

The Briefing

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the making of a top
policy
school

The Andrew Young School of Policy Studies ranked 26th out of over 200 policy schools in the U.S. News & World Report 2005 Best Graduate Schools.

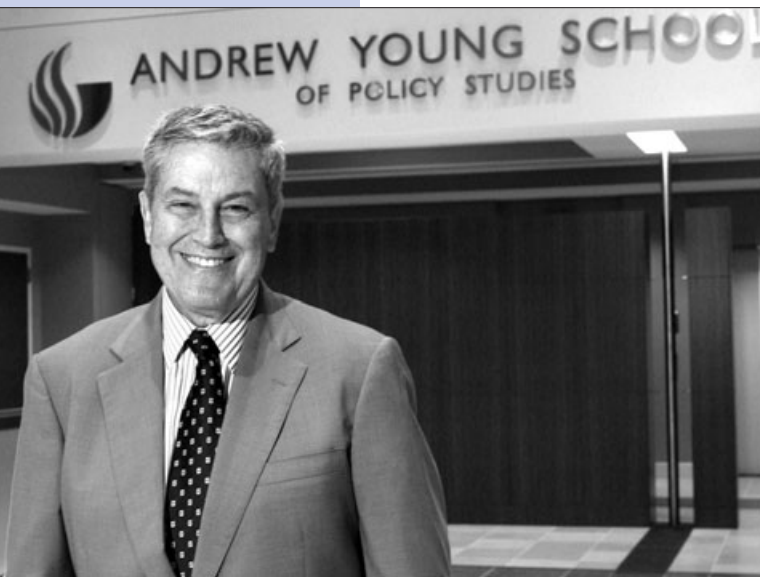
Public Finance & Budgeting	GEORGIA STATE UNIVERSITY RANKED 5TH
City Management & Urban Policy	GEORGIA STATE UNIVERSITY RANKED 12TH
Public Management Administration	GEORGIA STATE UNIVERSITY RANKED 16TH
Public Policy Analysis	GEORGIA STATE UNIVERSITY RANKED 21ST

- PUBLIC FINANCE & BUDGETING
- CITY MANAGEMENT & URBAN POLICY
- PUBLIC MANAGEMENT & ADMINISTRATION
- PUBLIC POLICY ANALYSIS



A Report Card for the College

Every year I try and assess what the Andrew Young School of Policy Studies has accomplished, to determine whether we are on track to meet our long-run objectives. We want to reach the top echelon of policy schools, both in fact and by reputation. We work to meet this goal by developing bang-up programs that increasingly attract high-quality students from all over the world, by advancing scholarship in our fields of concentration, and by advising the policy analysis of governments and the private sector. In tandem, we help pay the bills by attracting outside funding.



“This is the basic story of our success. All in all, this year's report card would make any dean proud.”

We seem to be on track. Our student body is growing and becoming ever more diversified. Last year we taught 4,174 students. Of those who are majors in the Andrew Young School, 38 percent are African American and 53 percent are women. Thirty-one percent of our graduate students are from other countries. The quality of our students is getting better every year, as is the quality of their placements after graduation, I have noticed with some pride.

Our faculty and research associates had another stellar year outside the classroom. They published 300 papers in scholarly periodicals and delivered another 170 papers at other universities and professional meetings. We now edit or co-edit 13 national and international academic journals in the Andrew Young School, and our faculty members serve on the editorial boards of another 35. We are on track in our scholarship mission.

We set out to create a college that is global in its mission. Our International Studies Program thrives with research and advisory projects around the world, while offering very successful short courses at home. Last year, our faculty worked in 33 countries.

Our domestic outreach activities have been quite successful. AYSPS has become an important advisor to Georgia's state and local governments on fiscal matters, health policy and environmental policy. We have ongoing relationships with the state and the Georgia General Assembly. It is important that a state-funded university play a role in critical policy analysis at this level, and I think we are doing our part.

Like everyone else, the college is struggling financially, and so we are pushing even harder to raise external grants. Last year, we matched every dollar of state money the school received with another dollar from external sources. Not too bad, I think. The prestigious members of our Advisory Board stand behind the college in all of its efforts.

One big test that all policy schools must take is their ranking in the *U.S. News & World Report's* “Best Graduate Schools” survey. We have made it to the top ten in our strongest field, and are closing on the top ten in others. You won't be surprised to hear me say that although we are proud of our ranking, I think we are probably a little better than this.

We have had to ask faculty and staff to run faster and harder without much financial remuneration, and they have done it.

This is the basic story of our success. All in all, this year's report card would make any dean proud.


Roy Bahl
Dean

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The Andrew Young School's policy research is easy to access; it is published in numerous academic and professional journals and cited in any number of related studies. It is used to teach in classrooms around the world. This issue of *The Briefing* is merely an introduction to the breadth and depth of the research conducted by our faculty and staff. You are invited to go to www.andrewyounschool.org to find full research citations in the AYSPPS annual reports.

one of the nation's best

The Andrew Young School rises to 26th overall in latest U.S. News & World Report rankings



Graduate Schools

GSU's Andrew Young School of Policy Studies is again among the top institutions that offer a public affairs degree in the 2005 Edition of *U.S. News & World Report's* exclusive rankings, "America's Best Graduate Schools." In just six years, the school's overall ranking has jumped 10 places, from 36th in the 1999 Edition to 26th in 2005. More than 250 public affairs programs were considered in the rankings.

"What an incredible sprint toward the top so early in the school's history," John Maguire emailed to Dean Roy Bahl upon reading the news. Maguire is president emeritus and senior fellow of Claremont Graduate University's School of Politics and Economics. "It's a tribute to all, and I congratulate you and your colleagues, Roy, on making those of us who have the privilege of serving on our Advisory Board button-poppingly proud!"

The U.S. News ranking, completed in 2004, was based on a survey of deans, directors and department chairs representing 253 master's programs in public affairs. The Andrew Young School now ranks among the top ten percent of these schools in four specialties: Public Finance and Budgeting (5th), City Management and Urban Policy (12th), Public Management and Administration (16th) and Public Policy Analysis (21st).

"Our faculty, staff and graduate students are responsible for these incredible results. They have achieved this recognition with competence, hard work and imagination in what they do," says Bahl. "This achievement is particularly noteworthy for our graduate programs, which have been in existence for less than a decade.

"Our financial sponsors, our alumni donors and our Advisory Board also share in this success. Their efforts have helped us move ahead," says Bahl.

An entrepreneurial approach to public affairs

Research is a critical component of any policy school that is worth its salt. However, it is difficult to generate much interest in research, or to even generate the research itself, without an appropriate level of funding. In the current economic climate, that task has become only more difficult.

GEORGIA STATE UNIVERSITY RANKINGS

Public Finance & Budgeting	5th
City Management & Urban Policy	12th
Public Management & Administration	16th
Public Policy Analysis	21st

Yet the Andrew Young School is successful in generating the high level of external funding needed to produce some extraordinary outcomes in public affairs, not only in research findings, but in findings that produce important outcomes. You will read more about their success in this special issue of *The Briefing*. Faculty, research associates and students merge their energy and excitement with the school's strong entrepreneurial climate to successfully secure significant amounts of external funding that support the school's research, instruction and public service programs. In fact, normally a high 60 percent to 79 percent of AYSPS requests for external funding are approved.

The Andrew Young School's active grants and research contracts in the latest calendar year totaled \$46 million. Public and private organizations have generously provided this funding, including such prestigious organizations as the World Bank, USAID, the U.S. Department of Education, the national Centers for Disease Control and Prevention, The Carter Center, the UPS Children's Policy Center and numerous private foundations, including The Woodruff Foundation.

