

## **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 impact of the recent 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. Qualifies as meeting “Strategic Management” requirement for MLD Certificate. ☺*

**Course Outline**

Course Preview: Innovative Public Finance via Social Impact Bonds

- 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, Government Failure
- II. Public Expenditure Policy
  - A. Megaprojects
  - B. Government Social Protection Policies
  - C. Public Sector Production and Provision and Private Sector Participation/Public-Private Partnerships in Production and Provision (PSP/PPP)
- 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
  - F. Tax Compliance and Enforcement, Tax Reform
  - G. User Charges
- IV. Intergovernmental Fiscal Relations and Local Government Finance
  - A. Fiscal Federalism and Fiscal Decentralization
  - B. Resource Transfers and Own Source Revenue
  - C. Local Government Debt Financing

## ***Course Requirements***

Grades will be determined by:

1. Three case-based policy memos (15% each → 45% 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.

2. One individual self-selected policy brief (35%)

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.

3. 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, 8:45-10:00 a.m., L-130.

Optional review sessions: Friday, 1:15-2:30 p.m., 1B/401.

## ***Final Exam***

There is no in-class or take-home final exam. Instead, there is the policy brief summarized above (Course Requirement #2), due on Friday, 11 December.

## ***Office Hours***

Faculty office hours are held at 124 Mt. Auburn Street, Room 220N (University Place Building, North Wing, across the street from the post office). Please contact faculty assistant Alison Barron (617-496-2454, [Alison\\_Barron@hks.harvard.edu](mailto:Alison_Barron@hks.harvard.edu)) to schedule an appointment.

*All required and optional readings are available on-line on the Class Page for free unless otherwise noted. All reference texts are on reserve at the HKS library.*

### **REQUIRED COURSE TEXTBOOK**

Joseph E. Stiglitz and Jay K. Rosengard, *Economics of the Public Sector*, Fourth Edition (New York: W.W. Norton & Co., 2015).

### **REFERENCE TEXTS**

1. Richard A. and Peggy B. Musgrave, *Public Finance in Theory and Practice*, Fifth Edition (New York: McGraw Hill, 1989).
2. Richard W. Tresch, *Public Sector Economics* (New York: Palgrave Macmillan, 2008).
3. Harvey S. Rosen and Ted Gayer, *Public Finance*, Eighth Edition (New York: McGraw-Hill/Irwin, 2007).
4. Jonathan Gruber, *Public Finance and Public Policy*, Second Edition (New York: Worth Publishers, 2007).
5. Karl E. Case, *Economics and Tax Policy* (Boston: Oelgeschlager, Gunn & Hain, 1986).
6. Richard Goode, *Government Finance in Developing Countries* (Washington, D.C.: The Brookings Institution, 1984).
7. A.R. Prest, *Public Finance in Developing Countries*, Third Edition (New York: St. Martin's Press, 1985).
8. Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, eds., *Helping Countries Develop: The Role of Fiscal Policy* (Washington, D.C.: International Monetary Fund, 2004).
9. Stephen Lewis, Jr., *Taxation for Development: Principles and Applications* (New York: Oxford University Press, 1984).
10. R. Bird and O. Oldman, eds., *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990).
11. David Newbery and Nicholas Stern, eds., *The Theory of Taxation for Developing Countries* (New York: Oxford University Press for the World Bank, 1987).
12. Parthasarathi Shome, ed., *Tax Policy Handbook* (Washington, D.C.: International Monetary Fund, 1995).
13. Joseph J. Cordes, Robert D. Ebel, and Jane G. Gravelle, eds., *The Encyclopedia of Taxation and Tax Policy*, Second Edition (Washington, D.C.: The Urban Institute Press and the National Tax Association, 2005).
14. Ronald C. Fisher, *State and Local Public Finance*, Third Edition (South-Western College Pub, 2006).

**READING LIST** (\* indicates optional reading)

**Course Preview: Innovative Public Finance via Social Impact Bonds**

Thursday, 3 September 2015

John Olson and Andrea Phillips, “Rikers Island: The First Social Impact Bond in the United States,” *Community Development Investment Review* (San Francisco: Federal Reserve Bank of San Francisco, April 2013), pp. 97-134. [<http://www.frbsf.org/community-development/files/rikers-island-first-social-impact-bond-united-states.pdf>]

\*Jeffrey B. Liebman, *Social Impact Bonds: A Promising New Financing Model to Accelerate Social Innovation and Improve Government Performance* (Washington, D.C.: Center for American Progress, February 2011). [[http://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social\\_impact\\_bonds.pdf](http://cdn.americanprogress.org/wp-content/uploads/issues/2011/02/pdf/social_impact_bonds.pdf)]

\*Hanna Azemati et al., “Social Impact Bonds: Lessons Learned So Far,” *Community Development Investment Review* (San Francisco: Federal Reserve Bank of San Francisco, April 2013), pp. 23-33. [<http://www.frbsf.org/community-development/files/social-impact-bonds-lessons-learned.pdf>]

