

Instructor James Howard

Email james.howard@ubalt.edu

Phone 410.505.4199

Class Time Mondays, 8:15pm–10:45pm (2015–2245)

Classroom LAP 405

1 Introduction

Public finance is the study of the role of government in the economy. The government taxes, provides subsidies, and directly competes by providing services. Each of these have different effects depending on the approach used and market. In general, we will want to know the about three different types of government action. First, how can the government improve the efficient allocation of resources. Second, how does government action affect the distribution of income. Finally, how does government action affect the stability of the broader economy.

In this class, we will consider public finance from the perspective of a public administrator. As public administrators, we have the option of advising on public policy and designing the implementation of public programs. Both of these can will involve the government taking some action. Action likely leads to interaction in the marketplace. Public administrators should have a solid understanding of these effects and an ability to analyze them to prepare for new programs.

This course has a substantial component of microeconomics. However, the microeconomics we will use we will develop in the class. Accordingly, we students who have not taken a course in microeconomics, or other economics, are welcome. However, this course is part of the budgeting and fiscal administration concentration in the MPA program and fits into a cycle with PUAD 622 and PUAD 702. These course are not prerequisites, though; they only form the basis of the sequence.

We will meet once each week and the class night will be divided into three sections. The first section will be a brief overview of the material for the week. The second section will be a group exercise experience. The course will be taught using blended learning and the “homework” problems will be completed in class. Because of this, students are expected to have read the material for the week and reviewed the problems, with homework due on the first night of class. There may be additional material, each week, that will be presented through the Sakai online classroom. The third section of the course will be work on the group project. The group project will focus

2 Course Description

Analysis of revenue forecasting, revenue strategy, impact of inflation, taxation, “back-door” spending, pension funding, user fees and other aspects of governmental finance. Emphasis on the special characteristics of public finance in communities operating with fragmented and multilayered governmental structures.

3 Course Materials

Hyman, D. N. (2014). *Public finance: A contemporary application of theory to policy* (11th ed.). Cengage.

4 Course Goals

By the end of this course, a student should be able to understand

- The role of government in the economy

Category	0 points	1 point	2 points	3 points
Claims	None made	Claims are made, but not directly relevant	Claims are clear and relevant	Claims are correct and support the response
Evidence	None given	Evidence is given, but does not support the claim	Evidence is given, and is relevant to the claim	Evidence directly supports the claim
Clarity	Response is off-topic	Response is on-point, but unclear and not well organized	Response is clear, but occasionally misses key details or lacks organization	Response is well-organized and well-thought out
Mechanics	Response is not understandable	Response contains errors in spelling or grammar that do hamper readability	Response contains errors in spelling or grammar that do not hamper readability	Response is relatively free of spelling and grammar errors

Table 1: Primary grading rubric

- Decision analysis tools used by the government
- The role of taxation in the economy
- How income support functions

5 Course Requirements

5.1 HOMEWORK ASSIGNMENTS

There will be homework assignments for each week. These assignments can be turned in via PDF, Word, Excel, or on paper. These assignments are due on the dates listed on the schedule and will not be accepted late except under unusual circumstances. There are 15 homework assignments and they are each worth 3 percent of the final course grade. Collectively, they comprise 45 percent of the course grade. Each will consist of a number of problems of equal weight and will be graded on a 12 point scale presented in table 5.1.

5.2 CLASS PROJECT

During the 2015-2016 academic year, the University of Baltimore will be taking a campus-wide look at food deserts in Baltimore. Food deserts are places where it is unusually difficult to get access to reliable and healthy food. This effort coincides with recent work by the City of Baltimore that has culminated in the Baltimore Food Policy Initiative, which defines a food desert in Baltimore as an area where,

1. The distance to a supermarket or supermarket alternative is more than a quarter of a mile,
2. The median household income is at or below 185 percent of the Federal Poverty Level,
3. Over 30 percent of households have no vehicle available, and
4. The average Healthy Food Availability Index (HFAI) score for all food stores is low.