Although the ability to secure adequate research funding is certainly an important element of a world-class public affairs program, other ineffable elements impact its success. How well does a school leverage its relationships with both public and private partners? How successfully do its centers and programs – and its faculty and graduates – raise the overall visibility of the school? The Andrew Young School of Policy Studies hopes to answer these questions in the next several pages. The stories will show how one entrepreneurial public policy school located in Atlanta, Georgia, uses research to accomplish many goals, to the benefit of both its internal and external constituencies.

in Public Affairs



You are invited to secure your place in the history of the Andrew Young School

Dear Alumni, Students, Faculty and Friends,

Our move into the new building marks an exciting new beginning in the history of our school. However, it is just the first of many steps we must climb on the way to fulfilling our total capital improvements plan. We are finally together in one place. Now we are working to fill this space with new equipment and leading-edge instructional tools.

We invite you to join us in our effort to offer our students the best resources available to help them complete their educational journey. In this spirit, AYSPS is offering several naming opportunities in conjunction with the opening of the new building. With your tax-free contribution, you will secure a permanent place in the history of our school for yourself or in memory of a loved one.

We have made a conscious effort to make this opportunity available to everyone. Naming opportunities range from items as simple as a name engraved on a plaque in a lobby area to naming "smart" seminar rooms, the experimental economics laboratory or even the dean's conference rooms.

We will contact many of you soon to see whether you would like to take advantage of one of our naming opportunities. But don't wait to hear from us. If you would like to learn more, please let me know. We would be thrilled to hear from you.

Roy Bahl

Dean

From the exotic island of Zanzibar to the snow-capped crown of Mt. Kilimanjaro – Africa's highest point – to the shores of Lake Victoria, Tanzania's contrasts in geography and its adventurous history lend the country a mystique enjoyed by readers around the world. For its 36 million residents, however, the reality of this East Africa country is not so romantic.

Tanzania's route to

Tanzania is one of the poorest countries in the world. Its economy is heavily dependent on agriculture, an industry that employs 80 percent of its labor force and provides 85 percent of its exports. Life expect-

tancy for the average Tanzanian is 45 years, with HIV/AIDS and poverty taking their toll.

The government of Tanzania is working to improve these odds by improving its delivery of public services. To this end, in 2002 it turned to the AYSPS International Studies Program to help design a new program of local government finance reform. Since then, ISP's training and technical assis-

tance have helped the country get closer to meeting national objectives for government expenditures: promoting economic growth and reducing poverty.

Decentralization by devolution drives this reform. Although Tanzania's local governments deliver key public services like primary education and basic health care, they have been highly dependent on grant allocations from the central government to meet these needs, according to Jamie Boex, senior associate of ISP and an AYSPS assistant research professor of economics. "Local governments historically have had little to no discretion in implementing their responsibilities," he says.

International Studies Program the driver

In two years ISP staff members led two key reform projects for Tanzania: after first developing the proposal for reforming the intergovernmental grant system, they aided the country's central and local governments in preparing for the new system. Director Jorge Martinez-Vazquez recently announced that the ISP team will continue providing training, technical assistance and capacity building, and will further research the impact of local government revenues on local government finances. Tanzania's Ministry of Finance has awarded ISP two new contracts valued at

\$380,000 for this work supported by DANIDA and the World Bank.

"Our continued involvement builds upon the success we've had to date," says Martinez.

For the first project that addressed education and health care distributions, ISP designed a formula-based system to deliver block grants to the local governments. In their report, "Developing a System of Intergovernmental Grants in Tanzania," Boex, Martinez, Roy Bahl and Longinus Rutasitara of the University of Dar es Salaam analyzed the shortcomings of the previous system of local government allocations and proposed new equitable, transparent formula-based options.

"We showed the central government the benefits that it would



related reading

Boex, Jamie and Jorge Martinez-Vazquez. "Developing the institutional framework for intergovernmental fiscal relations in decentralizing LDCs." *Working Paper Number 04-02* (April 2004).

Boex, Jamie. "Local Government Reform in Tanzania: Considerations for the Development of a System of Formula-Based Grants." *Working Paper Number 03-05* (March 2003).

_____. "The incidence of local government allocations in Tanzania." *Public Administration and Development* 23(5) 2003: 381-391.





fiscal reform

gain in moving away from a system of negotiated budget allocations to one of formula-based allocations," says Boex. "Funding will be driven by a proven, data-supported level of demand for services rather than through the current supply of teachers or doctors and related infrastructure. We expect this shift in philosophy to prove challenging when implementation begins."

In February, Boex reports, Tanzania's cabinet approved the reforms proposed in the ISP report. Its ministries then developed allocation factors based on demand, taking the approach that ISP had recommended. Implementation of the reform officially started July 1, the beginning of the new fiscal year.

On the road to reform

Boex says that under the second contract, ISP helped with capacity building leading up to the July implementation kick-off. "It would be nearly impossible to separate policy design issues from implementation issues," says Boex, "so the government requested we stay on and see this project through this next phase." This assistance was extended under the new contract through December 2005. The grant distribution reforms will be extended to the areas of agriculture, water supply and local roads.

"The biggest challenge has turned out to be making sure the

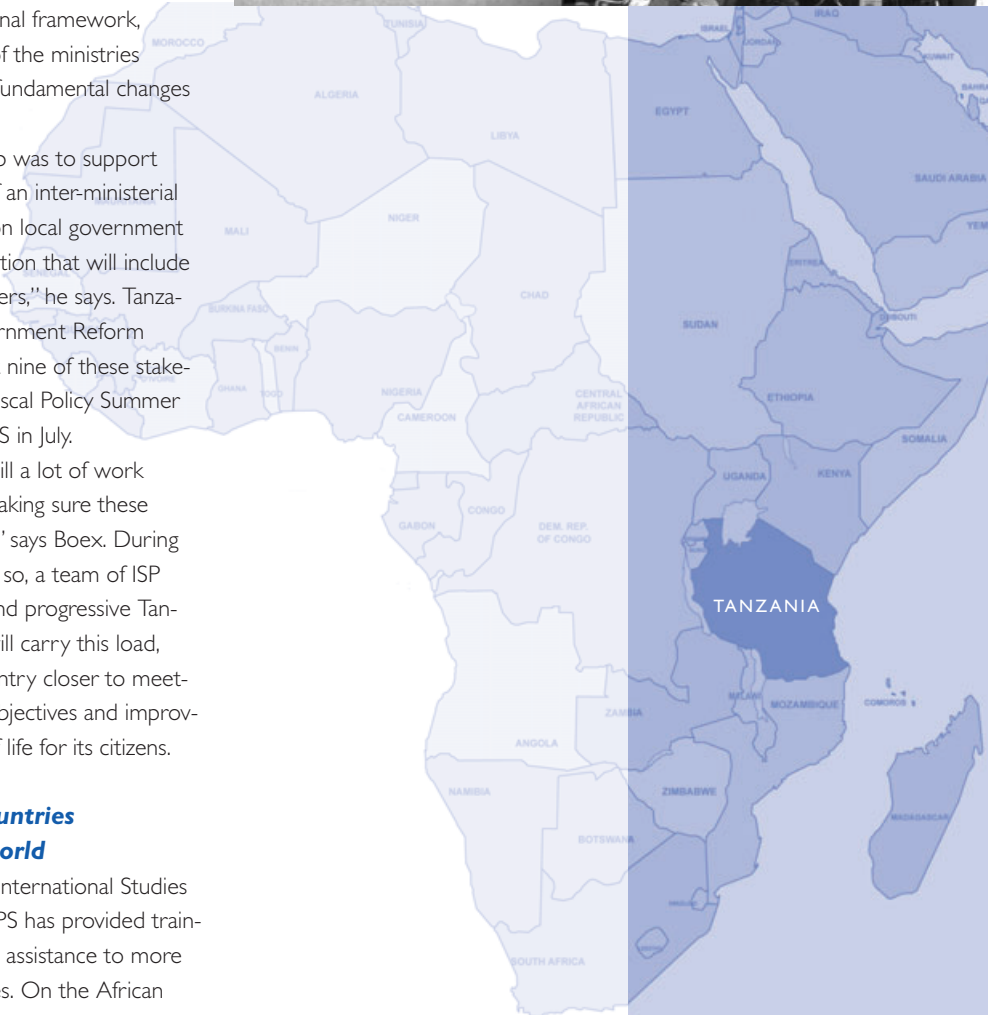
local governments understand they have a lot more leeway in delivering services and in formulating their own budgets," Boex says. "We are also helping the central government align its institutional framework, making sure all of the ministries understand the fundamental changes and cooperate."

