

COURSE SYLLABUS

PED-210: PUBLIC FINANCE IN THEORY AND PRACTICE FACULTY: JAY K. ROSENGARD

Course Objective

Public finance issues are central to economic and political discourse worldwide, as one of the primary functions of government is to generate resources from its people to spend money improving the lives of its people. However, while the concept of “money from the people, for the people” is quite simple conceptually, there is little agreement on how best to raise and spend public funds in practice. Thus, the primary course objective is to provide students with the tools, and the skills to use these tools, to understand the underlying concepts and practical tradeoffs entailed in public finance policy alternatives. This will prepare students to be informed consumers of public finance data, and thus, equip students to engage constructively in the formulation, implementation, and evaluation of public finance policies.

Course Audience

The course is intended for three main audiences:

Practitioners, consisting of central, state/provincial, and local/municipal government officials dealing with public finance and fiscal policy, private sector providers of public infrastructure and services, and community-based development groups.

Academic community, consisting of students who would like to enter the field of public finance, as well as scholars and faculty doing research and teaching in this field.

Citizens, consisting of members of the general public interested in understanding and influencing their country’s budget and tax policies.

Course Overview

The course examines policy options, with their strategic trade-offs and operational implications, for the design and implementation of public finance in both high-income countries as well as developing and transitional economies.

It covers: the role and size of the public sector, including the rationale for public sector interventions such as market failure and distributional concerns; key factors determining a nation’s fiscal architecture; public resource mobilization via user charges and taxation, including the economics of taxation, taxation of income (personal and corporate income tax), wealth (property tax), and consumption (sales, excise, and value added taxes), tax incentives, tax compliance and enforcement, and tax reform; public expenditure policy, including assessment of government social protection programs, megaprojects, public sector efficiency and effectiveness, and the role of the private sector in the production and provision of public goods and services; fiscal balance and deficit financing; and fiscal decentralization and intergovernmental fiscal relations. The course will also explore public finance challenges for both national and subnational governments in coping with the current global economic crisis.

The course utilizes case studies, placed in a comparative conceptual framework, to evaluate the impact of alternative resource mobilization and expenditure policies on allocative efficiency, social equity, and economic growth.

Note: There are no economics or statistics course prerequisites. Both economists and non-economists are welcome. ☺

Course Outline

- I. The Role and Size of the Public Sector
 - A. Economic Rationale for Public Sector Interventions:
Market Efficiency and Market Failure, Distributional Concerns
 - B. The Nature and Magnitude of Public Sector Interventions:
Defining the Responsibilities and Measuring the Size of the Public Sector
 - C. Understanding a Nation's Fiscal Architecture:
Building Appropriate Revenue and Expenditure Systems
- II. Public Expenditure Policy
 - A. Government Deficits, Government Debt, and Fiscal Consolidation
 - B. Public Sector Production and Provision, Government Failure, and Private Sector Participation/Public-Private Partnerships in Production and Provision (PSP/PPP)
 - C. Government Social Protection Policies
 - D. Megaprojects
 - E. Assessment of Public Sector Expenditure Efficiency and Effectiveness
- III. Public Resource Mobilization
 - A. Economics of Taxation
 - B. Taxation of Income and Wealth
 - C. Taxation of Consumption
 - D. Taxation and the Environment, Taxation and Natural Resources
 - E. Tax Incentives, Compliance, and Enforcement
 - F. Tax Reform
 - G. User Charges
- IV. Intergovernmental Fiscal Relations and Local Government Finance
 - A. Fiscal Federalism and Fiscal Decentralization
 - B. Resource Transfers
 - C. Local Government Debt Financing

Course Requirements

Grades will be determined by:

1. Two collaborative public finance literacy exercises (10% each → 20% total)


The public finance literacy exercises help students to become informed consumers of public finance data. Thus, these exercises use quantitative tools to generate and interpret information critical in addressing key public finance policy issues. Students are encouraged to work on the exercises in groups, although they must write up and submit their work individually. All calculations can be made using Excel, and a special refresher computer lab is offered to those who might need a bit of brushing up on their quantitative and IT skills.

2. Two individual case-based policy memos (10% each → 20% total)

The policy memos provide opportunities for the application of quantitative and qualitative analytic skills in addressing critical strategic and tactical public finance challenges. For each of these assignments, students prepare a two-page policy memo that answers specific questions raised by a case study they are given to read and analyze.

3. One individual self-selected policy brief (40%)

The policy brief provides an opportunity to explore in depth a public finance issue of the student's own choosing. Students: a) select a particularly important and complex public finance challenge for any national or subnational jurisdiction around the world; and b) write a six-page policy brief addressed to the appropriate official that applies concepts and tools from the course to analyze the problem and provide policy recommendations to address the problem. Further guidance is provided during the course.

4. Class participation  (20%)

Class participation greatly enriches the classroom experience, as it facilitates a genuine exchange of knowledge and experience among students, and between students and faculty. Participation thus comprises a significant share of the total course grade.

Course Meetings

Mandatory classes: Tuesday and Thursday, 8:40-10:00 a.m., L-130.

