COURSE OVERVIEW

Understanding public finance is essential for people working in public policy. Traditionally the study of public finance has been treated largely as a branch of micro-economics focusing on taxation and how the funds raised by taxation are spent.

Lately a more contemporary approach has emerged which takes a more multi-disciplinary approach. The long-standing concern with efficiency remains but there is greater emphasis on fairness and equity as well as on developing solutions that work in practice where political feasibility becomes important. This raises issues of citizen involvement: co-production and other forms of partnerships between governments and citizens, particularly citizen involvement in spending decisions. It also focuses attention on efficiency and fairness in how public finance is raised through taxation and debt as well as on modes of service delivery. Underpinning all of this is the normative debate about the role of government.

To address these different perspectives, this course draws upon the disciplines of economics, political science, political philosophy and management.

It is intended to put students into the driver’s seat so that they understand not only the concepts but can also work the levers for managing public finance functions.

At the end of this class, students should be able to accomplish the following:

- Critically evaluate policy recommendations for raising and spending public funds using standard tools of policy analysis;
- Apply normative theory to public finance policy-making;
- Develop recommendations for raising and spending public finance that are economically sound and politically feasible;
- Research policy using a wide range of sources;
- Apply public finance analytic techniques to complex policy areas such as public private partnerships; environmental policy; health policy interventions; and policy for addressing inequality.

LEARNING OBJECTIVES

Students completing this course should be able to:

- Critically evaluate policy recommendations relating to public finance using standard tools of policy analysis;
- Apply normative theory to policy-making in public finance;
- Develop recommendations for raising taxation revenue and debt finance that are economically sound and politically feasible
- Read and analyse government budget statements
- Research public finance policy using a wide range of sources
- Apply public finance analytic techniques to complex policy areas such as:
  - environmental policy
  - health policy interventions
  - addressing inequality
  - resource taxation policy.

### READINGS

The schedule which follows lists some readings under each topic. These are suggested readings only. Required readings will be advised in class and, where possible, made available directly to students.

There is no single text for this course. However, there are a number of texts that will be drawn upon extensively. These are listed as follows. There are multiple copies of the Gruber, Lee and Weimer texts available in the library.


### CLASS SCHEDULE AND FORMAT

Normal classes have been scheduled for each Monday and Wednesday from 4.00 – 5.20 pm in Classroom 1. Classes will be a combination of lectures and discussion. The first half of the class will generally be devoted to lectures, while the second half will focus on discussions of case studies.

**Please note:** there needs to be some alteration to the schedule owing to my participation of a course in the DFAT-sponsored short course on policy research and development being delivered by CMU-A to officials from the Government of the Philippines. This will require me to be absent for 3 weeks of the semester. At this stage, I am planning on making up the time by having designated classes run for 3 hours. The schedule then is as follows:
<table>
<thead>
<tr>
<th>Week</th>
<th>Class dates</th>
<th>Class hours</th>
<th>Topic</th>
<th>Reading</th>
<th>Deliverables</th>
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</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>20 &amp; 22 May</td>
<td>4.00 – 5.20 pm</td>
<td>Concepts part 1 &amp; 2</td>
<td>Matters of Life and Death: Defunding Organ Transplants in the State of Arizona</td>
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<tr>
<td>Week 2</td>
<td>27 &amp; 29 May</td>
<td>4.00 – 6.50 pm</td>
<td>Market failures and the case for government intervention</td>
<td>Ulbrich Ch 7</td>
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<td>Week 3</td>
<td>3 &amp; 5 June</td>
<td>No classes</td>
<td>n/a</td>
<td></td>
<td>Assignment 1 due Friday 7 June</td>
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<td>Week 4</td>
<td>10 &amp; 12 June</td>
<td>4.00 – 6.50 pm</td>
<td>Raising public finance 1: taxation design and operation</td>
<td>Gruber Chs 19 &amp; 20 Stewart, M 2015 ‘The tax state, benefit and legitimacy’ TTPI Working Paper 1/2015. Crawford School of Public Policy Australian National University</td>
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<tr>
<td>Week 5</td>
<td>17 &amp; 19 June</td>
<td>No classes</td>
<td>n/a</td>
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<tr>
<td>Week 6</td>
<td>24 &amp; 26 June</td>
<td>Guest lectures</td>
<td>Budgets and budget papers</td>
<td>Guest lectStuart Hocking Deputy Under-Treasurer, Department of Treasury, Government of South Australia Julie Holmes, State Commissioner</td>
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<tr>
<td>Week</td>
<td>Dates</td>
<td>Time</td>
<td>Topic</td>
<td>Reference</td>
<td>Assignment Due Date</td>
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<tr>
<td>10</td>
<td>22 &amp; 24 July</td>
<td>4.00 – 5.20 pm</td>
<td>Selecting PPPs Evaluating PPPs</td>
<td>Guest, R. 2010 'The Privatisation of Queensland Motorways' ANZSOG case study</td>
<td>Friday 26 July</td>
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<tr>
<td>11</td>
<td>29 &amp; 31 July</td>
<td>4.00 – 5.20 pm</td>
<td>Funding, financing and governing PPPs Stimulating investor appetite in developing</td>
<td>Widow, A. and Alfen, H. 2014 'Identifying macro-environmental critical success</td>
<td></td>
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</tbody>
</table>
countries factors and key areas for improvement to promote public-private partnerships in infrastructure: Indonesia’s experience’ Engineering, Construction and Architectural Management, Vol. 2 Issue 4 pp. 383 – 402

Week 12 5 August 4.00 – 5.20 pm Exam Exam

ACADEMIC INTEGRITY

There is no tolerance for breaches of academic integrity in this course. Copying or paraphrasing the work of others without attribution will result in penalties, including the possibility of a failing grade.