IN-CLASS CASE: RIKERS ISLAND SOCIAL IMPACT BOND

**I. The Role and Size of the Public Sector**

**A. Economic Rationale for Public Sector Interventions:  
Market Efficiency and Market Failure, Distributional Concerns**

Tuesday, 8 September 2015

Joseph E. Stiglitz and Jay K. Rosengard, “Market Efficiency” and “Market Failure,” Chapters 3 and 4 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 61-100. [Required Text]

\*Richard W. Tresch, “Market Failures” and “The Fundamental Theorems of Welfare Economics,” Chapters 2 and 3 in *Public Sector Economics* (New York: Palgrave Macmillan, 2008), pp. 17-53. [On Reserve In HKS Library]

Thursday, 10 September 2015

Paul Krugman, “Paying the Price,” *New York Times*, September 16, 2001. [HKS Class Page]

Lizette Alvarez, “Senate Votes to Federalize Job of Airport Screening,” *New York Times*, October 12, 2001. [HKS Class Page]

\**The 9/11 Commission Report: Final Report on the National Commission on Terrorist Attacks Upon the United States (9/11 Report)* (Washington, D.C.: Government Printing Office, July 22, 2004). [<http://www.gpo.gov/fdsys/search/pagedetails.action?granuleId=&packageId=GPO-911REPORT&fromBrowse=true>]

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

POLICY MEMO #1 ASSIGNMENT (AMERICA’S BUDGET IMPASS) DISTRIBUTED

Richard H. K. Vietor, *America’s Budget Impasse*, HBS Case No. 9-713-078. [HKS Class Page]

Friday, 11 September 2014

First review session (attendance optional).

- 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, Government Failure**

Tuesday, 15 September 2015

[Rosh Hashana – No Class]

Thursday, 17 September 2015

Joseph E. Stiglitz and Jay K. Rosengard, “Defining Public Sector Responsibilities” and “Measuring Public Sector Size,” Chapters 1 and 2 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 3-58. [Required Text]

Jay K. Rosengard, “Folly or Foresight: Strategic Options for Fiscal Policy in East Timor,” in Hal Hill and João M. Saldanha, eds., *East Timor: Development Challenges for the World's Newest Nation* (Singapore: Institute of Southeast Asian Studies, 2001), pp. 52-60. [HKS Class Page]

\*Sally Wallace, *Fiscal Architecture and the Analysis of Public Expenditure Needs and Revenue Capacity*, International Studies Program Working Paper 01-11 (Atlanta: Andrew Young School of Policy Studies, Georgia State University, April 2003).

[<http://siteresources.worldbank.org/INTTPA/Resources/WalacePaper.pdf>]

IN-CLASS CASE: EAST TIMOR DURING TRANSITION TO INDEPENDENCE

Tuesday, 22 September 2015

\*Paolo de Renzio and Harika Masud, “Measuring and Promoting Budget Transparency: The Open Budget Index as a Research and Advocacy Tool,” *Governance: An International Journal of Policy, Administration, and Institutions*, Vol. 24, No. 3, July 2011 (pp. 607-616).

[<http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0491.2011.01539.x/pdf>]

\**Open Budget Survey 2012*. [<http://survey.internationalbudget.org/#home>]

\*Brian Wampler, “A Guide to Participatory Budgeting,” Chapter One in Anwar Shah, ed., *Participatory Budgeting*, Public Sector Governance and Accountability Series (Washington, D.C.: World Bank, 2007), pp. 21-54.

[<http://siteresources.worldbank.org/PSGLP/Resources/ParticipatoryBudgeting.pdf>]

\**Participatory Budgeting Project*. [<http://www.participatorybudgeting.org/>]

IN-CLASS CASE: AMERICA'S BUDGET IMPASS

POLICY MEMO #1 (AMERICA'S BUDGET IMPASS) DUE AT BEGINNING OF CLASS

Thursday, 24 September 2015

CBC News, *Indepth: Power Outage*, November 19, 2003  
[<http://www.cbc.ca/news/background/poweroutage/explained.html>]

Neela Banerjee and David Firestone, “New Kind of Electricity Market Strains Old Wires Beyond Limits,” *New York Times*, August 24, 2003  
[<http://www.nytimes.com/2003/08/24/us/new-kind-of-electricity-market-strains-old-wires-beyond-limits.html?scp=1&sq=new%20kind%20of%20electricity&st=cse>]

William W. Hogan, “Electricity Is a Federal Issue,” *The Wall Street Journal*, August 18, 2003  
[HKS Class Page]

Jerry Taylor and Peter van Doren, “Outside the Grid,” *The Wall Street Journal*, August 18, 2003  
[<http://online.wsj.com/article/0,,SB10611720588151200,00.html?mod=opinion%255Fmain%255Fcommentaries>]

\*J.R. Minkel, “The 2003 Northeast Blackout – Five Years Later,” *Scientific American*, August 13, 2008 [ <http://www.scientificamerican.com/article.cfm?id=2003-blackout-five-years-later> ]