Optional review sessions: Friday, in RG-20, 1:10-2:30PM.

Final Exam

There is no in-class or take-home final exam. Instead, there is the policy brief summarized above (Course Requirement #3), due on Tuesday, 10 December (end of reading period).

Office Hours

Office hours are usually on Wednesday, 4:00-6:00 p.m., at 124 Mt. Auburn Street, Room 220N (University Place Building, North Wing, across the street from the post office). Please contact Alison Barron (617-496-7405, Alison_Barron@hks.harvard.edu) to schedule an appointment.

Required Course Text, Reference Texts, and Reading List [all on reserve at the HKS library]

REQUIRED COURSE TEXT

All required and optional readings are available on-line on the Course Page.

REFERENCE TEXTS

1. Richard A. and Peggy B. Musgrave, *Public Finance in Theory and Practice*, Fifth Edition (New York: McGraw Hill, 1989).
2. Joseph E. Stiglitz, *Economics of the Public Sector*, Third Edition (New York: W.W. Norton & Co., 2000).
3. Harvey S. Rosen and Ted Gayer, *Public Finance*, Eighth Edition (New York: McGraw-Hill/Irwin, 2007).
4. Jonathan Gruber, *Public Finance and Public Policy*, Second Edition (New York: Worth Publishers, 2007).
5. Karl E. Case, *Economics and Tax Policy* (Boston: Oelgeschlager, Gunn & Hain, 1986).
6. C. Eugene Steuerle, *Contemporary U.S. Tax Policy* (Washington, D.C.: The Urban Institute Press, 2004).
7. Richard Goode, *Government Finance in Developing Countries* (Washington, D.C.: The Brookings Institution, 1984).
8. A.R. Prest, *Public Finance in Developing Countries*, Third Edition (New York: St. Martin's Press, 1985).
9. Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, eds., *Helping Countries Develop: The Role of Fiscal Policy* (Washington, D.C.: International Monetary Fund, 2004).
10. Stephen Lewis, Jr., *Taxation for Development: Principles and Applications* (New York: Oxford University Press, 1984).
11. R. Bird and O. Oldman, eds., *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990).
12. David Newbery and Nicholas Stern, eds., *The Theory of Taxation for Developing Countries* (New York: Oxford University Press for the World Bank, 1987).
13. Parthasarathi Shome, ed., *Tax Policy Handbook* (Washington, D.C.: International Monetary Fund, 1995).
14. Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle, eds., *The Encyclopedia of Taxation and Tax Policy*, Second Edition (Washington, D.C.: The Urban Institute Press and the National Tax Association, 2005).
15. Ronald C. Fisher, *State and Local Public Finance*, Third Edition (South-Western College Pub, 2006).

READING LIST (* indicates optional reading)

I. The Role and Size of the Public Sector

**A. Economic Rationale for Public Sector Interventions:
Market Efficiency and Market Failure, Distributional Concerns**

Thursday, 5 September 2013

[Rosh Hashana – Class Rescheduled for Friday, 4 October]

Tuesday, 10 September 2013

Paul Krugman, “Paying the Price,” *New York Times*, September 16, 2001. [HKS Class Page]

Lizette Alvarez, “Senate Votes to Federalize Job of Airport Screening,” *New York Times*, October 12, 2001. [HKS Class Page]

IN-CLASS CASE: MARKET FAILURES, AVIATION SECURITY, AND 9/11

Thursday, 12 September 2013

Steve Lohr, “Intervention Is Bold, but Has a Basis in History,” *New York Times*, October 14, 2008. [HKS Class Page]

Paul Krugman, “Now and Later,” *New York Times*, June 20, 2010. [HKS Class Page]

Alan S. Blinder and Mark Zandi, “Stimulus Worked,” *Finance & Development*, vol. 47, no. 4 (December 10, 2010), pp. 14-17. [HKS Class Page]

Jean-Claude Trichet, “Stimulate no more – it is now the time for all to tighten,” *Financial Times* (FT.com), July 22, 2010. [HKS Class Page]

Emanuele Baldacci, Sanjeev Gupta, and Carlos Mulas-Granados, “Getting Debt under Control,” *Finance & Development*, vol. 47, no.4 (December 10, 2010), pp. 18-21. [HKS Class Page]

International Monetary Fund, *Concluding Statement of the 2013 Article IV Mission to The United States of America*, June 14, 2013.

[<http://www.imf.org/external/np/ms/2013/061413.htm>]

Teresa Ter-Minassian and Annalisa Fedelino, *Impact of the Global Crisis on Sub-National Governments’ Finances*, Occasional Paper (Rome: Bank of Italy, March 2010).

[http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1985235]

IN-CLASS CASE: EUROPE/USA DURING CURRENT GLOBAL ECONOMIC CRISIS

PUBLIC FINANCE LITERACY EXERCISE #1 (ROLE & SIZE OF PUBLIC SECTOR)
DISTRIBUTED IN CLASS

Friday, 13 September 2013

First review session (attendance optional).

Tuesday and Thursday, 17 and 19 September 2013

No classes.