"A first step was to support the formation of an inter-ministerial working group on local government finance coordination that will include all key stakeholders," he says. Tanzania's Local Government Reform Programme sent nine of these stakeholders to the Fiscal Policy Summer Training at AYSPS in July.

"There is still a lot of work to be done in making sure these processes work," says Boex. During the next year or so, a team of ISP policy experts and progressive Tanzanian officials will carry this load, bringing the country closer to meeting its national objectives and improving the quality of life for its citizens.

ISP assists countries around the world

Since 1999, the International Studies Program at AYSPS has provided training and technical assistance to more than 40 countries. On the African continent it has provided services to the governments of Malawi, Nigeria, South Africa, Swaziland, Tanzania and Uganda.



All photos: Adam Rogers/United Nations Capital Development Fund

AYSPS supports Jamaica's



In an April presentation on Jamaica's 2004/2005 budget, Omar Davies, the country's minister of finance and planning, announced that debt servicing would account for 70 percent of the country's total estimated expenditures.

"Put another way," said Davies, "of the total budget of \$328 billion, only \$100 billion is left to pay teachers, nurses, doctors, policemen, run the business of government and do some projects." Jamaica's government leaders understand the burdens imposed by debt.

They are also working urgently to find a solution. Efficient tax administration is one of three pillars of reform the country is pursuing to improve the quality of public service delivery. The others are improved management of both public debt and expenditures. Jamaica's Tax Policy

AYSPS INITIAL REPORTS

INDIVIDUAL INCOME TAX

This report focuses on the distribution of the income tax burden, compliance and administration. Wallace and Alm evaluate their findings against the "norms" of good taxation and recommend options for reform.

"Jamaica uses income taxes more than twice as much as similarly situated Caribbean countries," says Wallace. In 2003-04 the PAYE (Pay as You Earn) portion of this tax generated \$27 billion, about 22 percent of Jamaica's tax revenue.

Overall, they find this tax relatively straightforward and its distribution of burden progressive. Compliance and administration are major concerns, however. Tax evasion is particularly problematic for the self-employed sector, where up to 90 percent of the self-employed escape the system of direct taxes.

This report suggests 11 possible reform options after offering a set of reform directions for the government and tax committee to consider:

- **Revenue Adequacy.** Does Jamaica rely too heavily on this tax? Should it diversify its revenue base?
- **Equity.** Does the tax distribute burdens in an equitable fashion? Do low-income individuals pay too much? Do high-income individuals pay more than their "fair" share?
- **Efficiency.** The lack of taxation of capital gains influences investment decisions – should that be changed?
- **Simplicity.** A number of allowances and non-taxed benefits complicate the system – should that be changed?

STAMP DUTY AND PROPERTY TRANSFER TAX

Although Jamaica's stamp duty and property transfer tax do not dominate the country's revenue structure, they often figure prominently in discussions about problems with the country's tax system. In this report, Bahl finds that these taxes have experienced a long-term decline in revenue as a percent of GDP and of total taxes raised.

This tax program's issues center on compliance and its economic impact. "Some would say that stamp duty is a levy whose time has passed as an efficient revenue generator," writes Bahl. "Likewise, the property transfer tax may generate revenue, but it is a poor surrogate for a capital gains tax. Others would go further and argue that taxes on transfers are not administered efficiently or fairly and do harm to the Jamaican economy."

In his report Bahl notes that the J\$4 billion this tax yields in annual revenue does not necessarily compensate for the harm it does to the economy. It discourages arms-length sales of real property and discourages the development of a secondary market for commercial paper. It imposes a significant revenue cost. Yet Jamaica is no different from other countries that continue to levy stamp duties and property transfer taxes primarily to protect revenue.

The report offers six reform options that range from elimination of the tax to replacing it with a capital gains tax on real property.

comprehensive tax reform

Review Committee is spearheading tax reform, and has enlisted the help of the fiscal policy experts at the Andrew Young School to provide technical assistance and perform a comprehensive review of the current system.

This team is led by Associate Professor Sally Wallace and Dean Roy Bahl. Members include James Alm, professor and chair of the Economics Department; Richard Bird, distinguished visiting professor; David Sjoquist, Dan E. Sweat Distinguished Chair in Educational and Community Policy, professor and director of the Fiscal Research Center and of Domestic Programs; Felix Rioja, associate professor; Mark Rider, associate professor; and Kelly Edmiston, a former assistant professor at AYSPS. Professor Keith Maskus and Dr. Miles Light of the University of Colorado and Dillon Alleyne from the University of West Indies serve as senior members of the team.



The Jamaica fiscal policy team includes (L to R) James Alm, Roy Bahl, Mark Rider, Sally Wallace, Felix Rioja, David Sjoquist and Dillon Alleyne.

PAYROLL TAXES AND CONTRIBUTIONS

Federal payroll taxes in the U.S. are limited to FICA (Federal Insurance Contributions Act) withholdings, which benefit old age retirement, dependent survivors and disability through the Social Security tax and hospital insurance through Medicare.

In this report, Alm and Wallace find that Jamaica's payroll taxes are used to finance home buying and government-provided job training programs as well as health and retirement benefits. They are also used as a general revenue source. These taxes can add a burden of up to half of the amount of the individual income tax.

"The current system of wage-based taxes and contributions in Jamaica has some severe weaknesses," write Alm and Wallace. "There is widespread belief that their additional burden has had substantial economic effects on employment, savings and labor supply. They have contributed to Jamaica's problems with low labor productivity and high labor costs. Many also believe these taxes are evaded and avoided in significant amounts."

Their findings suggest several reform options the Jamaican government can pursue to rationalize and integrate this disjointed system, to increase collection efficiencies and decrease administrative costs, to lessen the distorting effects of high marginal tax rates and to improve equity. Alm and Wallace support this work with a quantitative modeling of the impact of the reform proposals.

INTERNATIONAL TRADE

The first challenge for Jamaica's system of trade taxes is to improve its equity and efficiency, write Rioja and Maskus. They found Jamaica's small island economy characteristically subject to trade tax evasion. Relatively low tariffs have followed an extensive period of trade liberalization, and frequently changing tariff rates and exemptions all contribute to inefficiencies in the system. Moreover, the difficult competitive position of the Jamaican economy has led to granting significant amounts of import duty relief.

