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


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


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

Thursday, 12 September 2013


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]


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


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


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]


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


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]


IN-CLASS CASE: COMPARATIVE PERFORMANCE MEASUREMENT IN INDONESIA

Tuesday, 8 October 2013


*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


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

1) IMF Fiscal Affairs Department

  (Government Finance Statistics)

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


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


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

Thursday, 24 October 2013


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]


Tuesday, 29 October 2013


*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/ecomm/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


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]


IN-CLASS CASE: NEIGHBORHOOD REVITALIZATION IN PHILADELPHIA

POLICY BRIEF TOPICS DUE AT BEGINNING OF CLASS

Thursday, 7 November 2013


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]


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


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

Tuesday, 19 November 2013


IV. Intergovernmental Fiscal Relations and Local Government Finance

A. Fiscal Federalism and Fiscal Decentralization

Thursday, 21 November 2013


IN-CLASS FILM CLIP: “JERRY MAGUIRE”

B. Resource Transfers

Tuesday, 26 November 2013


IN-CLASS CASE: INDONESIA’S “BIG BANG” DECENTRALIZATION
Thursday, 28 November 2013

Thanksgiving – No Class.

C. Local Government Debt Financing

Tuesday, 3 December 2013


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]


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.