**B. The Nature and Magnitude of Public Sector Interventions:
Defining the Responsibilities and Measuring the Size of the Public Sector**

**C. Understanding a Nation's Fiscal Architecture:
Building Appropriate Revenue and Expenditure Systems**

Tuesday, 24 September 2013

Jay K. Rosengard, "Folly or Foresight: Strategic Options for Fiscal Policy in East Timor," in Hal Hill and João M. Saldanha, eds., *East Timor: Development Challenges for the World's Newest Nation* (Singapore: Institute of Southeast Asian Studies, 2001), pp. 52-60. [HKS Class Page]

Sally Wallace, *Fiscal Architecture and the Analysis of Public Expenditure Needs and Revenue Capacity*, International Studies Program Working Paper 01-11 (Atlanta: Andrew Young School of Policy Studies, Georgia State University, April 2003).

[<http://siteresources.worldbank.org/INTTPA/Resources/WalacePaper.pdf>]

IN-CLASS CASE: EAST TIMOR DURING TRANSITION TO INDEPENDENCE

II. Public Expenditure Policy

A. Government Deficits, Government Debt, and Fiscal Consolidation

B. Public Sector Production & Provision, Government Failures, and Private Sector Participation/Public-Private Partnerships in Production & Provision (PSP/PPP)

Thursday, 26 September 2013

CBC News, *Indepth: Power Outage*, November 19, 2003

[<http://www.cbc.ca/news/background/poweroutage/explained.html>]

Neela Banerjee and David Firestone, "New Kind of Electricity Market Strains Old Wires Beyond Limits," *New York Times*, August 24, 2003

[<http://www.nytimes.com/2003/08/24/us/new-kind-of-electricity-market-strains-old-wires-beyond-limits.html?scp=1&sq=new%20kind%20of%20electricity&st=cse>]

William W. Hogan, "Electricity Is a Federal Issue," *The Wall Street Journal*, August 18, 2003 [HKS Class Page]

Jerry Taylor and Peter van Doren, "Outside the Grid," *The Wall Street Journal*, August 18, 2003

[<http://online.wsj.com/article/0,,SB10611720588151200,00.html?mod=opinion%25Fmain%255Fcommentaries>]

J.R. Minkel, "The 2003 Northeast Blackout – Five Years Later," *Scientific American*, August 13, 2008 [<http://www.scientificamerican.com/article.cfm?id=2003-blackout-five-years-later>]

*U.S.-Canada Power System Outage Task Force, *Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations*, April 2004

[<http://energy.gov/sites/prod/files/oeprod/DocumentsandMedia/BlackoutFinal-Web.pdf>]

IN-CLASS CASE: GOVERNMENT FAILURES AND THE 2003 NORTHEAST
ELECTRICITY BLACKOUT

PUBLIC FINANCE LITERACY EXERCISE #1 (ROLE & SIZE OF PUBLIC SECTOR) DUE
BEGINNING OF CLASS

Tuesday, 1 October 2013

Gustavo Merino-Jarez and Carolina Gutierrez de Taliercio, *Cancun, Mexico: Water and Wastewater Privatization*, HKS Case Nos. 1593.0 and HKS Case Sequel No. 1593.1.
[HKS Class Page]

John W. Thomas and Lim Siong Guan, *Using Markets to Govern Better in Singapore*, John F. Kennedy School of Government Faculty Research Working Paper RWP02-010 (Cambridge: Kennedy School of Government, August 2001).
[http://papers.ssrn.com/sol3/papers.cfm?abstract_id=310862]

*Christine Kessides, "Executive Summary," in *Institutional Options for the Provision of Infrastructure*, Disc. Paper No. 212 (Washington, D.C.: World Bank, 1993), pp. ix-xiii.
[http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1993/09/01/000009265_3970311122301/Rendered/PDF/multi_page.pdf]

*The World Bank, "Contracting: What Works, What Doesn't, and Why," in *Bureaucrats in Business: The Economics and Politics of Government Ownership*, World Bank Policy Research Report No. 16341 (Washington, D.C.: World Bank, 1995), pp. 21-35. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/1995/09/01/000009265_3970716145144/Rendered/PDF/multi0page.pdf]

*Antonio Estache, *PPI Partnerships Versus PPI Divorces in LDCs*, Policy Research Working Paper 3470 (Washington, D.C.: World Bank, January 2005). [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000160016_20050119104213&searchMenuPK=64187295&theSitePK=523679]

*John Nellis, "The International Experience with Privatization: Its Rapid Rise, Partial Fall and Uncertain Future," University of Calgary, *The School of Public Policy Research Papers*, vol. 5, issue 3 (January 2012).
[<http://www.policyschool.ucalgary.ca/sites/default/files/research/nellis-privatization.pdf>]

IN-CLASS CASES: CANCUN (MEXICO) WATER & WASTEWATER PRIVATIZATION;
SINGAPORE GOVERNMENT-LINKED ENTERPRISES

POLICY MEMO #1 (THE BIG DIG) DISTRIBUTED IN CLASS

C. Government Social Protection Policies

Thursday, 3 October 2013

Rebecca M. Blank and David T. Ellwood, *The Clinton Legacy for America's Poor*, NBER Working Paper 8437 (Cambridge, MA: NBER, August 2001).
[<http://www.nber.org/papers/w8437>]

*Yonatan Ben-Shalom, Robert A. Moffitt, and John Karl Scholz, *An Assessment of the Effectiveness of Anti-Poverty Programs in the United States*, NBER Working Paper 17042 (Cambridge, MA: NBER, May 2011), <http://www.nber.org/papers/w17042>.

