

PUBL/POLC 6312 Public Finance

Mondays, 5:30–8:30 PM, Room: SEC101
Zoom ID: 7919619091, Passcode: 021987
University of Houston
Master of Public Administration Program
& The Hobby School of Public Affairs
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Instructor

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Teaching Assistants

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Course Description

This hybrid course provides an overview of the economic rationale for government fiscal decisions as applied in public administration and public policy. To accomplish this, this course introduces basic economic theories regarding government interventions in the market system, reveals the methods of solving public problems and conflicts over fiscal resource allocation, and reviews issues related to how government finances various public policy programs.

In the first part of the course, we will discuss the foundations of public finance, as the study of the role of government in the economy. In the second part of the course, we will use both positivist and normative points of views to study the rationale of government size and decisions in resource allocation. The focus will be on fiscal decisions in the public sector, regarding the primary sources of government revenue and rationales of various government expenditures. The tools of public finance will be covered in the third part of the course, whereby we focus on assessing different designs of various public finance tools, how public authorities use these tools to achieve desirable effects and to avoid undesirable consequence. In the fourth part of the course, we will complete our examination of the multi-level government finance in the context of federalism.

Overall, this course combines theory in the textbook and examples of various public finance policies from the additional readings and current events. The primary emphasis is on using

theoretical concepts and models to enhance students' understanding of public finance and its application in the practice of public administration and public policy analysis.

Learning Objectives

1. This course provides students with numerous economic theories and concepts. Through the readings and lectures, students should become familiar with major public finance theories, concepts, and approaches.
2. Students should gain a better understanding of the importance of public finance to the practice of public management and public policy analysis.
3. Students should gain critical thinking skills and be able to analyze government fiscal decisions.
4. Students will learn how to evaluate the effects of various public finance decisions based on criteria such as efficiency, equity, and effectiveness.
5. Students will gain data analytical skills by accessing, evaluating, and analyzing various government public finance data sources.
6. Students will learn how to articulate and apply a public service perspective in the context of recommending/making fiscal decisions.

Required Readings

1. **(Required)** Arye L. Hillman. 2019. *Public Finance and Public Policy: Responsibilities and Limitations of Government*. Third Edition. Cambridge University Press (hereafter, **Hillman 2019**). This is the main textbook of our class, which offers a political economy perspective of public finance. Comparative policy examples in different countries are used to give an emphasis on importance and paradox of bureaucracy and democracy. This book also focuses on the public value perspective.
2. **(Optional)** Jonathan Gruber. 2019. *Public Finance and Public Policy*. Sixth Edition, Macmillan Learning. I list this book as a recommended text book if you are looking for more economic perspectives on public finance.
3. Additional readings listed for weekly topics. All additional readings can be accessed through the Blackboard Learn course webpage.

Course Requirements

1. Active participation in class (in-person and online synchronous sessions).
2. Read the assigned readings prior to each class meeting.
3. Talking Points. Each student is required to submit one discussion note on each week's readings. Discussion notes are due by Saturday at 5:00pm (via the Blackboard Learn assignment link) each week prior to the subsequent Monday when the class meets. All the discussion notes should be the most important questions or arguments that the student has identified based on the assigned readings. Discussion notes will be used to facilitate in-class

discussions. DO NOT write more than 150 words in your discussion note. During each class session, the professor will select five students as “discussion leaders” based on the quality of students’ talking points. Selected discussion leaders will use their talking points to lead in-class discussions on given topics.