Because of these factors, it is difficult to reliably obtain healthy food and residents are forced to consumer lower-quality alternatives. These alternatives generally drive health risks up lowering the standard of living and reducing life expectancy.

The goal of the class project is to, as a group, develop a recommendation for a single policy to submit to the Baltimore Food Policy Initiative. This policy will be agreed upon by the class, and presented a policy paper and recommendation. This policy paper must include an analysis supporting the recommendation which is likely to be a cost-benefit analysis, though reasonable alternatives should be considered. The policy paper should be approximately 30-35 pages, and jointly developed by the entire class. Finally, the paper should be suitable for actual submission to the Baltimore Food Policy Initiative and for publication.

Points	Explanation
0	No work done to advance the organization
1	Student contributed to class discussions on the organization but did not engage in any outside work on the organization
2	Student completed one or two smaller tasks on the organization but did not lead any component of the start up process
3	Student led a component of the start up process and completed numerous smaller tasks during the organization opening

Table 2: Class project grading rubric

For the project, individual grades will be based on contributions to the startup process and outlined in table 2. The project will be 25 percent of the final grade.

5.3 MEMORANDA

There are two memoranda to be written for this class. The memo will be graded on four key domains, outlined in table 5.1. Each memo will be worth 15 percent of the final course grade. These memoranda will continue the food desert theme.

For the first memorandum, you will evaluate, from a cost-benefit perspective, converting a small public park into a community garden. Community gardens are a plot of land where nearby residents manage the planting, maintenance, and eventual harvesting of a garden. Placing these in small parks puts them closer to more residents. Usually, community gardens are organized at the neighborhood level with a small membership-based organization electing a leader. Other organizational models are feasible. You do not have to collect the data necessary to show the tax incidence. However, there are numerous studies available online and through academic search engines that provide this information. Your task is to write a 1-2 page policy memorandum in response to the question:

What is the net social benefit of converting an acre of urban park to a community garden?

The memorandum should set up a simple cost-benefit analysis and provide the analysis at the memorandum level.

For the second memorandum, you will analyze the tax incidence of a soda tax. In recent years, soda taxes have been steadily sought after by a number of local governments in an attempt to improve the local health. The argument surrounding this is that public health is a public good and therefore the government has a role in increasing public health by reducing obesity. You do not have to collect the data necessary to show the tax incidence. However, there are numerous studies available online and through academic search engines that provide this information. Your task is to write a 1-2 page policy memorandum in response to the question:

In 2013, the City of Baltimore levied a beverage tax on sodas and other drinks. At this time, what are the likely market effects of the beverage tax?

This question stands as a retrospective question and encourage the look back at previous policies to ensure they are having the intended effect.

6 Academic Dishonesty

The Academic Integrity Policy for the Yale Gordon College of Arts and Sciences, College of Public Affairs and Merrick School of Business can be found in the student handbook.

7 Accommodation for Students with Special Needs

Accommodation for students with special needs can be set up through the Center for Educational Access. Please contact the Center for more information.

8 Resource Centers for Students

Academic and counseling resources for students include but are not limited to:

- Achievement and Learning Center
- Langsdale Library
- Technology Services
- The Counseling Center
- Office of Community Life and Dean of Students
- Sakai Support
- Academic Advisors

9 Tentative Schedule

Week 1 Economics and politics

- Hyman (2014), chapter 1
- Homework due: Chapter 1, problems 1, 3, 4, 5
- Objectives:
 - Understand the relationship between individuals and government
 - Explain the allocation of resources between the public and private sector
 - Describe economic inputs, outputs, firms, households, and government

Week 2 Markets and government

- Hyman (2014), chapters 2, 3
- Homework due: Chapter 2, problems 1, 2, 4, Chapter 3, problems 1, 4, 5
- Objectives:
 - Explain the meaning of market efficiency
 - Describe market failure
 - Define externalities
 - Explain the Coase theorem