\*U.S.-Canada Power System Outage Task Force, *Final Report on the August 14, 2003 Blackout in the United States and Canada: Causes and Recommendations*, April 2004  
[<https://reports.energy.gov/BlackoutFinal-Web.pdf>]

IN-CLASS CASE: GOVT FAILURE AND THE 2003 N.E. ELECTRICITY BLACKOUT

## II. Public Expenditure Policy

### A. Megaprojects

Tuesday, 29 September 2015

“The Central/Artery/Tunnel Project – The Big Dig,” Massachusetts Department of Transportation Web Site. [ <http://www.massdot.state.ma.us/highway/TheBigDig.aspx> ]

Thomas C. Palmer Jr., “The Big Dig and How It Grew,” *The Boston Globe*, February 28, 2000.  
[HKS Class Page]

*Central Artery/Ted Williams Tunnel Project Highlights Need for Effective Federal Oversight*, Office of Inspector General, Department of Transportation, Report TR-2000-088, June 7, 2000.  
[<http://www.oig.dot.gov/sites/dot/files/pdfdocs/tr2000088.pdf>]

\*Big Dig updates, U.S. Department of Transportation Office of Inspector General.  
[[http://www.oig.dot.gov/search/apachesolr\\_search/big%20dig](http://www.oig.dot.gov/search/apachesolr_search/big%20dig)]

\*J. Richard Capka, “Megaprojects – They Are a Different Breed,” *Public Roads*, Vol. 68, No.1 (Jul/Aug 2004). [ <http://www.fhwa.dot.gov/publications/publicroads/04jul/01.cfm> ].

\*Bent Flyvbjerg, Mette Skamris Holm, and Soren Buhl, “Underestimating Costs in Public Works Projects: Error or Lie?” in *Journal of the American Planning Association*, Summer 2002 (Vol. 68, No. 3), pp. 279-295. [HKS Class Page]

\*Alan Altshuler and David Luberoff, “Mega-Projects and Urban Theory” and “Urban Theory Redux,” Chapters Three and Eight in *Mega-Projects: The Changing Politics of Urban Public*

*Investment* (Washington, D.C. and Cambridge, MA: Brookings Institution Press and Lincoln Institute of Land Policy, 2003), pp. 45-75 and 248-269. [HKS Class Page]

\*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

## **B. Government Social Protection Policies**

Thursday, 1 October 2015

Joseph E. Stiglitz and Jay K. Rosengard, "Welfare Programs and the Redistribution of Income," Chapter 15 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 428-469. [Required Text]

Fábio Veras Soares, Rafael Perez Ribas, and Rafael Guerreiro Osório, "Evaluating the Impact of Brazil's Bolsa Família: Cash Transfer Programs in Comparative Perspective," *Latin American Research Review* 45 (2010), pp. 173-190. [[http://lasa-4.univ.pitt.edu/LARR/prot/fulltext/Vol45no2/Soar-Riba-Osor\\_173-190\\_45-2.pdf](http://lasa-4.univ.pitt.edu/LARR/prot/fulltext/Vol45no2/Soar-Riba-Osor_173-190_45-2.pdf)]

\*Yonatan Ben-Shalom, Robert A. Moffitt, and John Karl Scholz, *An Assessment of the Effectiveness of Anti-Poverty Programs in the United States*, NBER Working Paper 17042 (Cambridge, MA: NBER, May 2011), <http://www.nber.org/papers/w17042>.

\*Lawrence Aber and Laura B. Rawlings, *North-South Knowledge Sharing on Incentive-Based Conditional Cash Transfer Programs*, Special Protection & Labor Discussion Paper No. 1101 (Washington, D.C.: World Bank, January 2011). [<http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Social-Protection-General-DP/1101.pdf>]

IN-CLASS CASES: WELFARE REFORM IN THE UNITED STATES AND *BOLSA FAMILIA* CONDITIONAL CASH TRANSFER PROGRAM IN BRAZIL

Tuesday, 6 October 2015

Joseph E. Stiglitz and Jay K. Rosengard, "Social Insurance," Chapter 16 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 470-502. [Required Text]

\*David Besanko and Saahil Malik, *Reforming Social Security Around the World*, Kellogg Case No. KEL493. [HKS Class Page]

\*Martin Feldstein, *Rethinking Social Insurance*, NBER Working Paper 11250 (Cambridge, MA: NBER, March 2005). [<http://www.nber.org/papers/w11250>]

IN-CLASS CASE: SOCIAL SECURITY REFORM IN THE UNITED STATES

POLICY MEMO #2 ASSIGNMENT (WATER & WASTEWATER PRIVATIZATION IN CANCUN, MEXICO) DISTRIBUTED

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]

**C. Public Sector Production & Provision and Private Sector Participation/Public-Private Partnerships in Production & Provision (PSP/PPP)**