*Martin Feldstein, *Rethinking Social Insurance*, NBER Working Paper 11250 (Cambridge, MA: NBER, April 2005). [<http://www.nber.org/papers/w11250>]

IN-CLASS CASE: WELFARE REFORM IN THE UNITED STATES

D. Megaprojects

E. Assessment of Public Sector Expenditure Efficiency and Effectiveness

Friday, 4 October 2013

**[No Review Session – Mandatory Rescheduled 5 September Class]
[RG-20, 1:10-2:30PM]**

Jay K. Rosengard, “Progress in Urban Revenue Generation” and “Case Studies in Urban Revenue Generation,” *Development of Local Potential for Urban Financing* (Medan, Indonesia: Municipal Finance Project, October 1993), pp. 25 – 42. [HKS Class Page]

Elaine Morley, Scott P. Bryant, Harry P. Hatry, “What is CPM, and Why Is It Important?,” “Analyzing Comparative Performance Information,” and “Using Comparative Performance Information,” Chapters 1, 6, and 8 in *Comparative Performance Measurement* (Washington, D.C.: The Urban Institute Press, 2001). [HKS Class Page]

*Adrian Moore, James Nolan, and Geoffrey Segal, *Putting out the trash: measuring municipal service efficiency in U.S. cities* (Los Angeles: Reason Public Policy Institute, September 2003). [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=448860]

*Antonio Afonso, Ludger Schuknecht, Vito Tanzi, *Public Sector Efficiency: An International Comparison*, Working Paper No. 242 (Frankfurt: European Central Bank, July 2003). [<http://www.ecb.int/pub/pdf/scpwps/ecbwp242.pdf>]

IN-CLASS CASE: COMPARATIVE PERFORMANCE MEASUREMENT IN INDONESIA

Tuesday, 8 October 2013

Bent Flyvbjerg, Mette Skamris Holm, and Soren Buhl, “Underestimating Costs in Public Works Projects: Error or Lie?” in *Journal of the American Planning Association*, Summer 2002 (Vol. 68, No. 3), pp. 279-295. [HKS Class Page]

Alan Altshuler and David Luberoff, “Mega-Projects and Urban Theory” and “Urban Theory Redux,” Chapters Three and Eight in *Mega-Projects: The Changing Politics of Urban Public Investment* (Washington, D.C. and Cambridge, MA: Brookings Institution Press and Lincoln Institute of Land Policy, 2003), pp. 45-75 and 248-269. [HKS Class Page]

*David Luberoff and Alan Altshuler, *Boston’s Central Artery/Third Harbor Crossing Project*, HKS Case Nos. CR1-96-1366.0 and CR1-96-1366.1. [HKS Class Page]

IN-CLASS CASE: THE BIG DIG

POLICY MEMO #1 (THE BIG DIG) DUE AT BEGINNING OF CLASS

III. Public Resource Mobilization

A. Economics of Taxation

Thursday, 10 October 2013

Joel Slemrod and Jon Bakija, “Introduction” and “An Overview of the U.S. Tax System,” Chapters 1 and 2 in *Taxing Ourselves: A Citizen’s Guide to the Great Debate over Tax Reform*, Second Edition (Cambridge, MA: The MIT Press, 2001), pp. 1-48. [HKS Class Page]

Michael Keen and Alejandro Simone, “Tax Policy in Developing Countries: Some Lessons from the 1990s and Some Challenges Ahead,” Chapter 12 in Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, eds., *Helping Countries Develop: The Role of Fiscal Policy* (Washington, D.C.: International Monetary Fund, 2004), pp. 302-52. [HKS Class Page]

*Vito Tanzi and Howell Zee, *Tax Policy for Developing Countries*, Economic Issues No. 27 (Washington, D.C.: International Monetary Fund, March 2001), pp.1-13.
[<http://www.imf.org/external/pubs/ft/issues/issues27/>]

*Richard M. Bird and Arindam Das-Gupta, *Public Finance in Developing Countries*, draft working paper, June 30, 2012.
[http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111065]

*Useful taxation web links [can be accessed at URLs noted below]

1) IMF Fiscal Affairs Department

<http://elibrary-data.imf.org/DataReport.aspx?p=1449283>
(Government Finance Statistics)
<http://www.imf.org/external/pubind.htm> (Publications)

2) OECD Centre for Tax Policy and Administration

http://www.oecd.org/document/35/0,3746,en_2649_34533_46661795_1_1_1_1,00.html
(Revenue Statistics)
http://www.oecd.org/document/26/0,3343,en_2649_34533_37815834_1_1_1_1,00.html
(Tax Policy Studies)

3) United States Internal Revenue Service

www.irs.gov (Home Page)