Week 3 Public goods

- Hyman (2014), chapter 4
- Homework due: Chapter 4, problems 2, 3, 4
- Objectives:
 - Define a public good, private good, club good, and common resource good
 - Describe the economics of public goods

Week 4 Public choice theory

- Hyman (2014), chapter 5
- Homework due: Chapter 5, problems 2, 3, 4, 5
- Objectives:
 - Describe the role of the political process in the economy
 - Explain the effect of majority rule
 - Define the political equilibrium

Week 5 Government investment and income support

- Hyman (2014), chapters 6, 7
- Homework due: Chapter 6, problems 2, 3, 4, 5, Chapter 7, problems 1, 2, 4, 5
- Objectives:
 - Define the decision rule for cost-benefit analysis
 - Show how cost-benefit affect the budget process
 - Name methods for the government uses for income support

- Analyze income support policies for effect
- Week 6 Social Security and health care
 - Hyman (2014), chapters 8, 9
 - Homework due: Chapter 8, problems 2, 3, 4, 5, Chapter 9, problems 2, 4, 5
 - Objectives:
 - Describe social insurance programs
 - Analyze social insurance policies for effect and efficiency
 - Describe the government's role in health care
 - Explain how the policies affect the economy
 - Explain how different a priori assumptions can affect the analysis
- Week 7 Government finance
 - Hyman (2014), chapter 10
 - Homework due: Chapter 10, problems 2, 3, 4, 5
 - Homework due: Memorandum One
 - Objectives:
 - Describe how taxes finance the government
 - Explain other methods for financing the government
- Week 8 Taxation and distribution
 - Hyman (2014), chapter 11
 - Homework due: Chapter 11, problems 1, 2, 3, 4, 5
 - Objectives:
 - Analyze tax incidence
 - Explain the distribution of income
 - Describe the effect of taxes on the market
- Week 9 Budgeting and borrowing
 - Hyman (2014), chapter 12
 - Homework due: Chapter 12, problems 1, 2, 3, 4, 5
 - Objectives:
 - Explain the role of government debt
 - Explain the effect of debt on monetary policy
- Week 10 Tax theory
 - Hyman (2014), chapter 13
 - Homework due: Chapter 13, problems 2, 3, 4, 5
 - Homework due: Memorandum Two
 - Objectives:
 - Explain how the labor market reacts to income taxes
 - Explain the different types of income taxes
- Week 11 Personal income taxation
 - Hyman (2014), chapter 14
 - Homework due: Chapter 14, problems 1, 2, 3, 5
 - Objectives:
 - Describe the United States income tax system
 - Explain the different rebates, discounts, and other tax preferences in the U.S. tax system
 - Explain the fundamental method for calculating income in the U.S.
- Week 12 Corporate income taxation
 - Hyman (2014), chapter 15
 - Homework due: Chapter 15, problems 1, 2, 4, 5
 - Objectives:
 - Explain how corporate income taxes differ from personal income taxes
 - Explain the tax rate structure
 - Explain the economic effects of corporate income taxes
- Week 13 Sales taxes
 - Hyman (2014), chapter 16
 - Homework due: Chapter 16, problems 1, 2, 4, 5

- Objectives:
 - Explain sales taxes, the VAT, and the differences between them
 - Describe the effect on the labor market
 - Explain how sales taxes can be used to alter preferences in the market

Week 14 Wealth taxes

- Hyman (2014), chapter 17
- Homework due: Chapter 17, problems 1, 2, 4, 5
- Homework due: Class Project
- Objectives:
 - Describe property, estate, and other wealth taxes
 - Describe the effect on the market
 - Explain how wealth taxes affect income inequality

Week 15 Local government finance

- Hyman (2014), chapter 18
- Homework due: Chapter 16, problems 1, 2, 5
- Objectives:
 - Explain the levels of government in the U.S.
 - Explain how grant-funding works at the local and state government level
 - Describe how fiscal capacity affects local government's role in the economy