Thursday, 8 October 2015

John W. Thomas and Lim Siong Guan, *Using Markets to Govern Better in Singapore*, Faculty Research Working Paper RWP02-010 (Cambridge: Kennedy School of Government, August 2001). [[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=310862](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=310862)]

Love Grain Web Site. [<http://lovegrain.co/>]

\*Brigitte Hoogendoorn, Enrico Pennings, and Roy Thurik, *A Conceptual Overview of What We Know About Social Entrepreneurship* (Zoetermeer: EIM, July 2011). [HKS Class Page]

IN-CLASS CASES: SINGAPORE GOVERNMENT-LINKED ENTERPRISES; LOVE GRAIN

Tuesday, 13 October 2015

\*John Nellis, "The International Experience with Privatization: Its Rapid Rise, Partial Fall and Uncertain Future," University of Calgary, *The School of Public Policy Research Papers*, vol. 5, issue 3 (January 2012).

[<http://www.policyschool.ucalgary.ca/sites/default/files/research/nellis-privatization.pdf>]

\*Antonio Estache, *PPI Partnerships Versus PPI Divorces in LDCs*, Policy Research Working Paper 3470 (Washington, D.C.: World Bank, January 2005). [[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000160016\\_20050119104213&searchMenuPK=64187295&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187295&theSitePK=523679&entityID=000160016_20050119104213&searchMenuPK=64187295&theSitePK=523679)]

IN-CLASS CASE: WATER & WASTEWATER PRIVATIZATION IN CANCUN, MEXICO

POLICY MEMO #2 ASSIGNMENT (WATER & WASTEWATER PRIVATIZATION IN CANCUN, MEXICO) DUE AT BEGINNING OF CLASS

**III. Public Resource Mobilization**

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

1) *IMF Fiscal Affairs Department*

<http://elibrary-data.imf.org/DataReport.aspx?p=1449283> (Government Finance Statistics)

<http://www.imf.org/external/pubind.htm> (Publications)

2) *OECD Centre for Tax Policy and Administration*

<http://www.oecd.org/statistics/> (Revenue Statistics)

<http://www.oecd-ilibrary.org/taxation/books> (Taxation Studies)

3) *United States Internal Revenue Service*

[www.irs.gov](http://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)

## A. Economics of Taxation

Thursday, 15 October 2015

Joseph E. Stiglitz and Jay K. Rosengard, “Introduction to Taxation,” “Tax Incidence,” and “Taxation and Economic Efficiency,” Chapters 17 - 19 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 505-605. [Required Text]

\*Michael Keen and Alejandro Simone, “Tax Policy in Developing Countries: Some Lessons from the 1990s and Some Challenges Ahead,” Chapter 12 in Sanjeev Gupta, Benedict Clements, and Gabriela Inchauste, eds., *Helping Countries Develop: The Role of Fiscal Policy* (Washington, D.C.: International Monetary Fund, 2004), pp. 302-52. [HKS Class Page]

\*International Monetary Fund Fiscal Affairs Department, *Revenue Mobilization in Developing Countries* (Washington, D.C.: IMF, March 2011).  
[<http://www.imf.org/external/np/pp/eng/2011/030811.pdf>]

\*Richard M. Bird and Arindam Das-Gupta, *Public Finance in Developing Countries*, draft working paper, June 30, 2012.  
[[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2111065](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111065)]

## B. Taxation of Income and Wealth

Tuesday, 20 October 2015

Joseph E. Stiglitz and Jay K. Rosengard, “The Personal Income Tax,” Chapter 22 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 667-708. [Required Text]

Emmanuel Saez and Gabriel Zucman, *Wealth Inequality in the United States Since 1913: Evidence From Capitalized Income Tax Data*, Working Paper 20625, National Bureau of Economic Research, Cambridge, MA, October 2014. [<http://gabriel-zucman.eu/files/SaezZucman2014.pdf>]

\*Howell H. Zee, *Personal Income Tax Reform: Concepts, Issues, and Comparative Country Developments*, IMF Working Paper WP/05/87 (Washington, D.C.: Int. Monetary Fund, 2005).  
[<http://www.imf.org/external/pubs/ft/wp/2005/wp0587.pdf>]

\*Michael Keen, Yitae Kim, and Ricardo Varsano, *The “Flat Tax(es)” : Principles and Evidence*, IMF Working Paper WP/06/218 (Washington, D.C.: Int. Monetary Fund, 2006).  
[<http://www.imf.org/external/pubs/ft/wp/2006/wp06218.pdf>]

\*Richard M. Bird and Eric M. Zolt, “Redistribution via Taxation: The Limited Role of the Personal Income Tax in Developing Countries,” 52 *UCLA Law Review* (2005), pp. 1627-95. [HKS Class Page]

\*Richard Bird and Eric Zolt, “Dual Income Taxation and Developing Countries,” *Columbia Journal of Tax Law*, 1(2) (2010), pp. 174-217  
[[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1616905](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1616905)].