4) Commonwealth of Massachusetts Department of Revenue

<http://www.mass.gov/?pageID=dorhomepage&L=1&L0=Home&sid=Ador> (Home Page)

5) City of Cambridge Finance Department

<http://www.cambridgema.gov/finance.aspx> (Home Page)

B. Taxation of Income and Wealth

Tuesday, 15 October 2013

Howell H. Zee, *Personal Income Tax Reform: Concepts, Issues, and Comparative Country Developments*, IMF Working Paper WP/05/87 (Washington, D.C.: Int. Monetary Fund, 2005). [<http://www.imf.org/external/pubs/ft/wp/2005/wp0587.pdf>]

Nezih Guner, Remzi Kaygusuz, and Gustavo Ventura, *Income Taxation of U.S. Households: Basic Facts*, Discussion Paper No. 5549 (Bonn: The Institute for the Study of Labor, March 2011). [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1778893]

*Michael Keen, Yitae Kim, and Ricardo Varsano, *The "Flat Tax(es)": Principles and Evidence*, IMF Working Paper WP/06/218 (Washington, D.C.: Int. Monetary Fund, 2006). [<http://www.imf.org/external/pubs/ft/wp/2006/wp06218.pdf>]

*Alan J. Auerbach, *Who Bears the Corporate Tax? A Review of What We Know*, Working Paper 11686 (Cambridge, MA: National Bureau of Economic Research, October 2005). [<http://www.nber.org/papers/w11686>]

*Richard M. Bird and Eric M. Zolt, "Redistribution via Taxation: The Limited Role of the Personal Income Tax in Developing Countries," 52 *UCLA Law Review* (2005), pp. 1627-95. [HKS Class Page]

*Richard Bird and Eric Zolt, "Dual Income Taxation and Developing Countries," *Columbia Journal of Tax Law*, 1(2) (2010), pp. 174-217 [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1616905].

IN-CLASS EXERCISE: COMPLETION OF FEDERAL AND MASSACHUSETTS PERSONAL INCOME TAX RETURNS

Thursday, 17 October 2013

[Class Rescheduled for Friday, 25 October]

Tuesday, 22 October 2013

Jay K. Rosengard, *The Tax Everyone Loves to Hate: Principles of Property Tax Reform*, M-RCBG Faculty Working Paper No. 2012-10 (Cambridge, MA: Harvard Kennedy School, 2012). [<http://www.hks.harvard.edu/centers/mrcbg/publications/fwp/2012-10>]

Jay K. Rosengard, "Introduction," Chapter 1 in *Property Tax Reform in Developing Countries* (Boston: Kluwer Academic Publishers, 1998), pp. 1-30. [HKS Class Page]

John Norregaard, *Taxing Immovable Property: Revenue Potential and Implementation Challenges*, International Monetary Fund Working Paper WP/13/129, May 2013. [<http://www.imf.org/external/pubs/ft/wp/2013/wp13129.pdf>]

*Joan Youngman, *TIF at a Turning Point: Defining Debt Down*, Lincoln Institute of Land Policy Working Paper WP11JY1 (Cambridge, MA: LILP, 2011). [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1865995]

*Ronald W. Rakow, "Payment in Lieu of Taxes: The Boston Experience," *Lincoln Institute of Land Policy Land Lines*, January 2013, pp. 2-7.
[https://www.lincolnst.edu/pubs/dl/2186_1512_Payments_in_Lieu_of_Taxes_Boston_0113LL.pdf]

*Richard M. Bird, "The Taxation of Personal Wealth in International Perspective," in *Canadian Public Policy*, Vol. XVIII:3 (1991), pp. 322-34.
[<http://economics.ca/cgi/jab?journal=cpp&view=v17n3/CPpv17n3p322.pdf>]

*Riël C.D. Franzsen and Joan Youngman, "Mapping Property Taxes in Africa," *Land Lines*, vol. 21, no. 3 (July 2009), Lincoln Institute of Land Policy, pp. 8-13.
[<http://www.lincolnst.edu/pubs/PubDetail.aspx?pubid=1648>]

PUBLIC FINANCE LITERACY EXERCISE #2 (ECONOMICS OF TAXATION)
DISTRIBUTED IN CLASS

Thursday, 24 October 2013

Jay K. Rosengard, "Indonesia Case Study," Chapter 5 in *Property Tax Reform in Developing Countries* (Boston: Kluwer Academic Publishers, 1998), pp. 111-156. [HKS Class Page]

Christopher Hoene, "Fiscal Structure and the Post-Proposition 13 Fiscal Regime in California's Cities," *Public Budgeting & Finance* 24:4 (December 2004), pp. 51-72. [HKS Class Page]

*Roy Kelly, "Property Tax Reform in Indonesia: Emerging Challenges from Decentralisation," *The Asia Pacific Journal of Public Administration*, vol. 26, no. 1 (June 2004), pp. 71-90.
[<http://hkjo.lib.hku.hk/archive/files/f98584a6ba9da3700a12f13e5dad438e.pdf>]