Jamaica also faces difficulty in increasing the global competitiveness of many of its merchandise exports. "As a small open economy," report Rioja and Maskus, "Jamaica's growth prospects are tied closely to its abilities to improve productivity and enhance exports. Much of this task must be accomplished through improvements in the macroeconomic environment along with investments in infrastructure, innovation and cost reduction."

For the short run, the authors argue that Jamaica's best strategy might be to reduce the diversity in import duty rates and to eliminate preferential treatments. In the long run, Jamaica may be a victim of external events such as the Free Trade Agreement of the Americas, and will be forced away from reliance on tariff revenue.

“Clearly, each tax system reform in Jamaica should not be considered independently of the reforms of the other taxes in the system.”

SALLY WALLACE

Members have completed research in every fiscal policy area – individual income taxes, land value taxes, corporate income tax and incentives, payroll taxes and contributions, taxes on trade, stamp duty and property transfer taxes, tax burdens and selected indirect taxes – to help produce a comprehensive reform package. Their report will include a transfer of research methodology that will allow further simulation of alternative reforms. The end product, individual studies altered by feedback from the Government of Jamaica and the tax reform committee, will lay out a menu of reform options from which the government can determine future policy.

“The great advantage of this work,” says Wallace, “is that it allows a comprehensive look at the effects of tax reform and it involves the government and the tax committee in its packaging. While we must build the analysis

tax-by-tax, ultimately the question it will answer is the impacts of reform of the entire system.” Wallace says that the final report is designed to allow the Ministry of Finance and Planning to model any additional changes later.

A comprehensive reform

In every initial research report, readers are reminded that the study in hand will be revisited as part of the comprehensive reform package. “Clearly, each tax system reform in Jamaica should not be considered independently of the reforms of the other taxes in the system,” says Wallace.

To offer an overview of the total effect of a comprehensive tax reform on Jamaica and its citizens, the AYSPS team will also conduct a countrywide review of Jamaica’s economy and its total tax burden.

The team will review Jamaica’s economy to set the

AYSPS INITIAL REPORTS CONTINUED

SALES TAXES

Leaving no stone unturned, Bird and Edmiston review Jamaica’s value added tax, called the GCT, and its selective excise taxes. The research goal of the report is to identify problem areas and to evaluate and offer alternative options for reform. The analysis concentrates on revenue enhancing and structural – rather than administrative – options.

In looking at other international models that Jamaica can follow in designing its GCT and other tax reforms, the report finds that the problems in this country seem not all that different from those in other countries. Areas it examines are revenue performance and importance, high statutory rates, threshold levels, treatment of different industry sectors and penalties and enforcement.

Several proposed reforms address the major problems of the GCT: its lack of transparency, its preferential treatment of some sectors, its tax burden and its revenue yield.

The authors suggest there is no one best way to structure the GCT in Jamaica; its reforms will depend on what the government most wants to achieve with this tax system. “Good reform is about making good choices, and the goal of the reform section of this report is to lay out those choices,” they write. Proposed structural reforms are then identified. The authors develop a statistical model to estimate the revenue cost of the many exemptions that have been given, and go on to assess the impacts of broadening the tax base. They study the revenue erosion

that results from specific excise tax rates and show how these might be corrected.

In looking at this study, “the biggest challenge with sales tax reform will be to generate the target amount of revenue without introducing unacceptable regressivity into the distribution of tax burdens,” says Dean Bahl.

LAND VALUE TAX

Imagine that a home’s value is assessed just one dollar over a cap the government had established to help mitigate tax shock, yet this valuation sends the owner’s property tax liability rocketing 500 percent over last year’s. Sjoquist reports that this can happen to Jamaican property owners.

In his land value analysis, Sjoquist finds the tax rate structure “probably the most complicated feature of the tax.” Land tax revenues are low due to compliance problems, revaluations that occur every nine years and the presence of preferential treatments. Other shortcomings are slow and sporadic revenue growth, low collection rates among owners in the highest value class, and inaccurate baseline data on the declared values of land sales as reported to the Stamp Office.

The report suggests reform options that would increase the effectiveness of this tax, increase its transparency and meet its equity objectives. It looks at the potential impacts of conducting more frequent

backdrop for the need for tax reform and its possible impacts. A review of the country's fiscal condition will offer a better understanding of the size of present and projected fiscal deficits and different views about the need for tax reform to fill the fiscal gap. A review of the gap will suggest desired revenue targets that have implications for the design of the reform package. The team will also consider the affordability of tax reform, and will examine economic choice issues related to the current tax structure.

The tax burden study will use a microsimulation model to evaluate the distribution of all major taxes in the Jamaican system. It will contain an overview of the current system, and will show the methodology, both the data and the model. It will offer the results of the modeling, presented by income group and other relevant demographic classifications when possible.

The end result of analytic work will be a set of options that aim to improve the system of revenue generation in Jamaica so that the country may be able to sustain a reasonable, predictable level of revenue, says Wallace. "The ultimate choices are those of the Government of Jamaica – the reform may have more of a flavor of increased equity, or may be geared more toward attempts to attract investment. The work of the AYSPS project team is to support those decisions with hard, objective empirical analysis."

Exactly how comprehensive is this project? A look at the issues and findings offered in several initial reports offers a better understanding of the scope of work the AYSPS team has undertaken to ensure the success of Jamaica's nationwide tax reform.

related reading

Bird, Richard M., Jorge Martinez-Vazquez and Benno Torgler. "Societal Institutions and Tax Effort in Developing Countries." *Working Paper Number 04-06* (September 2004).

Boex, Jamie and Jorge Martinez-Vazquez. "Developing the institutional framework for intergovernmental fiscal relations in decentralizing LDCs." *Working Paper Number 04-02* (April 2004).

revaluations, indexing valuations, improving sales data and increasing the collection rate. It posits that a comprehensive reform package would best address the many shortcomings found in the land value tax system. Using data for all 600,000 parcels in the system, Sjoquist estimated the impact of each reform option developed.

Ki-Whan Choi, an AYSPS student earning his Ph.D. in Economics, assisted with research.

CORPORATE INCOME TAX

In this evaluation of Jamaica's corporate income taxes and incentives, Rider finds several areas ripe for improvement. Current incentives for income shifting may compromise revenue yield, efficiency and equity. A complex system of capital allowances requires too much oversight of the Income Tax Department's scarce administrative resources to make collections effective. Twelve Incentive Acts cover nearly every major industry in Jamaica.

Five issues will drive corporate tax reform:

- revenue generation and long-term performance,
- the effects of preferential treatment on the tax burden due to exemptions and incentives,
- the effects of the system on economic decisions,
- major problems in tax administration, and

- the question of whether corporate income tax fits Jamaica's economy at all.

"We've got to ask whether this tax is too expensive to administer for what it contributes and whether the incentives for evasion and avoidance can be overcome," says Rider. "At stake is Jamaica's long-run competitiveness."

Although this report also offers options for reform, Rider closes by encouraging Jamaica to question the efficacy of its tax incentives and holidays as a means to foster economic growth. "Business people prefer low tax burdens to high, all else held constant. Yet tax incentives and holidays do not compensate for deficiencies in the level and quality of government spending," he writes.

saavedra

is named a World Bank Young Professional



AYSPS student Pablo Saavedra, a doctoral candidate in public policy who earned his masters in economics at AYSPS in 2001, was tapped to join the Young Professionals Program at World Bank. In September he went to Washington, D.C., to join an elite group of 35 outstanding candidates selected from the world's top universities in a prestigious program that prepares them for careers at the bank.