4. Budget Analysis Assignments. There will be four take-home assignments throughout the semester, which are designed to allow students to explore existing government public finance data, and gain knowledge by analyzing government budget and fiscal policies. We will use the in-person sessions to learn relevant concepts and discuss the budget analysis assignments during online-synchronous sessions.
5. Term paper. In this final paper assignment, students are to analyze the causes or effects of a public finance policy, using theories and concepts learned in this course. Because we emphasize how public values and interests are realized in the practice of fiscal decision-making, students are encouraged to link the analysis to their own organizations, or to choose a government agency that is their career aspiration. When writing the research paper, students should follow the Chicago Manual of Style, <http://www.chicagomanualofstyle.org/home.html>. Students should submit their final papers via Blackboard Learn (Turn-it-in submission link). I provide the following optional deadlines for students who want to seek early feedback on their term papers.
 - September 5: One to two-page introduction.
 - October 5: Literature review and the prospectus of analysis.
 - November 6: Analysis, key findings and policy implications.
6. Mini-Conference. We will hold a mini-conference (two sessions) during the final examination week. Each student will have 10 minutes to present his or her research paper to the class and to draw feedback from the audience. The mini-conference not only offers a forum for students to exchange ideas/comments regarding their term papers, but also to improve their presentation skills. To maximize the utility of the mini-conference, each student will be assigned with a peer-reviewer, who will provide written comments to the author.

Grading

1. Participation and weekly discussion notes, 20%
2. Budget analysis assignments, 40%
3. Final paper, 30%
4. Mini-conference presentation, 10%
5. Final Grades

A	=	100-94 (Excellent)
A-	=	93-90
B+	=	89-87 (Good)
B	=	86-84
B-	=	83-80 (Fair)
C+	=	79-77
C	=	76-74 (Poor)
C-	=	73-70
D+	=	69-67
D	=	66-64
D-	=	63-60
F	=	59-0 (Failing)

Academic Integrity

As commonly defined, presenting the words or works of others' as your own is plagiarism. Plagiarism is one of the worst academic sins, for the plagiarist destroys the trust among colleagues, without which research cannot be safely communicated. Plagiarism is also a violation of the UH Academic Honesty Policy. If you are uncertain of what constitute academic dishonesty, you should contact me prior to submitting the assignment and/or check the UH Academic Honesty Policy from the university website: <http://www.uh.edu/provost/policies/honesty/>. Students are expected to adhere to the UH Academic Honesty Policy. Cheating or plagiarism in course assignments, exams, and the final paper will lead to a grade of F.

Face Covering Policy

To reduce the spread of COVID-19, the University strongly encourages everyone (vaccinated or not) to wear face coverings indoors on campus including classrooms for both faculty and students.

Presence in Class

Your presence in class each session means that you:

- Are NOT exhibiting any Coronavirus Symptoms that makes you think that you may have COVID-19
- Have NOT tested positive or been diagnosed for COVID-19
- Have NOT knowingly been exposed to someone with COVID-19 or suspected/presumed COVID-19

If you are experiencing any COVID-19 symptoms that are not clearly related to a pre-existing medical condition, do not come to class. Please see Student Protocols for what to do if you experience symptoms and Potential Exposure to Coronavirus for what to do if you have potentially been exposed to COVID-19. Consult the (select: Undergraduate Excused Absence Policy or Graduate Excused Absence Policy) for information regarding excused absences due to medical reasons.

COVID-19 Information

Students are encouraged to visit the University's COVID-19 website for important information including on-campus testing, vaccines, diagnosis and symptom protocols, campus cleaning and safety practices, report forms, and positive cases on campus. Please check the website throughout the semester for updates.

Vaccinations

Data suggests that vaccination remains the best intervention for reliable protection against COVID-19. Students are asked to familiarize themselves with pertinent vaccine information, consult with their health care provider. The University strongly encourages all students, faculty and staff to be vaccinated.

Excused Absence Policy

Regular class attendance, participation, and engagement in coursework are important contributors to student success. Absences may be excused as provided in the University of Houston Undergraduate Excused Absence Policy and Graduate Excused Absence Policy for reasons including: medical illness of student or close relative, death of a close family member, legal or government proceeding that a student is obligated to attend, recognized professional and educational activities where the student is presenting, and University-sponsored activity or athletic competition. Under these policies, students with excused absences will be provided with an opportunity to make up any quiz, exam or other work that contributes to the course grade or a satisfactory alternative. Please read the full policy for details regarding reasons for excused absences, the approval process, and extended absences. Additional policies address absences related to military service, religious holy days, pregnancy and related conditions, and disability.