IN-CLASS EXERCISE: COMPLETION OF FEDERAL AND MASSACHUSETTS  
PERSONAL INCOME TAX RETURNS

Thursday, 22 October 2015

Joseph E. Stiglitz and Jay K. Rosengard, “The Corporation Income Tax,” Chapter 23 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 709-745. [Required Text]

Eric Toder and Alan Viard, *Major Surgery Needed: A Call for Structural Reform of the U.S. Corporate Income Tax*, Urban-Brookings Tax Policy Center, Washington, D.C., April 2014. [[http://www.aei.org/wp-content/uploads/2014/04/-toder-viard-report\\_132524981261.pdf](http://www.aei.org/wp-content/uploads/2014/04/-toder-viard-report_132524981261.pdf)]

\*Robert C. Pozen and Eric Lonstein, *Legislative Choices for U.S. Corporate Tax Reform*, HBS Case No. 9-314-090. [HKS Class Page]

\*George Mattingly and Mary Margaret Frank, *Taxation in a Global Economy*, University of Virginia Darden School Foundation Technical Note No. UV 5244. [HKS Class Page]

\*Mihir A. Desai and James R. Hines Jr., *Expectations and Expatriations: Tracing the Causes and Consequences of Corporate Inversions*, Working Paper 9057 (Cambridge, MA: National Bureau of Economic Research, July 2002). [<http://www.nber.org/papers/w9057.pdf>]

\*Alan J. Auerbach, *Who Bears the Corporate Tax? A Review of What We Know*, Working Paper 11686 (Cambridge, MA: National Bureau of Economic Research, October 2005). [<http://www.nber.org/papers/w11686>]

\*OECD, *Action Plan on Base Erosion and Profit Shifting*, 2013. [<http://www.oecd.org/ctp/BEPSActionPlan.pdf>]

\*Eric M. Zolt, *Tax Incentives and Tax Base Protection Issues*, Draft Paper No. 3 for UN Workshop on Tax Base Protection for Developing Countries, June 2014. [[http://www.un.org/esa/ffd/tax/2014TBP/Paper3\\_Zolt.pdf](http://www.un.org/esa/ffd/tax/2014TBP/Paper3_Zolt.pdf)]

IN-CLASS CASE: REFORM OF THE U.S. CORPORATE INCOME TAX

Tuesday, 27 October 2015

Jay K. Rosengard, *The Tax Everyone Loves to Hate: Principles of Property Tax Reform*, M-RCBG Faculty Working Paper No. 2012-10 (Cambridge, MA: Harvard Kennedy School, 2012). [<http://www.hks.harvard.edu/centers/mrcbg/publications/fwp/2012-10>]

Jay K. Rosengard, “Indonesia Case Study,” Chapter 5 in *Property Tax Reform in Developing Countries* (Boston: Kluwer Academic Publishers, 1998), pp. 111-156. [HKS Class Page]

\*Roy Kelly, “Property Tax Reform in Indonesia: Emerging Challenges from Decentralisation,” *The Asia Pacific Journal of Public Administration*, vol. 26, no. 1 (June 2004), pp. 71-90. [<http://sunzi1.lib.hku.hk/hkjo/view/51/5000607.pdf>]

\*Christopher Hoene, “Fiscal Structure and the Post-Proposition 13 Fiscal Regime in California’s Cities,” *Public Budgeting & Finance* 24:4 (December 2004), pp. 51-72. [HKS Class Page]

\*John Norregaard, *Taxing Immovable Property: Revenue Potential and Implementation Challenges*, International Monetary Fund Working Paper WP/13/129, May 2013. [<http://www.imf.org/external/pubs/ft/wp/2013/wp13129.pdf>]

\*Riël C.D. Franzsen and Joan Youngman, “Mapping Property Taxes in Africa,” *Land Lines*, vol. 21, no. 3 (July 2009), Lincoln Institute of Land Policy, pp. 8-13.  
[<http://www.lincolnst.edu/pubs/PubDetail.aspx?pubid=1648>]

\*Joan Youngman, *TIF at a Turning Point: Defining Debt Down*, Lincoln Institute of Land Policy Working Paper WP11JY1 (Cambridge, MA: LILP, 2011).  
[[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1865995](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1865995)]

\*Ronald W. Rakow, “Payment in Lieu of Taxes: The Boston Experience,” *Lincoln Institute of Land Policy Land Lines*, January 2013, pp. 2-7.  
[[https://www.lincolnst.edu/pubs/dl/2186\\_1512\\_Payments\\_in\\_Lieu\\_of\\_Taxes\\_Boston\\_0113LL.pdf](https://www.lincolnst.edu/pubs/dl/2186_1512_Payments_in_Lieu_of_Taxes_Boston_0113LL.pdf)]

IN-CLASS CASES: INDONESIA PROPERTY TAX REFORM; CALIFORNIA PROPERTY TAX REVOLT (PROPOSITION 13)