The school is pleased with Saavedra's selection. "Pablo has been one of our star students in the Ph.D. program in Public Policy," says Jorge Martinez-Vazquez, director of the International Studies Program. "He has excelled academically and has contributed well to a number of policy and technical assistance projects the ISP is running in several parts of the world. A strong academic background and relevant practical experience, no doubt, have helped Pablo become an ideal candidate for the highly competitive World Bank Young Professionals program."

World Bank is a development organization that provides loans, policy advice and other customized resources to more

than 100 developing and transitional countries. Its mission is to fight poverty and improve the living standards of people in the developing world by helping such countries onto a path of stable, sustainable and equitable growth.

"If you like the field of development, this is one of the best places to be," says Saavedra. "World Bank works in close contact with governments dealing with development issues and has a very important agenda on decentralization. If you work there, you will do relevant policy work, and you just may have a chance to make some difference."

While in the program, Saavedra will complete two assignments running up to a year each in two different regions in the world. He will work on fiscal decentralization projects for the bank's PREM (Poverty Reduction and Economic Management) Network. "They are careful to accommodate our skills to a project and a geographic region," he says. He was chosen after undergoing a rigorous and intensive selection process. Competition for the program is keen: World Bank received more than 9,300 applications for the limited positions available this year.

Saavedra's areas of interest are public finance and economic development policy. His dissertation topic is "Decentralization and Public Service Delivery." He was an intern at World Bank during the summer of 2003, where he worked on fiscal decentralization projects for India and Pakistan. While at AYSPS, Saavedra helped the International Studies Program draft reports for the Fiscal Project in the Russian Federation. Before joining the school he worked five years as a corporate loan officer for a commercial bank in Bolivia, where he says he became interested in public finance, "especially how local governments managed their own finances and their relations with the central government."

AYSPS recruiting efforts in Bolivia and research papers authored by Martinez-Vazquez convinced Saavedra to come to GSU for his master's studies. "Jorge is my advisor and my mentor. It is important to recognize the people who put you in the position to do something like this. That's first and foremost Jorge, not only because of his continuous support, but also because he put me and several students to work on technical assistance projects for developing countries. As we were training in the classroom, we were also training on real projects. This gave us an edge," says Saavedra.

Saavedra grew up in Cochabamba, the third largest city in Bolivia, and earned an undergraduate degree at the Monterrey Institute of Technology in Mexico. He looks forward to his work at World Bank and would like to spend many years there, yet he also hopes to work at least a couple of years for the government of Bolivia. "For me," says Saavedra, "it is important, when you work in economic policy, to give back to the government of your country."

"If you work there, you will do relevant policy work, and you just may have a chance to make some difference."

PABLO SAAVEDRA

Tracking the disappearing tax

The corporate income tax, normally the third or fourth largest source of state and federal revenues, is shrinking as a percent of total tax revenues. In their report, “The Disappearing State Corporate Income Tax,” co-authors David Sjoquist, Sally Wallace, Kelly Edmiston and Gary Cornia, a visiting scholar from Brigham Young University, examine the trends in this tax since 1980 and analyze factors that may account for this change.

“The diminished role of corporate income taxes at the federal and state level has generated a variety of hypotheses regarding the decline in corporate tax shares,” write the authors. Various suspects – or hypotheses – include the declining economy, tax planning changes to the form of incorporation, the narrowing of the tax base by legislation and changes in tax compliance.

“In the last few years, declining revenue collections have pushed many states into fiscal crises, forcing major spending cuts and shifting more fiscal responsibilities to the local level. It is critical to pinpoint the cause,” says Sjoquist, professor, Dan E. Sweat Distinguished Chair in Educational and Community Policy and director of the Fiscal Research Center and Domestic Programs. “Empirical analysis suggests that a combination of factors has reduced the significance of the corporate tax. States need an effective policy response to begin strategically addressing the primary causes for this decline.”

The report analyzes a variety of data to determine whether a change in state corporate income taxes is caused by economic factors, tax compliance or avoidance behaviors, or by its coupling with the federal corporate income tax. It looks at 20-year trends, collects the views of tax

“The report analyzes a variety of data to determine whether a change in state corporate income taxes is caused by economic factors, tax compliance or avoidance behaviors, or by its coupling with the federal corporate income tax.”

administrators and concludes with a case study of Georgia's corporate income tax and the factors responsible for its decline.

The authors found that changes in the tax base have been caused by federal acts like the Tax Reform Act of 1986, which created an additional incentive for businesses to distribute income so it is taxed at a lower rate. It also lowered the federal corporate tax base, which is the basis for most state corporate taxes. The rise of passive investment companies is suspected to cost the states substantial revenues. Apportionment formulas, nexus rules, the unitary business concept and the advent of limited liability companies

all disadvantage state collections to varying degrees.

State corporate tax revenue as a percentage of corporate profits dropped 34 percent from 1980 to 2001. Legislative actions ranging from changing apportionment formulas to creating tax exemptions or credits and state adoption of federal tax codes are impacting this tax.

In their Georgia case study, the authors attempt to isolate major factors that would explain the significant changes in the aggregate tax liability of Georgia's multistate corporations. They report on the impact of tax credits and changes to allocation and apportionment formulas.

“Georgia's corporate income tax has dropped from 9.4 percent of total tax revenue in 1980 to five percent in 2002, which represents more than \$500 million in 2002,” says Sjoquist. “We hope that this research will aid legislators in examining more closely the implications of various corporate revenue policies.”



related reading

Edmiston, Kelly. “Single-Factor Sales Apportionment in Georgia: What is the Net Revenue Effect?” *State Tax Notes* 31(2) (2004): 107-111.

Wallace, Sally. “Trends in Corporate Income Tax Receipts.” *Fiscal Research Center Working Paper* 52 (2000).

Grace, Martin. “Does Georgia Need A Unitary Tax?” *Fiscal Research Center Report* 91 (2004).

THE INVISIBLE TAX:

If states simplify, will vendors comply?

There is a tax that flies under the radar. Most citizens are not aware that it exists. In the 45 states where it is levied, including Georgia, and in thousands of local governments, compliance is generally not enforced, making the tax nearly impossible to track or collect.

This invisible tax is the “use” tax, a companion to the sales tax and as important to states as Ben is to Jerry’s ice cream. The use tax is levied on purchases from which a sales tax is not collected, such as most catalog sales. It is frequently levied on out-of-state purchases that are used, consumed, leased or stored in the state. It is due when the full sales tax on an item or service has not been collected by the government in which the purchaser resides.

Although a buyer is liable for both sales and use taxes, vendors have traditionally collected only the sales tax. In light of the current fiscal environment and the ease of selling goods across any jurisdiction, use taxes are being

examined in a new light.

“States are looking for ways to make up for declining sales tax revenues,” says Professor David Sjoquist, Dan E. Sweat Distinguished Chair in Educational and Community Policy. “Finding a way to collect use taxes, particularly from Internet transactions, may make a critical difference to their budgets.”



Sjoquist, with co-authors Gary Cornia of Brigham Young University and Lawrence Walters of George Mason University, investigates these taxes and recommends policies to improve their collection in the article, “Sales and Use Tax Simplification and Voluntary Compliance,” published in the Spring 2004 issue of *Public Budgeting and Finance*.

