class period, and for facilitating the discussion. The questions should help the class understand and critique the readings, expose strengths and weaknesses of a theory or an empirical model, point out consistent and convincing as well as inconsistent or contradictory evidence, offer new interpretations, assess the ultimate usefulness of the proposed theoretical or empirical framework, and link the readings to a broader context of government finance.

In-class Readings Discussion (250 points)

As a doctoral seminar, the course rewards thoughtful participation in class discussions. The topics we cover are rich and can certainly be discussed for more than one class period. It is important for the students to prepare for class discussions by reading all assigned materials in advance, to engage in class discussions responsibly, recognizing that class time is a limited resource, and to contribute to a productive in-class learning environment through their comments, questions, and answers.

Prompts for a readings overview (200 points)

Over the semester, you will complete six short writing assignments, of which four strongest efforts will count toward your course grade. A prompt will ask a student to write a 1-2 page reflection on a given prompt. Critical reflections are due by the end of Tuesday, before the class on Wednesday night. Please don't email me to ask for clarification on the prompt. I'm giving you something to work with in proving that you read and thought about the assigned papers. I want a reasoned answer, I don't care about a "right" answer. Graphs and diagrams are welcome, but do not count as a substitute to the requested writing (i.e. a full-page graph would not count as your full-page critical reflections).

Literature Review and Revision (200 points)

You will select one of the proposed topics in government finance to write a literature review that will answer a specific question that you will formulate. The expected length of the literature review is between 6 and 10 pages. After the initial submission, you will rework the literature review into a 2-page summary for a press-release on your specific question of interest. The expectations of a literature review will be discussed over the course of the semester. Literature review is due by March 17, the revision is due by April 7.

Applied Project on Government Finance (200 points)

As the final course paper, you will work with data from the Census of Government Finances to answer research questions about subnational government finance that you will develop in the form of research hypotheses that can be tested with data at hand. The project will require your work in Stata. The project should be viewed as an expanded policy brief or as a research report on your topic of interest. While your final paper's length is somewhat flexible depending on the chosen topic, you should plan for a paper of 7-10 double-spaced pages, or roughly 2,000 words. On the last day of class, you will present your policy brief/report to class. You may work on this assignment in groups of two. All group members will receive the same grade. The project is due on May 5.

Course Policies

Academic Integrity. The value of an academic degree depends on the absolute integrity of the work done by the student, and it is imperative that you demonstrate the highest standard of individual honor in your work. Please go to <http://go.utdallas.edu/syllabus-policies> to learn more about the University's policies and procedures that apply to students who engage in academic dishonesty. If you have any questions on what constitutes academic dishonesty, please do not hesitate to ask me.

Use of Electronic Devices. You can take notes and access articles on your laptop or tablet and are expected to use electronic devices for coursework-related activities. Please be respectful of your colleagues and remember to keep your cell ringer off during class time.

Attendance and Late Work. Regular online class attendance is important for succeeding in the course because active class participation in the discussions is a crucial component of the course grade. No late paper will be read. (Any exceptions owing to special circumstances must be arranged in advance of the due date.)

Course Schedule

Week 1: January 20 - Introduction to the course and each other

Week 2: January 27 - Role of the Public Sector in the Market System

- Stiglitz and Rosengard, Chapters 1-2, Chapter 28.
- Economic reports of the President for 2017 and 2021 (skim focusing on understanding the size policy priorities of the federal government)
 - [2017 Economic Report of the President.](#)
 - [2021 Economic Report of the President.](#)
- Piketty, Thomas and Emmanuel Saez. 2014. Inequality in the Long-Run. *Science* 344 (6186): 838-843.

Week 3: February 3 – Public Goods, Market Failure, and Redistribution

- Stiglitz and Rosengard. 2015. Chapters 3-7, 10, 14-16.
- **Empirical:** Jackson C. K, R. C. Johnson & C. Persico. 2016. "[The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms.](#)" *Quarterly Journal of Economics*, 131(1): 157-218.

Prompt 1

Week 4: February 10 – Fiscal Federalism and Intergovernmental Relations

- Stiglitz and Rosengard. 2015. Chapter 26.
- Oates Wallace. 1999. An Essay on Fiscal Federalism. *Journal of Economic Literature* 37 (3): 1120-1149.
- Tiebout, Charles. 1956. [A Pure Theory of Local Expenditures.](#) *Journal of Political Economy* 64 (5): 416-424.
- **Empirical:** Baicker K., J. Clemens, and M. Singhal. 2012. The Rise of the States: U.S. Fiscal Decentralization in the Postwar Period. *Journal of Public Economics* 96: 1079-1091.
- Optional (recommended): Buchanan, J. 1977. [Democracy in Deficit: The Political Legacy of Lord Keynes.](#)

Prompt 2

Week 5: February 17 – Political Economy, Government Failure, Public Choice

- Stiglitz and Rosengard. 2015. *Economics of the Public Sector*. Chapters 8-9.
- Buchanan, James M. 1975. Public finance and public choice. *National Tax Journal* 28(4): 383-394.
- Oates, Wallace. (1988). [On the Nature and Measurement of Fiscal Illusion: A Survey](#). In G. Brennan et al. (Eds.), *Taxation and Fiscal Federalism: Essays in Honor of Russell Mathews* (pp. 65-82) Sydney, Australia: Australian National University Press.
- **Empirical:** Oates, Wallace E. 1985. “Searching for Leviathan: An empirical study.” *American Economic Review* 75(4): 748-757.
- **Empirical:** Jimenez, Benedict. 2015. Fiscal Performance of Overlapping Local Governments. *Public Finance Review* 43 (5): 606-635.