IN-CLASS CASES: INDONESIA PROPERTY TAX REFORM; CALIFORNIA PROPERTY TAX REVOLT (PROPOSITION 13)

C. Taxation of Consumption

Friday, 25 October 2013

[No Review Session – Mandatory Rescheduled 17 October Class]
[RG-20, 1:10-2:30PM]

Richard Goode, "Taxation of Consumption," Chapter 6 in *Government Finance in Developing Countries* (Washington, D.C.: The Brookings Institution, 1984), pp. 141-166. [HKS Class Page]

Richard M. Bird and Pierre-Pascal Gendron, "Key Issues in VAT Design" and "New Issues in VAT Design," in *The VAT in Developing and Transitional Countries* (New York: Cambridge University Press, 2007), pp. 108-160. [HKS Class Page]

*Glenn P. Jenkins, Hatice P. Jenkins, and Chun Yan Kuo, *Is the Value Added Tax Naturally Progressive?*, Queen's Economics Department Working Paper No. 1059, 2006.
[http://papers.ssrn.com/sol3/papers.cfm?abstract_id=897677]

*International Monetary Fund, *Taxation of Small and Medium Enterprises*, Background paper for the International Tax Dialogue Conference, Buenos Aires, October 2007.
[<http://www.itdweb.org/documents/itd%20global%20conference%20-%20background%20paper.pdf>]

Tuesday, 29 October 2013

Aswin Techajareonvikul, *Liquor Tax Reform in Thailand: Competing Interests and Objectives*, HKS Case No. CR14-06-1857.0. [HKS Class Page]

Julio Escolano, "Taxing Consumption/Expenditure Versus Taxing Income," Ronald T. McMorrin, "A Comparison Between the Sales Tax and a VAT," and William J. McCarten and Janet Stotsky, "Excise Taxes," in Parthasarathi Shome, ed., *Tax Policy Handbook* (Washington, D.C.: International Monetary Fund, 1995), pp. 50-54, pp. 82-85, and pp. 100-103. [HKS Class Page]

*Robert P. Strauss, "Administrative and Revenue Implications of Alternative Federal Consumption Taxes for the State and Local Sector," in *The American Journal of Tax Policy*, Vol. 14, No. 2 (Fall 1997), pp. 426-31. .

[http://www.andrew.cmu.edu/user/rs9f/ajtp_fall_1997_rpstrauss.pdf]

*Donald Bruce, William F. Fox, and LeAnn Luna, *State and Local Sales Tax Revenue Losses from Electronic Commerce* (Knoxville: University of Tennessee, April 13, 2009).

[<http://cber.utk.edu/ecom/ecom0409.pdf>]

IN-CLASS CASE: TAXATION OF ALCOHOL IN THAILAND

PUBLIC FINANCE LITERACY EXERCISE #2 (ECONOMICS OF TAXATION) DUE AT BEGINNING OF CLASS

POLICY BRIEF GUIDELINES DISTRIBUTED

D. Taxation and the Environment; Taxation and Natural Resources

Thursday, 31 October 2013

G. Jenkins and R. Lamech, "Market Based Instruments for Pollution Control," *Bulletin for International Fiscal Documentation*, Vol. 46, November 1992, pp. 523-538. [HKS Class Page]

Robert Stavins, "Summary and Conclusions," in *Addressing Climate Change with a Comprehensive U.S. Cap-and-Trade System*, Faculty Research Working Paper RWP07-053 (Cambridge, MA: John F. Kennedy School of Government, November 2007), pp. 18-20.

[<https://research.hks.harvard.edu/publications/workingpapers/citation.aspx?PubId=5090&type=FN&PersonId=95>]

Gilbert E. Metcalf, et al., "Conclusion," in *Analysis of U.S. Greenhouse Gas Tax Proposals*, NBER Working Paper 13980 (Cambridge, MA: National Bureau of Economic Research, April 2008), pp. 38-39. [http://www.nber.org/papers/w13980.pdf?new_window=1]

G. Jenkins, "How to Tax Mineral Extraction - Alternative Systems of Taxing Mineral Industries," in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp. 279-285. [HKS Class Page]

*Neil Hodge, "Australia's Carbon Gamble," *World Finance*, January-February 2012, pp. 140-2.

[<http://www.worldfinance.com/markets/energy/australias-carbon-gamble>]

*James M. Otto, *Mining Taxation in Developing Countries*, Study Prepared for UNCTAD, November, 2000, pp. 1-18.