The Streamlined Sales Tax Project is a national effort to simplify and modernize sales and use tax collection and administration. It has brought 42 states and the District of Columbia together to find a way to collect use taxes on Internet transactions, among other things, by reducing the burden of collection for sellers and creating a collection system for remote sellers. In light of SSTP, the article addresses two major questions: Can states agree on a common, greatly simplified sales and use tax system? Under what conditions are vendors most likely to voluntarily collect these taxes?

“Although the challenges SSTP faces in designing a simplified system are substantial,” says Sjoquist, “we are optimistic about its prospects for success if it is put in place. It is possible to design a voluntary system with which many firms would comply. The top question for each state is: are you willing to fully cooperate with more than 40 other states to design an attractive voluntary system?”

related reading

Collins, Robert L. and William J. Smith. “Distribution of Per Capita Income in Georgia: 1969-2000.” *FRC Report 95* (September 2004).

Grace, Martin F. “Does Georgia Need A Unitary Tax?” *FRC Report 91* (February 2004).

HARBERGER PRESENTS PAPER AT

ISP Public Finance Conference

Noted economist Arnold Harberger, professor of economics at the University of California, Los Angeles, joined leading public finance practitioners and professors at the Andrew Young School's Fourth Annual Conference on Public Finance that was webcast from Atlanta in May. This year's theme, "Issues in an International Perspective: The Challenges of Tax Reform in a Global Economy,"

policy for developing countries have been lauded. Yet he may be best known for developing the Harberger triangle, an important economic equation used to measure the impact of market distortions.

Harberger's conference presentation, "Reflections on Distributional Considerations and the Public Finances," examines to what extent tax and expenditure policy can influ-

end even eliminating poverty are much more within the reach of governments, and are correspondingly more meaningful as objectives of policy," he writes. The paper examines specific tax issues as they bear on the distribution of a country's tax burden.

Charles McLure Jr., senior fellow at the Hoover Institution, also joined the conference's many tax policy experts. While working at the U.S. Treasury in the early 1980s, McLure developed proposals that were presented to President Ronald Reagan and became the basis of the Tax Reform Act of 1986. Others participants included Janet Holtzblatt from the U.S. Department of the Treasury, Richard Bird of the University of Toronto, and professors and researchers from some of the leading policy schools and research institutions in Canada, India and the United States.



informed more than a dozen presentations that the school will edit and release in a printed volume.

Prior to joining the faculty at UCLA, Harberger taught for 38 years at the University of Chicago, where in the 1960s and '70s he was joined by a trailblazing group of economic policy thinkers including Milton Friedman and T.W. Schultz who were known as the "Chicago Boys." His contributions in public finance, cost-benefit analysis, international economics and the economics of inflation and economic pol-

ence a country's distribution of income and what role governments realistically can expect to play in its overall distribution.

"The argument is presented that, if only because of the practical difficulties of achieving what one seeks, it is unreasonable for governments to think they can effectuate serious changes in a country's overall income distribution. The goals of attacking, alleviating and in the



“The argument is presented that ... it is unreasonable for governments to think they can effectuate serious changes in a country's overall income distribution.”

ARNOLD HARBERGER

A full list of conference participants and their presentations, conference materials, audio and presentation slides are available online at <http://isp-aysps.gsu.edu/academics/conferences/conf2004/index.html>.

USAID officials train at AYSPS

In April the International Studies Program welcomed 20 government officials from the United States Agency for International Development to its inaugural USAID training program, “Fiscal Policy Reform: Principles and Trends.” This session was the first in what will become an annual series of training programs designed and conducted by faculty at the Andrew Young School.

“Fiscal policy goes hand-in-hand with social policy ... it is critical.”

JORGE MARTINEZ-VAZQUEZ

AYSPS has been contracted to offer annual training, assessments, in-house expertise and technical assistance to USAID in partnership with DAI (Development Alternatives Inc.) and BIDE. The goal is to train USAID's field specialists and other professionals in fiscal reform and the fiscal aspects of trade liberalization.

“Fiscal policy goes hand-in-hand with social policy,” says Professor Jorge Martinez-Vazquez, director of the International Studies Program. “It is critical. All programs – whether education reform, poverty reduction or equal opportunity for women – must start out with an efficient framework of expenditures and revenues to make them self-sustaining. Otherwise, the programs may collapse when the donors leave.

“Many USAID professionals are education or gender specialists, some are economists, but most are not trained in fiscal policy. Before our program, they had to rely on what they learned in the field. Our tailored training has exposed them to the principles and latest trends in fiscal policy reform, tax policy design, tax administration, budget policy, public expenditure management and fiscal decentralization,” says Martinez.

Staff who attended the April program held positions such as project manager, fiscal advisor, gender advisor, civil society strategy advisor, democracy officer, economist or capital market specialist. They came from Montenegro, Romania, Bosnia and Herzegovina, Ukraine, Mexico, Russia, the Caribbean, Indonesia and other countries; others are stationed in Washington, D.C. Comments sampled from the participants' course evaluations shed some light on the success of the inaugural training:

What did you find most useful in the session?

“The sharing of lessons learnt worldwide, extremely knowledgeable and experienced lecturers, Q and A sessions and very good reading materials”; “The expertise of Georgia State and ability to progress in the technical issues ... was extremely impressive.”

Would you recommend that your colleagues attend this activity?

“Yes, definitely! All USAID staff ... should attend this course”; “Great grounding in the issues, approaches and most recent thinking re. fiscal reform”; “Yes. This course will expose them to a holistic picture of fiscal policy...very useful for development of new activities.”

“This has been a very worthwhile experience.”

The next USAID course is scheduled for spring 2005.

SEARCHING FOR PARITY IN

LOST revenue allocations

The LOST (local option sales tax) in Georgia is a one percent county-city sales and use tax imposed upon all taxable sales within a county's borders. In most counties it is a joint tax designed to be shared between the county and municipal governments. In 2001, LOST revenues in Georgia exceeded \$900 million and accounted for about a quarter of every county and municipal budget in counties in which the tax was levied.

Sounds like a windfall, right? But of course there's a catch. Under current law, there is no clear formula that counties and municipalities can use to determine their fair share of LOST allocations.

The local option sales tax was created in 1975 to provide property tax relief for residents, with allocations based on the proportion of county and municipality populations. The new law created after a 1979 court challenge to LOST did not require negotiations to determine allocations, nor did it contain any factors to consider during renegotiations.

"A 1994 amendment required renegotiations every 10 years, and provided a list of factors for cities and counties to consider when determining LOST allocations," says David Sjoquist, professor and director of the Fiscal Research Center at AYSPS. "But they were not well-defined or quantifiable, and they required information that's not collected."

Without an allocation formula, just how do counties and municipalities agree on their fair share of LOST revenues?

During the 2002 renegotiations, says Clint Mueller, legislative director for ACCG (Association County Com-

missioners of Georgia), the Georgia Municipal Association and ACCG recognized this ambiguity in the law and decided to try to work together to address the problems that made many LOST renegotiations so contentious. "A lot of counties and municipalities renegotiated their allocations right up to the deadline," he says. "Fortunately, no one lost their LOST for failure to renegotiate. The threat of losing it and the lack of clear guidance in the law on how it should be allocated led most counties and their cities to continue to use the same allocation percentages they had used in the past. In all cases but one, those that did make changes made minimal ones."

"It's a zero sum game," says Sjoquist. "Most places realized it was impossible to change the split and gave up. Those who felt strongly faced tough fights to make any changes." This situation led FRC researchers to examine the issue.