### C. Taxation of Consumption

Thursday, 29 October 2015

Richard Goode, “Taxation of Consumption,” Chapter 6 in *Government Finance in Developing Countries* (Washington, D.C.: The Brookings Institution, 1984), pp. 141-166. [HKS Class Page]

Richard M. Bird and Pierre-Pascal Gendron, “Key Issues in VAT Design” and “New Issues in VAT Design,” in *The VAT in Developing and Transitional Countries* (New York: Cambridge University Press, 2007), pp. 108-160. [HKS Class Page]

\*Glenn P. Jenkins and Mostafa Shahee, *Evaluation of the Progressivity of the Value Added Tax in Developing Countries*, Draft Paper, August 2014. [HKS Class Page]

\*International Monetary Fund, *Taxation of Small and Medium Enterprises*, Background Paper for the International Tax Dialogue Conference, Buenos Aires, October 2007.  
[<http://www.smmeresearch.co.za/SMME%20Research%20General/Conference%20Papers/Taxation%20of%20SMEs.pdf>]

\*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/ecom/ecom0409.pdf>]

POLICY BRIEF GUIDELINES DISTRIBUTED

Tuesday, 3 November 2015

Aswin Techajareonvikul, *Liquor Tax Reform in Thailand: Competing Interests and Objectives*, HKS Case No. CR14-06-1857.0. [HKS Class Page]

\*Julio Escolano, “Taxing Consumption/Expenditure Versus Taxing Income,” Ronald T. McMorrان, “A Comparison Between the Sales Tax and a VAT,” William J. McCarten and Janet Stotsky, “Excise Taxes,” in Parthasarathi Shome, ed., *Tax Policy Handbook* (Washington, D.C.: International Monetary Fund, 1995), pp. 50-54, pp. 82-85, and pp. 100-103. [HKS Class Page]

IN-CLASS CASE: TAXATION OF ALCOHOL IN THAILAND

## **D. Taxation and the Environment; Taxation and Natural Resources**

Thursday, 5 November 2015

Joseph E. Stiglitz and Jay K. Rosengard, "Externalities and the Environment," Chapter 6 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 129-162. [Required Text]

G. Jenkins and R. Lamech, "Market Based Instruments for Pollution Control," *Bulletin for International Fiscal Documentation*, Vol. 46, November 1992, pp. 523-538. [HKS Class Page]

\*Robert Stavins, "Summary and Conclusions," in *Addressing Climate Change with a Comprehensive U.S. Cap-and-Trade System*, Faculty Research Working Paper RWP07-053 (Cambridge, MA: John F. Kennedy School of Government, November 2007), pp. 18-20. [<http://web.hks.harvard.edu/publications/workingpapers/citation.aspx?PubId=5090>]

\*Gilbert E. Metcalf, et al., "Conclusion," in *Analysis of U.S. Greenhouse Gas Tax Proposals*, NBER Working Paper 13980 (Cambridge, MA: National Bureau of Economic Research, April 2008), pp. 38-39. [[http://www.nber.org/papers/w13980.pdf?new\\_window=1](http://www.nber.org/papers/w13980.pdf?new_window=1)]

\*Neil Hodge, "Australia's Carbon Gamble," *World Finance*, January-February 2012, pp. 140-2. [<http://www.worldfinance.com/markets/energy/australias-carbon-gamble>]

### **POLICY BRIEF TOPICS DUE AT BEGINNING OF CLASS**

Tuesday, 10 November 2015

International Monetary Fund Staff, *Fiscal Regimes for Extractive Industries: Design and Implementation*, Prepared by Fiscal Affairs Department, August 15, 2012. [<https://www.imf.org/external/np/pp/eng/2012/081512.pdf>]

\*G. Jenkins, "How to Tax Mineral Extraction - Alternative Systems of Taxing Mineral Industries," in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp. 279-285. [HKS Class Page]

## **E. Tax Incentives**

Thursday, 12 November 2015

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]

\*Howell H. Zee, Janet G. Stotsky, and Eduardo Ley, "Tax Incentives for Business Investment: A Primer for Policy Makers in Developing Countries," in *World Development*, vol. 30, no. 9 (September 2002), pp. 1497-1516. [HKS Class Page]

\*S.M.S. Shah and J.F.J. Toye, "Fiscal Incentives for Firms in Some Developing Countries: Survey and Critique," in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp.151-63. [HKS Class Page]

\*Glenn P. Jenkins and Chun-Yan Kuo, *Evaluating the Relative Impact of Fiscal Incentives and Trade Policies on the Returns to Manufacturing in Taiwan, 1955-1995*, QED Working Paper No. 1060 (Kingston, Ontario: Queen's University, April 2006). [[http://www.econ.queensu.ca/working\\_papers/papers/qed\\_wp\\_1060.pdf](http://www.econ.queensu.ca/working_papers/papers/qed_wp_1060.pdf)]