[<http://www.unctad.org/infocomm/diversification/cape/word/otto.doc>]

E. Tax Incentives, Compliance, and Enforcement

Tuesday, 5 November 2013

Howard Husock, *Seeking Neighborhood Revitalization in Philadelphia: Using Tax Credits to Link the Private and Non-Profit Sectors*, HKS Case No. C16-00-1578. . [HKS Class Page]

Howell H. Zee, Janet G. Stotsky, and Eduardo Ley, “Tax Incentives for Business Investment: A Primer for Policy Makers in Developing Countries,” in *World Development*, vol. 30, no. 9 (September 2002), pp. 1497-1516. [HKS Class Page]

Nina E. Olson, National Taxpayer Advocate, “Written Statement Before the Committee on Finance, United States Senate, Hearing on Complexity and the Tax Gap: Making Tax Compliance Easier and Collecting What’s Due,” June 28, 2011. [http://www.irs.gov/pub/irs-utl/nta_testimony_taxgap_062811.pdf]

S.M.S. Shah and J.F.J. Toye, “Fiscal Incentives for Firms in Some Developing Countries: Survey and Critique,” in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp.151-63. [HKS Class Page]

*Glenn P. Jenkins and Chun-Yan Kuo, *Evaluating the Relative Impact of Fiscal Incentives and Trade Policies on the Returns to Manufacturing in Taiwan, 1955-1995*, QED Working Paper No. 1060 (Kingston, Ontario: Queen’s University, April 2006). [http://www.econ.queensu.ca/working_papers/papers/qed_wp_1060.pdf]

IN-CLASS CASE: NEIGHBORHOOD REVITALIZATION IN PHILADELPHIA

POLICY BRIEF TOPICS DUE AT BEGINNING OF CLASS

Thursday, 7 November 2013

Joel Slemrod, “Cheating Ourselves: The Economics of Tax Evasion,” in *The Journal of Economic Perspectives*, vol. 21, no. 1 (Winter 2007), pp. 25-48. [<http://www.aeaweb.org/articles.php?doi=10.1257/jep.21.1.25>]

Richard A. Musgrave, “Reaching the Hard-to-Tax – Income Taxation of the Hard-to-Tax Groups,” in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp. 297-309. [HKS Class Page]

*Erich Kirchler, Erik Hoelzl, and Ingrid Wahl, “Enforced Versus Voluntary Tax Compliance: The ‘Slippery Slope’ Framework,” *Journal of Economic Psychology* 29 (2008), pp. 210-25. [HKS Class Page]

*James Alm, John Deskins, and Michael McKee, *Third-Party Income Reporting and Income Tax Compliance*, Working Paper 06-35 (Atlanta: Georgia State University, March 2006). [http://aysps.gsu.edu/publications/2006/downloads/AlmDeskinsMcKee_ThirdParty.pdf]

IN-CLASS FILM CLIP: “A TAXING WOMAN”

F. Tax Reform

Tuesday, 12 November 2013

Robert Klitgaard, *Internal and External Corruption in the Philippines' Tax System (A) and (B)*, HKS Case Nos. C15-86-674 and C15-86-675. [HKS Class Page]

Amy C. Edmondson and Frances X. Frei, *Transformation at the IRS*, HBS Case No.9-603-010. [HKS Class Page]

Malcolm Gillis, "Toward a Taxonomy for Tax Reform" and "Tax Reform: Lessons from Postwar Experience in Developing Nations," in Malcolm Gillis, ed., *Tax Reform in Developing Countries* (Durham: Duke University Press, 1989), pp. 7-26 and pp. 492-520. [HKS Class Page]

*John Norregaard and Tehmina S. Khan, *Tax Policy: Recent Trends and Coming Challenges*, IMF Working Paper WP/07/274 (Washington, D.C.: International Monetary Fund, December 2007). [<http://www.imf.org/external/pubs/cat/longres.cfm?sk=21489.0>]

*Richard M. Bird, "Administrative Dimensions of Tax Reform," *Asia-Pacific Tax Bulletin*, March 2004, pp. 134-150.
[<http://unpan1.un.org/intradoc/groups/public/documents/UNPAN/UNPAN015761.pdf>]

IN-CLASS CASES: THE BUREAU OF INTERNAL REVENUE (PHILIPPINES) and
THE INTERNAL REVENUE SERVICE (UNITED STATES)

POLICY MEMO #2 (TRANSP. IN PHILADELPHIA) DISTRIBUTED IN CLASS

G. User Charges

Thursday, 14 November 2013

Ronald C. Fisher, "Pricing of Government Goods: User Charges," Chapter 8 in *State and Local Public Finance*, Third Edition (South-Western College, 2006), pp. 170-196. [HKS Class Page]

Mary Lovely, *Financing Public Transportation in Philadelphia*, HKS Case No. C16-81-476. [HKS Class Page]

Tuesday, 19 November 2013

Margaret Y. Myers, ed., "Cost Recovery: User Fees - Summary," David A. Grossman, "Cost Recovery," (pp. 1-6) and Alfred Heron, "Tariffs for Water and Sanitation Services" (pp. 1-60) in *Selected Readings in Urban Financial Resource Mobilization* (Washington, D.C.: Economic Development Institute, World Bank, September 1986). [HKS Class Page]

George E. Peterson, "Self Financing Through User Fees," in *Financing Urban Infrastructure in Less Developed Countries*, Manuscript, USAID, August 1990, pp. 20-29. [HKS Class Page]

*Kristin Komives, et al., *The Distributional Incidence of Residential Water and Electricity Subsidies*, World Bank Policy Research Working Paper 3878 (Washington, D.C.: World Bank, April 2006).
[<https://openknowledge.worldbank.org/bitstream/handle/10986/8731/wps38780rev0pdf.txt?sequence=2>]