In *FRC Report 94*, "Alternative Formulas for Allocation LOST Revenue to Counties and Municipalities," authors Sjoquist and Laura Wheeler, a principal associate with the FRC, examine several possible formulas and their outcomes to determine



Laura Wheeler and David Sjoquist

whether there is a relatively easy formula that will allocate LOST revenues fairly between county and municipal governments.

Mueller says ACCG reviewed and discussed the report during its policy development process during the summer. "Our Revenue and Finance Committee looked at it with an eye to any LOST recommendations they should make in this year's ACCG policy platform," he said.

"No one formula will perfectly allocate the LOST," admits Sjoquist. "But there are large gains to be made by creating a well-organized, fair process that recognizes the many difficulties inherent in any relationship between county and sub-county governments.

"And at the end of the day, approval of a well-designed allocation formula would end many costly negotiations," he says.

“No one formula will perfectly allocate the LOST.”

DAVID SJOQUIST

related reading

Seaman, Bruce A. "The Economics of Cigarette Taxation: Lessons for Georgia." *FRC Report 89* (2003).

Morton, Jack and Richard Hawkins. *Georgia's Taxes, A Summary of Major State and Local Government Taxes*. Fiscal Research Center, Andrew Young School of Policy Studies at Georgia State University: Atlanta. Tenth Edition (January 2004).

Fiscal Research Center reports are available online at <http://frp.aysps.gsu.edu/frp/frpreports/index.html>.

ticket to ride:

Public awareness a key strategy in mass transit security

Transit commuters would be wise to scan their surroundings when entering a station or boarding a train or bus, cautions Professor William Waugh Jr. in his latest research on mass transit security in the United States. "Public awareness and a good reporting system, as well as luck, may be the most effective security system for mass transit systems."

Many U.S. transit systems agree, and are instituting "Transit Watch," a nationwide public awareness and education campaign developed by the U.S. Department of Transportation's Federal Transit Administration. Systems in Buffalo, Salt Lake City, Charlotte, Phoenix, San Francisco, San Antonio and Pittsburgh now promote the program, which encourages transit employees, passengers and other citizens who use or are near transit stations or infrastructure to be alert to suspicious activities, packages or situations.

In "Securing Mass Transit: A Challenge for Homeland Security" recently published in the *Review of Policy Research*, Waugh spells out the challenges faced by federal, state and local agencies in securing mass transit from terrorist attacks.

"While the vulnerability of mass transit systems has been a cause for concern," he writes, "the focus of America's counterterrorist and antiterrorist efforts since September 11, 2001, has been aircraft and airport facility protection." He is not reassured by the continued low federal priority given to mass transportation security, even though Spain's rush hour transit bombings in March should have moved it ahead. "As near as I can tell, the Senate approved \$4.5 billion for transit security and it hasn't gotten any further than that."

Indeed in May, Waugh says, the Department of Homeland Security announced initiatives to beef up transit system security that include removing trash receptacles that might be used to conceal bombs and increased use of bomb-sniffing dogs to screen baggage and facilities. Radiological, chemical and biological weapons monitoring has been increased in the nation's busiest transit systems and new technologies are being tested in Maryland to screen passengers. But increased funding for surveillance technologies and other security measures sought by local governments and transit authorities have not yet been made available. Port facilities and airports are still the priorities.

National news bureaus report transportation systems are the target of up to one-third of all terrorist attacks worldwide. Atlanta's system, MARTA, reported in an American Public Transit Association publication that it responded to nearly 100 calls reporting suspicious packages and bomb threats in the months following September 11, 2001; all were false alarms. "Clearly, mass transit systems around the world are frequent targets of political violence," Waugh writes. He feels the U.S. should take this threat seriously.

Financing the development and implementation of security measures is the biggest challenge these systems face. "Despite warnings that terrorist attacks might be imminent, the Department of Homeland Security has done little to assist in securing the systems or in funding security measures," he says. "In the absence of federal dollars, mass transit operators are left to their own devices to reduce their vulnerabilities."

"It may well take a major mass transit casualty attack on our shores to encourage close attention to the threat," he warns.

related reading

Sharn, Lori. "Senate Panel OKs \$4.5 Billion to Ramp Up Transit Security." Accessed from *GovExec.com* on May 6, 2004.

U.S. Department of Homeland Security. "Press Room: Department of Homeland Security Announces New Measures to Expand Security for Rail Passengers." (May 20, 2004).

Waugh Jr., William L. "Securing Mass Transit: A Challenge for Homeland Security." *Review of Policy Research* 21 (3) (2004): 307-316.

“Public awareness and a good reporting system, as well as luck, may be the most effective security system for mass transit systems.”

WILLIAM WAUGH JR.

New guide shows how to evaluate TIFs and TADs

Using a policy instrument that has no evaluation component is like hiring a train engineer who doesn't know how to brake. While your train may roll into the station on schedule, or your policy deliver all the intended benefits with no surprises, these outcomes are invariably easier to manage with a set of guidelines that show how best to apply the policy – or the brakes – says Deborah McCarty, executive director of Research Atlanta, Inc.

A tax allocation district, or TAD, is a form of tax increment financing used in Georgia to promote public-private redevelopment of areas that are blighted, distressed or otherwise unable to attract private investment. A TAD captures the tax growth within designated redeveloped boundaries to finance new infrastructure or other public improvements that will support private redevelopment. It is seen to benefit not only the TAD property but also the surrounding area.

"TADs have been beneficial, yet any decision-maker considering one for his or her area should be aware that this policy tool is not without cost or risk," says Carolyn Bourdeaux, an assistant professor of public administration and urban studies. "This policy needs to be thoughtfully applied."

In a new Research Atlanta report, *Georgia's Redevelopment Powers Law: A Policy Guide to the Evaluation and Use of Tax Allocation Districts*, authors Bourdeaux and John Matthews, a research associate in the Fiscal Research Center, note that in

five years, 11 separate TADs were established in metropolitan Atlanta; nine within the last two years. They warn that this sudden surge in the popularity of TADs has not been matched by any consistent way to evaluate their effectiveness or use.

"No formal evaluation requirements are stipulated in the state's Redevelopment Powers Law," says Matthews. "However, localities that use this form of financing may use it again. They should be able to assess their effectiveness: whether proposed benefits materialized and any lessons were learned. Just as important, they should be able to show how well their expectations were met in any public-private partnerships formed."

This challenge is not limited to Georgia, the authors note.

"The Atlanta region is not alone in wrestling with ways to guide and structure the use of this particular policy instrument," they write. "Forty-eight of the 50 states allow localities to use some form of tax increment financing for economic development purposes. Almost all are engaged in an ongoing debate about how this policy should be most appropriately applied."

McCarty says the report was written to familiarize local policy makers with the mechanics of how TADs work, the potential costs, risks and benefits associated with TADs, and how these costs and benefits may be distributed in different ways across stakeholder groups. It draws examples from other states, showing how they manage similar economic development policy tools.



John Matthews and Carolyn Bourdeaux

Bourdeaux and Matthews explain that the ultimate objective of their report is to help local policy makers sort through some of the concerns that have been raised about the use of TADs. "The discussion of costs and benefits should also give them ideas about ways to evaluate and structure TADs to more effectively promote the redevelopment of blighted or underutilized urban and suburban areas while protecting the fiscal health of their jurisdiction," they write.

related reading

Rushton, Michael. *Sustainable Funding for the Arts: What Can Atlanta Learn from the Detroit Experience?* Research Atlanta (June 2004).