Carnegie Mellon University policy prescribes that, in any presentation, creative, artistic, or research, it is the ethical responsibility of each student to identify the conceptual sources of the work submitted. Failure to do so is dishonest and is the basis for a charge of cheating or plagiarism, which is subject to disciplinary action.

COURSE GRADE

<table>
<thead>
<tr>
<th>95%-100%: A+</th>
<th>90%-95%: A</th>
<th>85%-90%: A-</th>
<th>80%-85%: B+</th>
<th>75%-80%: B</th>
<th>70%-75%: B-</th>
<th>65%-70%: C+</th>
<th>60%-65%: C</th>
<th>55%-60%: C-</th>
<th>Less than 55%: R</th>
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COURSE ASSIGNMENTS

The assessment for the course is set out in the following table.

<p>| Assignment 1 Market and government failures | 25% | Case study analysis. 1,500 words Due: Friday 7 June | This assignment requires students to draw upon the concepts covered in week 1 and 2 to identify the strength of a case for government intervention using public finance in a case study to be provided and to develop strategies to minimise risks of government failure. |
| Assignment 2 | 25% | Analytic | A polemic on taxation policy will be provided. |</p>
<table>
<thead>
<tr>
<th>Event</th>
<th>Week</th>
<th>Date</th>
<th>Brief Description</th>
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<tbody>
<tr>
<td>Design and operation of</td>
<td>1</td>
<td>Monday 20</td>
<td>This assignment asks students to critically assess that argument using techniques covered in week 4</td>
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<tr>
<td>taxation systems</td>
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<td>Wednesday</td>
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<td>22 May</td>
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<td>Assignment 3:</td>
<td>1</td>
<td>27 May</td>
<td>This assignment will present students with a specific budget problem. The task is to define the nature of the problem and develop budgetary strategies for dealing with it.</td>
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<tr>
<td>Managing budgets</td>
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<td>29 May</td>
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<td>Monday 27</td>
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<td>Wednesday</td>
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<td></td>
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<td>29 May</td>
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<tr>
<td>Exam</td>
<td>1</td>
<td>31 July</td>
<td>The course includes a number of quantitative methods and concepts. Students understanding of these will be assessed by a short exam at the conclusion of the course</td>
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<td>Wednesday</td>
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<td>31 July</td>
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**CLASS SCHEDULE**

**Week 1**

**Monday 20 and Wednesday 22 May**

Concepts: philosophical and analytic frameworks of the role and size of the public sector


[http://www.iep.utm.edu/rawls/](http://www.iep.utm.edu/rawls/)


Vol. 121, No. 5 (May, 1973), pp. 1020-1069

*Kennedy School of Government Case program.* “Matters of Life and Death: Defunding Organ Transplants in the State of Arizona”

Weimer and Vining, Madison Taxi case pp 193 - 204

**Week 2**

**Monday 27 and Wednesday 29 May**
Market failures the case for government intervention

Ulbrich Ch 7

Weimer and Vining. Chs 5, 6, 7, 8, 9 & 10

Week 3

Monday 3 June and Wednesday 5 June
No classes

Week 4

Monday 10 June
Raising public finance 1: design of taxation systems


Bailey Ch 5

Gruber Ch 19

Wednesday 12 June
Raising public finance 2: operation of taxation systems

Gruber Ch. 20


Slemrod, J 2006 ‘The Consequences of Taxation” Social Philosophy & Policy Foundation’ Vol 23 (2) pp. 73-8

http://digitalcommons.unl.edu/econfacpub/76

Week 5
Monday 17 June and Wednesday 19 June
No classes

Week 6 (guest lecturers)

Monday 24 June and Wednesday 26 June

Spending public finance: preparing budgets

Ulbrich. Ch. 8

guest lectures:
  • Monday 17 June: Stuart Hocking, Deputy Under-Treasurer
  • Wednesday 19 June: Julie Holmes, State Commissioner for Taxation

Reading and analysing public finance statements

Auerbach, A 1993 ‘Public Finance in Theory and Practice’ National Tax Journal: Dec 1, 46, 4 pp519-526

Bailey Chs 3, 6 and 7

Pryce, V. Is Economics influential enough in government decision-making? The Institute for Government.
http://www.instituteforgovernment.org.uk/sites/default/files/publications/The%20dismal%20science.pdf


Ulbrich Ch 2

Week 7

Monday 1 July and Wednesday 3 July

Raising public finance 3: debt


**Week 8**

**Monday 8 and Wednesday 10 July**

**Distributional impacts**

[https://www.foreignaffairs.com/reviews/review-essay/capital-punishment](https://www.foreignaffairs.com/reviews/review-essay/capital-punishment)

Gruber Ch.17


**Sovereign wealth funds**


**Week 9**

**Monday 15 July**

**Modes of delivery**


Osborne, D and Gaebler, T 1992 Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector. Addison-Wesley, Reading, MA


Wednesday 17 July

Raising public finance 4: minerals, health, local government


Week 10

Monday 22 July

Public private partnerships: selecting PPPs

Guest, R. 2010 ‘The Privatisation of Queensland Motorways’ ANZSOG case study


World Bank 2006. Dutz M and Harris C 2006 Public-Private Partnership Units’, What Are They, and What Do They Do?


Wednesday 24 July:

Evaluating PPPs


The World Bank. Value for Money Analysis - Practices and Challenges: How Governments Choose When to Use PPPs to Deliver Public Infrastructure and Services, 2013

**Week 11**

**Monday 29 July**

**Funding, financing and governing PPPs**


**Other readings**


**Wednesday 31 July**

**Stimulating investor appetite in developing countries**


**Week 12**
Monday 5 August
Exam