IN-CLASS CASE: FINANCING PUBLIC TRANSPORTATION IN PHILADELPHIA
POLICY MEMO #2 (TRANSP. IN PHILADELPHIA) DUE AT BEGINNING OF CLASS

IV. Intergovernmental Fiscal Relations and Local Government Finance

A. Fiscal Federalism and Fiscal Decentralization

Thursday, 21 November 2013

Anwar Shah, *Fiscal Decentralization in Developing and Transition Economies: Progress, Problems, and the Promise*, Policy Research Working Paper 3282 (Washington, D.C.: World Bank, April 2004). [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000009486_20040610112326&searchMenuPK=64187283&theSitePK=523679]

Richard M. Bird and Roy Bahl, *Subnational Taxes in Developing Countries: The Way Forward*, IIB Working Paper No. 16 (Toronto: Institute for International Business, Rotman School of Management, University of Toronto, August 2008). [<http://ssrn.com/abstract=1273753>]

*Dan Stegarescu, *Public Sector Decentralization: Measurement Concepts and Recent International Trends*, ZEW Discussion Paper No. 04-74 (Mannheim: Centre for European Economic Research, 2004). [<ftp://ftp.zew.de/pub/zew-docs/dp/dp0474.pdf>]

*Junaid Ahmad, Shantayanan Devarajan, Stuti Khemani, and Shekhar Shah, *Decentralization and Service Delivery*, Policy Research Working Paper 3603 (Washington, D.C.: World Bank, May 2005). [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000011823_20050512104803&searchMenuPK=64187283&theSitePK=523679]

IN-CLASS FILM CLIP: “JERRY MAGUIRE”

B. Resource Transfers

Tuesday, 26 November 2013

Ronald C. Fisher, “Intergovernmental Grants,” Chapter 9 in *State and Local Public Finance*, Third Edition, pp. 197-229. [HKS Class Page]

World Bank, “Fiscal Decentralization and Regional Inequality,” Chapter 7 in *Spending for Development: Making the Most of Indonesia’s New Opportunities* (Washington, D.C.: World Bank, June 2007), pp. 111- 140. [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000020953_20070827113556&searchMenuPK=64187282&theSitePK=523679]

*Odd-Helge Fjeldstad, *Intergovernmental Fiscal Relations in Developing Countries: A Review of Issues*, WP 2001: 11 (Bergen: Chr. Michelsen Institute, 2001), pp. 1-15. [<http://www.cmi.no/publications/2001/wp/wp2001-11.pdf>]

IN-CLASS CASE: INDONESIA’S “BIG BANG” DECENTRALIZATION

Thursday, 28 November 2013

Thanksgiving – No Class.

C. Local Government Debt Financing

Tuesday, 3 December 2013

Ronald C. Fisher, “Borrowing and Debt,” Chapter 10 in *State and Local Public Finance*, Third Edition, pp. 230-263. [HKS Class Page]

Kenneth Davey, *Municipal Development Funds and Intermediaries*, 1988 World Dev. Report Background Paper (Washington, D.C.: World Bank, July 1988), pp. 1–62. [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1988/07/01/000009265_3960927015653/Rendered/PDF/multi_page.pdf]

Judy Wesalo Temel, “Overview of the Municipal Bond Market” and “The Basics of Municipal Securities,” Chapters 1 and 2 in *The Fundamentals of Municipal Bonds*, Fifth Ed. (New York: John Wiley & Sons for The Bond Market Association, 2001), pp. 1-48. [HKS Class Page]

IN-CLASS CASE: INDONESIA’S REGIONAL DEVELOPMENT ACCOUNT (RDA)

Thursday, 5 December 2013

Peter Kiernan, *The New York City Crisis*, HKS Case No. C16-81-400. [HKS Class Page]

United States Government Accountability Office (GAO), *State and Local Governments’ Fiscal Outlook: April 2011 Update*, GAO-11-495SP, April 2011. [<http://www.gao.gov/new.items/d11495sp.pdf>]

Jeremy Gerst and Daniel Wilson, *Fiscal Crises of the States: Causes and Consequences*, FRBSF Economic Letter 2010-20, Federal Reserve Bank of San Francisco, June 28, 2010, pp. 1-5. [<http://www.frbsf.org/publications/economics/letter/2010/el2010-20.html>]

Otaviano Canuto and Lili Liu, *Subnational Debt Finance and the Global Financial Crisis*, Economic Premise No. 13, Poverty Reduction and Economic Management (PREM) Network, The World Bank, May 2010, pp. 1-7. [<http://siteresources.worldbank.org/INTPREMNET/Resources/EP13.pdf>]

*Robert W. Wassmer and Ronald C. Fisher, "State and Local Government Debt, 1992-2008," *State Tax Notes*, August 15, 2011, pp. 427-436. [http://www.tre.wa.gov/documents/debtCommissionWassmer-Fisher_STN.pdf]

IN-CLASS CASES: NEW YORK CITY CRISIS; U.S. STATE AND LOCAL FISCAL CRISIS

Tuesday, 10 December 2013

POLICY BRIEFS DUE BY 5:00 P.M.