Reasonable Academic Adjustments and Auxiliary Aids

The University of Houston complies with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, pertaining to the provision of reasonable academic adjustments/auxiliary aids for disabled students. In accordance with Section 504 and ADA guidelines, UH strives to provide reasonable academic adjustments/auxiliary aids to students who request and require them. If you believe that you have a disability requiring an academic adjustments/auxiliary aid, please contact the Justin Dart Jr. Student Accessibility Center (formerly the Justin Dart, Jr. Center for Students with DisABILITIES).

University of Houston CAPS Statement

Counseling and Psychological Services (CAPS) can help students who are having difficulties managing stress, adjusting to college, or feeling sad and hopeless. You can reach CAPS (www.uh.edu/caps) by calling 713-743-5454 during and after business hours for routine appointments or if you or someone you know is in crisis. No appointment is necessary for the "Let's Talk" program (www.uh.edu/caps/outreach/lets_talk.html), a drop-in consultation service at convenient locations and hours around campus.

Recording of Class

Students may not record all or part of class, livestream all or part of class, or make/distribute screen captures, without advanced written consent of the instructor. If you have or think you may have a disability such that you need to record class-related activities, please contact the Justin Dart, Jr. Student Accessibility Center. If you have an accommodation to record class-related activities, those recordings may not be shared with any other student, whether in this course or not, or with any other person or on any other platform. Classes may be recorded by the instructor. Students may use instructor's recordings for their own studying and note-taking. Instructor's recordings are not authorized to be shared with anyone without the prior written approval of the instructor. Failure to comply with requirements regarding recordings will result in a disciplinary referral to the Dean of Students Office and may result in disciplinary action.

Syllabus Changes

Due to the changing nature of the COVID-19 pandemic, please note that the instructor may need to make modifications to the course syllabus and may do so at any time. Notice of such changes will be announced as quickly as possible through email.

Late Assignment Submission

Late work will be penalized by one letter grade for each day after the deadline. For example, an A-paper turned in one day late will become a B-paper. Late work would only be accepted without grade-penalty if the student has university-accepted excuses.

Course Calendar

This hybrid course includes in-person meeting sessions and online synchronous Zoom sessions, as listed in the following weekly course calendar.

PART I. FOUNDATIONS OF PUBLIC FINANCE

Week 1 (August 23): Course Overview, Online Zoom Session

- No required readings.

Week 2 (August 30): Public Sector Economics, In-Class Session

Topics and Readings

- Market and government: Hillman 2019, Chapters 1 and 2
- History of the U.S. Public Finance:
 - Sylla, Richard, John B. Legler and John J. Wallis. 1987. "Banks and State Public Finance in the New Republic: The United States, 1790-1860." *The Journal of Economic History*, 47(2): 391-403.
 - Wallis, John J. 2000. "American Government Finance in the Long Run:1970 to 1990." *Journal of Economic Perspectives*, 14(1): 61-82.

- Introduction to major public finance datasets.
 - Congressional Budget Office
 - Census Bureau Government Finance Statistics
 - IRS Tax Statistics
 - OECD Tax Database

PART II. ECONOMICS AND GOVERNMENT EFFECTIVENESS

Week 3 (September 6): Labor Day Holiday.

Week 4 (September 13): Class cancelled due to Hurricane Nicholas.

Week 5 (September 20): Government Responsibilities and Efficiency, In-Class Session

Topics and Readings

- Public goods, social costs and social benefits: Hillman 2019, Chapters 3 and 4.
- The market system and market failure: Haughwout et al. 2004. “Local Revenue Hills: Evidence From Four U.S. Cities.” *Review of Economics and Statistics*, 86 (May): 570-585.
- Public goods and private substitutes: Ambrosius, Christian. 2019. “Government Reactions to Private Substitutes for Public Goods: Remittances and the Crowding-out of Public Finance.” *Journal of Comparative Economics*, 47(2): 396-415.
- Assignment 1. Reading and analyzing government budget data.

Week 6 (September 27): Individual Choices, Information, and Efficiency, Online-Zoom Session

Topics and Readings

- Choices, Information, and Market Failure: Hillman 2019, Chapters 5 and 6.
- Co-Production as a solution: Hong, Sounman and Jungmin Ryu. 2019. “Crowdfunding Public Projects: Collaborative Governance for Achieving Citizen Co-funding of Public Goods.” 36(1): 145-153.
- Medicare finance and rent-seeking behavior: Fang, Hanming and Qing Gong. 2017. “Detecting Potential Overbilling in Medicare Reimbursement via Hours Worked.” *American Economics Review*, 107(2): 562-591.

