COURSE OVERVIEW

Understanding public finance is essential for people working in public policy, irrespective of whether they are working within government or outside of it. Traditionally the study of public finance has been treated as a branch of micro-economics focussing on taxation and how the funds raised by taxation are spent.

This course takes a more multi-disciplinary approach. It is based on the principle that there is much more to public finance than efficiency. Of course, funds should be raised and spent efficiently. But to whom those funds are distributed and on what criteria matters too. The quality of the outcomes is also important. This raises issues of innovation not only in raising and spending public money but also in co-production and other forms of partnerships as well as 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, the students should be able to accomplish the following:

- Critically evaluate policy recommendations using standard tools of policy analysis;
- Apply normative theory to 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.

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 FORMAT AND RULES

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.

Punctuality in classes and submission of assignments is critical. Assignments that are delayed will receive a full letter grade deduction for each day of delay. Assignments should also follow the prescribed formats.

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.

Cheating includes but is not necessarily limited to:

- Plagiarism, explained below.
- Submission of work that is not the student's own for papers, assignments or exams.
- Submission or use of falsified data.
- Theft of or unauthorized access to an exam.
- Use of an alternate, stand-in or proxy during an examination.
- Use of unauthorized material including textbooks, notes or computer programs in the preparation of an assignment or during an examination.
- Supplying or communicating in any way unauthorized information to another student for the preparation of an assignment or during an examination.
- Collaboration in the preparation of an assignment. Unless specifically permitted or required by the instructor, collaboration will usually be viewed by the university as cheating. Each student, therefore, is responsible for understanding the policies of the department offering any course as they refer to the amount of help and collaboration permitted in preparation of assignments.
- Submission of the same work for credit in two courses without obtaining the permission of the instructors beforehand.

Plagiarism includes, but is not limited to, failure to indicate the source with quotation marks or footnotes where appropriate if any of the following are reproduced in the work submitted by a student:
A phrase, written or musical.
A graphic element.
A proof.
Specific language.
An idea derived from the work, published or unpublished, of another person.

COURSE GRADE

95%-100%: A+  
90%-95%: A  
85%-90%: A-  
80%-85%: B+  
75%-80%: B  
70%-75%: B-  
65%-70%: C+  
60%-65%: C  
55%-60%: C-  
Less than 55%: R

COURSE ASSIGNMENTS

The assignments for this course are based on three segments of the course. It is important that students select and apply techniques acquired in PA I and PA II to these essays.

<table>
<thead>
<tr>
<th>Assignment 1</th>
<th>Maximum of 2,500 words</th>
<th>Due: Friday 7 July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market and government failures</td>
<td>50%</td>
<td>This assignment requires students to assess the normative argument for a tax on sugary drinks and to design a tax that addressing the tensions between efficiency and equity.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assignment 2</th>
<th>Maximum of 2,500 words</th>
<th>Due: Monday 7 August</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing budgets</td>
<td>50%</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>
</tr>
</tbody>
</table>

CLASS SCHEDULE

Week 1 Monday 22 May
**Concepts: philosophical and analytic frameworks of the role and size of the public sector**


http://www.iep.utm.edu/rawls/


*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 29 May**

**Market and government failures**


Ulbrich Ch 7

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

**Week 3 Monday 5 June**

**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.


Ulbrich Ch 2

Week 4 Wednesday 14 June
Raising public finance 1: design of taxation systems


Bailey Ch 5
Gruber Ch 19

Week 5 Monday 19 June
Raising public finance 2: operation of taxation systems

Gruber Ch 20

Week 6 Monday 26 June
Raising public finance 3: issues with the tax system


Week 7 Monday 10 July
Guest lecture: Stuart Hocking, Deputy Under-Treasurer, SA Government

Spending public finance: preparing budgets

Lee, Johnson and Joyce. Chs 6 & 7
Ulbrich. Ch. 8

Week 8 Monday 17 July
Raising public finance 4: inequality followed by debt


Stiglitz J ‘What I Learned at the World Economic Crisis’ The New Republic 04.17.00


**Week 9 Monday 24 July**

**Distributional impacts**


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

Gruber Ch.17


**Week 9 Wednesday 26 July**

**Innovation in public finance 1: Public private partnerships**

Taiwan’s High Speed Rail: A Public Private Partnership Hits a Speed Bump. Kennedy School case study (to be made available)


**Week 10 Monday 31 July**

**Modes of delivery: NPM and NPS**


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


**Week 11 Monday 7 August**

**Innovation in public finance 2: Sovereign wealth funds: social impact investing**