Prompt 3**Week 6: February 24 – State and Local Revenues**

- Stiglitz and Rosengard. 2015. Chapter 27.
- McFarland, Christina and Christopher Hoene. 2015. [Cities and State Fiscal Structure](#). National League of Cities, Research Report.
- **Empirical:** Carroll Deborah. 2009. Diversifying Municipal Government Revenue Structures: Fiscal Illusion or Instability? *Public Budgeting & Finance* 29 (1): 27-48.
- **Empirical:** McCubbins Matthew and Ellen Moule. 2010. Making Mountains of Debt out of Molehills: The Pro-Cyclical Implications of Tax and Expenditure Limitations. *National Tax Journal* 63 (3):603-622.

Prompt 4**Week 7: March 3 – State and Local Expenditures and Sustainability**

- Chapman, Jeffrey. 2008. State and Local Fiscal Sustainability: The Challenges. *Public Administration Review* 68 (S): 115-131.
- Warner, Mildred. 2010. The Future of Local Government: Twenty-First Century Challenges. *Public Administration Review* 70 (S1): S145-S147.
- Rose, Shanna. 2010. Institutions and Fiscal Sustainability. *National Tax Journal* 63: 807-838.
- **Empirical:** Stansel, Dean. 2006. Interjurisdictional Competition and Local Government Spending in U.S. Metropolitan Areas. *Public Finance Review* 34 (2): 174-194.

- **Empirical:** Hou, Yilin and Daniel L. Smith. 2010. Do state balanced budget requirements matter? Testing two explanatory frameworks. *Public Choice* 145: 57–79.

Prompt 5

Week 8: March 10 – Budgeting

- Wildavsky, Aaron. 1978. A Budget for All Seasons? Why the Traditional Budget Lasts. *Public Administration Review* 38 (6): 501-509.
- Rubin, Irene S. 1990. Budget Theory and Budget Practice: How Good the Fit. *Public Administration Review* 50 (2): 179-189.
- Wildavsky, Aaron. 1992. Political Implications of Budget Reform: A Retrospective. *Public Administration Review* 52 (6): 594-599.
- Kelly, Janet M. 2005. A Century of Public Budgeting Reform: The ‘Key’ Question. *Administration and Society* 37(1): 89-109.
- Bifulco, Robert et al. 2012. Debt and Deception: How States Avoid Making Hard Fiscal Decisions. *Public Administration Review* 72 (5): 659-667.
- TBD: Innovation in Budgeting Systems and revenue forecasting. Applied exercises.

Prompt 6

Week 9: March 17 – Spring Break – No class

Week 10: March 24 – Capital Debt Finance

- Fisher Ronald and Robert Wassmer. 2014. The Issuance of State and Local Debt During the United States Great Recession. *National Tax Journal* 67 (1): 113–150.
- Youngman, Joan. 2011. [TIF at a Turning Point: Defining Debt Down](#). Working paper for the Lincoln Institute of Land Policy.
- **Empirical:** Luby M. and T. Moldogaziev. 2014. Tax Increment Debt Finance and the Great Recession. *National Tax Journal* 67 (3): 675-696.
- **Empirical:** Greer, Robert A., Temirlan T. Moldogaziev, and Tyler A. Scott. 2018. Polycentric Governance and the Impact of Special Districts on Fiscal Common Pools. *International Journal of the Commons* 12 (2): 1-29.

Week 11: March 31 - Public Sector Retirement Systems

- **Empirical:** Gorina, E. and T. Hoang. 2020. Pension Reforms and Public Sector Turnover. *Journal of Public Administration Research and Theory* 30 (1): 96-112.
- **Empirical:** MacKay R. C. 2014. Implicit Debt Capitalization in Local Housing Prices: An Example of Unfunded Pension Liabilities. *National Tax Journal* 67 (1): 77–112.

Week 12: April 7 - Municipal Financial Condition

- Kloha, K., Weissert, C. S., and Kleine, R. 2005. Developing and Testing a Composite Model to Predict Local Fiscal Disparities. *Public Administration Review*, 65 (3), 313-323.
- Maher, C. & K. Nollenberger. 2009. Revisiting Kenneth Brown’s “10-Point Test,” *Government Finance Review* 25 (5):61-66.
- Analysis of a Comprehensive Annual Financial Report (CAFR) of the City of Richardson, TX or Dallas, TX - the most recent fiscal year.
- **Empirical:** Gorina, E Maher, C. and S. Park. 2019. Toward a Theory of Fiscal Slack. *Public Budgeting and Finance*, 39 (4): 48-74.

Week 13: April 14 – Guest Lecture and Discussion

Guest Speakers: Chief Financial Officer and Finance Director of Richardson, TX.

Week 14: April 21 - Municipal Form of Government and Spending

- **Empirical:** MacDonald, L. 2008. The Impact of Government Structure on Local Public Expenditures. *Public Choice* 136: 457-473.
- **Empirical:** Coate, S. & B. Knight. 2011. Government Form and Public Spending: Theory and Evidence from US Municipalities. *American Economic Journal: Economic Policy* 3 (3): 82–112.

Week 15: April 28 – In-class presentations**Week 16: May 5 – In-class presentations**

Descriptions and timelines in this syllabus are subject to change at the discretion of the Professor.