IN-CLASS CASE: NEIGHBORHOOD REVITALIZATION IN PHILADELPHIA

POLICY MEMO #3 ASSIGNMENT (FINANCING PUBLIC TRANSPORTATION IN PHILADELPHIA) DISTRIBUTED

Pamela Varley for José A. Gomez-Ibañez and Jay K. Rosengard, *The Quest for Sustainable Public Transit Funding: SEPTA's 2013 Capital Budget Crisis*, Draft HKS Case. [HKS Class Page]

**F. Tax Compliance and Enforcement; Tax Reform**

Tuesday, 17 November 2015

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]

\*Joseph E. Stiglitz and Jay K. Rosengard, “A Student’s Guide to Tax Avoidance” and “Reform of the Tax System,” Chapters 24 and 25 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 746-798. [Required Text]

\*Malcolm Gillis, “Toward a Taxonomy for Tax Reform” and “Tax Reform: Lessons from Postwar Experience in Developing Nations,” in Malcolm Gillis, ed., *Tax Reform in Developing Countries* (Durham: Duke University Press, 1989), pp. 7-26 and pp. 492-520. [HKS Class Page]

\*John Norregaard and Tehmina S. Khan, *Tax Policy: Recent Trends and Coming Challenges*, IMF Working Paper WP/07/274 (Washington, D.C.: International Monetary Fund, December 2007). [<http://www.imf.org/external/pubs/cat/longres.cfm?sk=21489.0>]

\*Richard M. Bird, “Administrative Dimensions of Tax Reform,” *Asia-Pacific Tax Bulletin*, March 2004, pp. 134-150. [<http://unpan1.un.org/intradoc/groups/public/documents/UNPAN/UNPAN015761.pdf>]

\*Joel Slemrod, “Cheating Ourselves: The Economics of Tax Evasion,” in *The Journal of Economic Perspectives*, vol. 21, no. 1 (Winter 2007), pp. 25-48. [<http://www.aeaweb.org/articles.php?doi=10.1257/jep.21.1.25>]

\*Richard A. Musgrave, “Reaching the Hard-to-Tax – Income Taxation of the Hard-to-Tax Groups,” in Bird and Oldman, *Taxation in Developing Countries*, Fourth Edition (Baltimore: Johns Hopkins University Press, 1990), pp. 297-309. [HKS Class Page]

\*Erich Kirchler, Erik Hoelzl, and Ingrid Wahl, “Enforced Versus Voluntary Tax Compliance: The ‘Slippery Slope’ Framework,” *Journal of Economic Psychology* 29 (2008), pp. 210-25. [HKS Class Page]

\*Nina E. Olson, National Taxpayer Advocate, “Written Statement Before the Committee on Finance, United States Senate, Hearing on Complexity and the Tax Gap: Making Tax Compliance Easier and Collecting What’s Due,” June 28, 2011. [[http://www.irs.gov/pub/irs-utl/nta\\_testimony\\_taxgap\\_062811.pdf](http://www.irs.gov/pub/irs-utl/nta_testimony_taxgap_062811.pdf)]

\*James Alm, John Deskins, and Michael McKee, *Third-Party Income Reporting and Income Tax Compliance*, Working Paper 06-35 (Atlanta: Georgia State University, March 2006). [[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=895344](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=895344)]

\* Thomas Dohrmann and Doug Shulman, *Technology Trends Shaping Tax Administration Over the Next Five Years*, McKinsey Center for Government, April 2014. [HKS Class Page]

IN-CLASS FILM CLIP: “A TAXING WOMAN”

IN-CLASS CASES: THE BUREAU OF INTERNAL REVENUE (PHILIPPINES) and THE INTERNAL REVENUE SERVICE (UNITED STATES)

## G. User Charges

Thursday, 19 November 2015

\*Ronald C. Fisher, “Pricing of Government Goods: User Charges,” Chapter 8 in *State and Local Public Finance*, Third Edition (South-Western College, 2006), pp. 170-196. [HKS Class Page]

\*Margaret Y. Myers, ed., “Cost Recovery: User Fees - Summary,” David A. Grossman, “Cost Recovery,” (pp. 1-6) and Alfred Heron, “Tariffs for Water and Sanitation Services” (pp. 1-60) in *Selected Readings in Urban Financial Resource Mobilization* (Washington, D.C.: Economic Development Institute, World Bank, September 1986). [HKS Class Page]

\*Kristin Komives, et al., *The Distributional Incidence of Residential Water and Electricity Subsidies*, World Bank Policy Research Working Paper 3878 (Washington, D.C.: World Bank, April 2006). [<http://econ.worldbank.org> ]

IN-CLASS CASE: FINANCING PUBLIC TRANSPORTATION IN PHILADELPHIA

POLICY MEMO #3 (TRANSP. IN PHILADELPHIA) DUE AT BEGINNING OF CLASS

## IV. Intergovernmental Fiscal Relations and Local Government Finance

### A. Fiscal Federalism and Fiscal Decentralization

Tuesday, 24 November 2015

Joseph E. Stiglitz and Jay K. Rosengard, “Intergovernmental Fiscal Relations” and “Subnational Taxes and Expenditures,” Chapters 26 and 27 in *Economics of the Public Sector, Fourth Edition* (New York: W.W. Norton & Company, 2015), pp. 801-850. [Required Text]