Week 7 (October 4): Public Finance, Social Equity and Inclusive Growth, In-Class Session

Topics and Readings

- Limitations of government: Hillman 2019, Chapters 11, 13, and 14.
- Social Equity and Public Finance: Gale and Brown 2013. “Tax Reform for Growth, Equity, and Revenue.” *Public Finance Review*, 41(6): 721-754.
- Pynes, Joan E. and Grant E. Rissler. 2017. “Social Equity in the Trump Era: What Can Local Public Administrators Do to Improve Social Equity for Their Residents and Community in the Face of Federal Cuts?” *State and Local Government Review*, 49(1): 48-59.
- Assignment 2. Who Deserve Public Benefits? Eligibility Rules for TANF and UI in the United States.

PART III. TOOLS OF PUBLIC FINANCE

Week 8 (October 11): Taxation, Online-Zoom Session

Topics and Readings

- Overview of taxation: Hillman 2019, Chapter 8.
- Corporate Tax: Williams and Collins 1997. “The Political Economy of Corporate Taxation.” *American Journal of Political Science*, 41(1): 208-244.
- Tax innovation: Guo and Frank 2015. “Portability, an Innovative Property Tax Relief: Whose Time Hasn’t Come.” *Journal of Public Budgeting, Accounting & Financial Management*, 27(2): 153-178.
- Local development and TIF: Man and Rosentraub 1998. “Tax Increment Financing: Municipal Adoption and Effects On Property Value Growth.” *Public Finance Review*, 26(6): 523-547. *International Studies Quarterly*, 49(2): 273-294.
- Online lecture: Texas in American History: The Trouble with Taxation

Week 9 (October 18): Social Insurance, In-Class Session

Topics and Readings

- Social justice and insurance: Hillman 2019, Chapter 7.
- Health insurance: Finkelstein 2007. “The Aggregated Effects of Health Insurance: Evidence from the Introduction of Medicare.” *The Quarterly Journal of Economics*, 122(1): 1-37.
- UI and Job Search: Baker, Scott R. and Andrey Fradkin. 2017. “The Impact of Unemployment Insurance on Job Search: Evidence from Google Search Data.” *Review of Economics and Statistics*, 99(5):756-768.

Week 10 (October 25): Government Revenue and Spending, Online Zoom Session

Topics and Readings

- National Policy Reform and State Spending: Sommers, Benjamin D. and Jonathan Gruber. 2018. “Federal Funding Insulated State Budgets From Increased Spending Related To Medicaid Expansion..” *Health Affairs*, 36(5): 938-944.
- Legislatures and spending: Owings, Stephanie and Rainald Borck. 2000. “Legislative Professionalism and Government Spending: Do Citizen Legislators Really Spend Less?” *Public Finance Review*, 28(3): 210-225.
- Citizen behavior and public service uptake: Lerman, Amy E. et al. 2017. “Policy Uptake as Participation: Evidence from the Affordable Care Act.” *American Political Science Review*, 111(4): 1-16.
- COVID-19 Pandemic and Public Finance: Clemens, Jeffrey and Stan Veuger. 2020. “Implications of the COVID-19 Pandemic for State Government Tax Revenues.” *National Tax Journal*, 73(3): 619-644.