Anwar Shah, *Fiscal Decentralization in Developing and Transition Economies: Progress, Problems, and the Promise*, Policy Research Working Paper 3282 (Washington, D.C.: World Bank, April 2004). [[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000009486\\_20040610112326&searchMenuPK=64187283&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000009486_20040610112326&searchMenuPK=64187283&theSitePK=523679)]

\*Richard M. Bird and Roy Bahl, *Subnational Taxes in Developing Countries: The Way Forward*, IIB Working Paper No. 16 (Toronto: Institute for International Business, Rotman School of Management, University of Toronto, August 2008). [<http://ssrn.com/abstract=1273753>]

\*Dan Stegarescu, *Public Sector Decentralization: Measurement Concepts and Recent International Trends*, ZEW Discussion Paper No. 04-74 (Mannheim: Centre for European Economic Research, 2004). [<ftp://ftp.zew.de/pub/zew-docs/dp/dp0474.pdf>]

\*Junaid Ahmad *et al.*, *Decentralization and Service Delivery*, Policy Research Working Paper 3603 (Washington, D.C.: World Bank, May 2005). [[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000011823\\_20050512104803&searchMenuPK=64187283&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187283&theSitePK=523679&entityID=000011823_20050512104803&searchMenuPK=64187283&theSitePK=523679)]

IN-CLASS FILM CLIP: “JERRY MAGUIRE”

Thursday, 26 November 2015

Thanksgiving – No Class.

## **B. Resource Transfers and Own Source Revenue**

Tuesday, 1 December 2015

World Bank, “Fiscal Decentralization and Regional Inequality,” Chapter 7 in *Spending for Development: Making the Most of Indonesia’s New Opportunities* (Washington, D.C.: World Bank, June 2007), pp. 111- 140. [[http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000020953\\_20070827113556&searchMenuPK=64187282&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000020953_20070827113556&searchMenuPK=64187282&theSitePK=523679)]

\*Ronald C. Fisher, “Intergovernmental Grants,” Chapter 9 in *State and Local Public Finance*, Third Edition, pp. 197-229. [HKS Class Page]

\*Odd-Helge Fjeldstad, *Intergovernmental Fiscal Relations in Developing Countries: A Review of Issues*, WP 2001: 11 (Bergen: Chr. Michelsen Institute, 2001), pp. 1-15. [<http://www.cmi.no/publications/2001/wp/wp2001-11.pdf>]

\*Richard M. Bird and Enid Slack, *Local Taxes and Local Expenditures in Developing Countries: Strengthening the Wicksellian Connection*, Rotman School of Management Working Paper No. 2423519 (Toronto: University of Toronto, February 2014). [[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2423519###](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2423519###)]

IN-CLASS CASE: INDONESIA’S “BIG BANG” DECENTRALIZATION

## **C. Local Government Debt Financing**

Thursday, 3 December 2015

Peter Kiernan, *The New York City Crisis*, HKS Case No. C16-81-400. [HKS Class Page]

\*Paul M. Healy, *The City of New York*, HBS Case No. 9-198-030. [HKS Class Page]

\*United States Government Accountability Office (GAO), *State and Local Governments’ Fiscal Outlook: April 2011 Update*, GAO-11-495SP, April 2011. [<http://www.gao.gov/new.items/d11495sp.pdf>]

\*Jeremy Gerst and Daniel Wilson, *Fiscal Crises of the States: Causes and Consequences*, FRBSF Economic Letter 2010-20, Federal Reserve Bank of San Francisco, June 28, 2010, pp. 1-5. [<http://www.frbsf.org/publications/economics/letter/2010/el2010-20.html>]

\*Robert W. Wassmer and Ronald C. Fisher, "State and Local Government Debt, 1992-2008," *State Tax Notes*, August 15, 2011, pp. 427-436. [[http://www.tre.wa.gov/documents/debtCommissionWassmer-Fisher\\_STN.pdf](http://www.tre.wa.gov/documents/debtCommissionWassmer-Fisher_STN.pdf)]

\*Otaviano Canuto and Lili Liu, *Subnational Debt Finance and the Global Financial Crisis*, Economic Premise No. 13, Poverty Reduction and Economic Management Network, World Bank, May 2010, pp. 1-7. [<http://siteresources.worldbank.org/INTPREMNET/Resources/EP13.pdf>]

\*Jean-Jacques Dethier, *Coping With Urban Fiscal Stress around the World*, Policy Research Working Paper 6693, World Bank, Washington, D.C., November 2013. [<http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6693>]

IN-CLASS CASES: NEW YORK CITY CRISIS; U.S. STATE AND LOCAL FISCAL CRISIS

Friday, 11 December 2015

POLICY BRIEFS DUE BY 5:00 P.M.