Week 11 (November 1): Fiscal Rules and Regulations, In Class Session

Topics and Readings

- TELs: Zhang, Pengju. 2018. “The Unintended Impact of Tax and Expenditure Limitations on the Use of Special Purpose Districts: The Politics of Circumvention.” *Economics of Governance*, 19(1): 21-50.
- Fiscal rules in economic recession: Hong, Sounman. 2015. “Fiscal Rules in Recessions: Evidence from the American States.” *Public Finance Review*, 43(4): 505-528.
- State fiscal responses to welfare reform: Chernick, Howard and Andrew Reschovsky 2003. “State Fiscal Responses to Welfare Reform during Recessions: Lessons for the Future.” *Public Budgeting & Finance*, 23(3): 3-21.
- Assignment 3. Comparing TELs across the Fifty American States

PART IV. FEDERALISM AND MULTI-LEVEL GOVERNMENT FINANCE

Week 12 (November 8): Fiscal Federalism and Decentralization, Online Zoom Session

Topics and Readings

- Fiscal decentralization:
 - Prohl, Silika and Friedrich Schneider 2009. “Does Decentralization Reduce Government Size? A Quantitative Study of the Decentralizations Hypothesis.” *Public Finance Review*, 37(6): 639-664.
 - Shi, Yu et al. 2018. “Fiscal Decentralization and Capacity to Service Debt: Are they Tightly Linked?” *Public Finance and Management*, 18(2): 1-33.
- Local governments and economic development: Hou, Yilin. 2006. “Budgeting for Fiscal Stability Over the Business Cycle.” *Public Administration Review*, 66(5): 730-741.
- Decentralization and government borrowing: De Mello, Luiz R., Jr. 2001. “Fiscal Decentralization and Borrowing Cost: the Case of Local Government.” *Public Finance Review*, 29(2): 108-138.

Week 13 (November 15): Public-Private Partnership and Public Finance, In-Class Session

Topics and Readings

- Social Impact Bonds (SIB): Warner, Mildred E. 2013. “Private Finance for Public Goods: Social Impact Bonds.” *Journal of Economic Policy Reform*, 16(4): 303-319.
- Privatization and public-private partnership:
 - Warner, Mildred E. and Amir Hefetz 2008. “Managing Markets for Public Service: the Role of Mixed Public-Private Delivery of City Services.” *Public Administration Review*, 68(1): 155-166.
 - Yuan, Chen and Lang Yang. 2018. “Providing Public Services without Relying Heavily on Government Funding: How do Nonprofits Respond to Government Budget Cuts?” *American Review of Public Administration*, 49(6): 675-688.

Week 14 (November 22): Local Government and Public Finance, Online Zoom Session

Topics and Readings

- Municipal Bond Ratings: Palumbo, George and Mark P. Zaporowski 2012. “Determinants of Municipal Bond Ratings for General-Purpose Governments: An Empirical Analysis.” *Public Budgeting and Finance*, 32(2): 86-102.
- Special purpose governments:
 - Duncombe, William and Yilin Hou 2014. “The Savings Behavior of Special Purpose Governments: A Panel Study of New York School Districts.” *Public Budgeting & Finance*, 34(3): 1-23.
 - Nunn, Samuel and Carl Schoedel 1997. “Special Districts, City Governments, and Infrastructure Spending in 105 U.S. Metropolitan Areas.” *Journal of Urban Affairs*, 19(1): 59-72.
- Alm, James and Trey Dronyk-Trosper. 2021. “What Drives Road Infrastructure Spending?” *Public Budgeting & Finance*, Online early version.
- Assignment 4. Fiscal Decentralization and State/Local Government Debt.

Week 15 (November 29): Financing Urban Development, In-Class Session

Topics and Readings

- Tax Incremental Financing (TIF) Districts: Funderburg, Richard. 2019. “Regional Employment and Housing Impacts of Tax Increment Financing Districts.” *Regional Studies*, 53(6): 874-886.
- PPP and TIF: Bland, Robert and Michael Overton. 2016. “Assessing the Contributions of Collaborators in Public?Private Partnerships: Evidence From Tax Increment Financing.” *The American Review of Public Administration*, 46(4): 418-435.
- Financing Smart Cities: Blanck, Mery and Jose Luis DuarteRibeiro. 2021. “Smart cities financing system: An empirical modeling from the European context.” *Cities*, 116, Article 103268.

Week 16 (December 6) Wrap-up and Mini Conference, Online

- December 6: Mini-conference for student presentations, session 1.
- December 7: Mini-conference for student presentations, session 2.
- **December 13: Term paper due on Blackboard Learn by 5:00pm.**

Caveat: The aforementioned weekly schedule and assignments in this course may be subject to change.