Whiddon, Alycen and Lee G. Ross III, Caleb Racicot, Laura Kraul. *Open Space Acquisitions and Management Opportunities in the City of Atlanta and Adjacent Jurisdictions*. Research Atlanta (May 2003).

Research Atlanta reports are available online at www.researchatlanta.org.

ATLANTA MEASURES ITS



How does a city run its municipal operations efficiently, effectively and economically? A “business” like the City of Atlanta, for example, “is a conglomerate spanning at least 15 different lines of businesses ... relatively small, but highly diversified in terms of the services they deliver, the business practices that support them, and ... the culture that underlies their operations,” according to John Clayton Thomas, professor of public administration and urban studies at AYSPS and David Edwards, head of the Program Management Office for the City of Atlanta.

In the last decade or so, says Thomas, cities have increasingly used performance measurement systems to evaluate how well their operating agencies perform. Yet the diversity of services, practices and cultures inherent in municipal government complicates efforts to design these systems. “Each operational unit normally has its own idiosyncratic view of an optimal mix of business process, customer relations and human resource practices,” he says. “Municipal performance measures require a more federalist structure than the ‘single business line’ approach most often used in private industry.”

An Atlanta case study illustrates the challenges inherent in developing such a system. Atlanta Mayor Shirley Franklin entered office with a promise

to improve municipal operations and the city’s connection to the public. Edwards, whose experience includes operational and business planning positions at the Office of Management and Budget in the White House and Columbia University and eight years as a private business consultant, says his first task when the mayor brought him on board was to develop a performance measurement system for the city.

The team he put together developed the “Atlanta Dashboard” to track performance of the city’s operating units and make recommendations for improvements. It helps the city operate more efficiently by moving the focus of city services to outcomes and customers. Just as critical, it makes city operations transparent and accountable, which has improved public perception of the city in showing verifiable, successful results.

The Atlanta Dashboard team included the senior managers of city departments, a program manager and IT specialist from Edwards’s staff, Thomas and a loaned executive from Accenture Consulting. He remembers contacting Thomas as they were building the team. “I first came across John’s Research Atlanta study on ‘reinventing mayors,’ then read his

book, *Public Participation in Public Decisions: New Skills and Strategies for Public Managers* (Jossey-Bass:1995). With his focus on citizen-centric government, I knew that he had the expertise we needed for this project,” says Edwards.

In their article, “Developing a Municipal Performance System: Reflections on the Atlanta Dashboard,” Edwards and Thomas examine the city’s experiences to help inform other cities as they look at developing or modifying their own measurement systems. They describe why Atlanta developed the dashboard and how it works. They compare it to similar systems in other cities, highlighting the challenges in developing municipal performance measures and how a system like Atlanta’s can help meet these challenges.

Their research will be published in the “Reflective Practitioner” section in a forthcoming issue of *Public Administration Review*, the preeminent journal in public administration. “I think reflective practitioners want to hear exactly this kind of reflection,” wrote PAR Associate Editor Camilla Stivers in her acceptance e-mail. “It is detailed, practical, and draws lessons from experience.”

Atlanta’s reforms take root

Mayor Franklin entered office with an extensive background in the public and private sectors. “When Shirley Franklin was sworn in as Atlanta’s new mayor in early 2002, the plight of the city’s government was widely perceived to be dire,” write Edwards and Thomas. The city faced a yawning deficit, neglected operations, low

related reading

Thomas, John Clayton and Greg Streib. “The new face of government: citizen-initiated contacts in the era of e-government.” *Journal of Public Administration Research and Theory* 13 (January 2003): 83-101.

Thomas, John Clayton. “Public involvement in public administration in the information age: speculations on the effects of technology.” Matti Malkia, Ari-Veikko Anttiroide and Reijo Savolainen, eds. *eTransformation in Governance: New Directions in Government and Politics*. Hershey, PA: The Idea Group Publishing Company (2003): 67-84.

_____ and Amy Helling. “Community Dialogue.” Nancy Roberts, ed. *The Transformative Power of Dialogue*. Oxford, England: Elsevier Publishers (2002): 135-155.

MUNICIPAL PERFORMANCE

morale and lacked any valuable management or operational data. For example, after Public Works management estimated 587 potholes in need of repair, the mayor's "Pot Hole Posse" that was dispatched to fill them found 3,606 in the first three months.

In another example that happened with the outgoing administration, "only 33 out of 8,000 employees had been rated less than 'effective' on their personal evaluations, meaning that neither departmental nor individual performance was being seriously evaluated," they report.

Mayor Franklin quickly articulated a set of principles that she charged her administrative team to pursue:

- We serve citizens, and we care about the outcomes they experience.
- We will be open and transparent.
- We will be effective and efficient.

The centerpiece of the city's pursuit of these principles would be the new performance measurement system. Its objectives would include providing timely and accurate information on the state of city services and operations; providing management with operating targets and a means to track progress to increase management accountability; and providing a public window into the city's operating environment to regain public confidence in the city's competence.

Building public performance measures

The team quickly found three major challenges to building municipal performance measures versus those

for private business. First, local government operations cannot be summarized in a single financial metric; unlike in business, profitability is not a common bottom-line denominator in public services. Second, local governments lack a unified culture; they do not provide a single line of service. "Police units have a military culture ... Planning departments have a culture akin to an academic institution ... Public works functions more like a manufacturing operation," note Edwards and Thomas. And third, government information is public, which raises issues the private sector can avoid.

With these lessons in mind, the team started to construct Atlanta's new performance management system. It began by asking, "What do the citizens of Atlanta care about in regards to their local government?"

By first identifying underlying citizen concerns—their ownership of city services as taxpayers and their role as "customers" of these services—the team was able to create an approach for defining outcomes for the new system that reflected either effectiveness or efficiency. It trimmed a potentially endless inventory of measures by tying criteria for the system to the mayor's four key "strategic pillars":

- Improve public safety
- Improve public infrastructure
- Improve efficiency and effectiveness of city services
- Create financial stability

The performance scorecard that emerged from this process was largely outcome focused. The Edwards team was wary of imposing

an operational philosophy. "Let managers manage," write Edwards and Thomas. "At the end of the day, citizens do not care whether crime is down because training has been increased, or more officers are on the beat, or technology improvements have been made. It is the outcome that matters."

Also recognizing that the nature of municipal operations inhibits the value of financial measures in assessing success, Mayor Franklin insisted on a "Citizen Satisfaction Survey" to measure the public's perception of these outcomes. Edwards and Thomas suggest that this approach represents a huge leap in municipal governance: "Being held accountable for citizen perceptions is very different from being accountable for executing a business process."

Edwards and Thomas close their article with a review of the attributes unique to the Atlanta Dashboard, particularly its exclusive focus on outcomes. Although the Dashboard is one of several municipal management initiatives, they feel that the "similarities and differences relative to those other systems warrant discussion to provide some perspective on the significance and value of the Atlanta approach." Although no system is likely to fit without some adaptation, they suggest, "many cities seem likely to have needs similar to those that drove Atlanta officials to develop the Dashboard." In the end, Thomas argues, "the Atlanta Dashboard should make City Hall more accountable and responsive to its constituents, and serve as an interesting model for other cities."



“Being held accountable for citizen perceptions is very different from being accountable for executing a business process.”

DAVID EDWARDS AND
JOHN CLAYTON THOMAS

NEW URBAN AND REGIONAL ANALYSIS GROUP

on the map

Geoffrey Turnbull, an economics professor who specializes in urban and real estate economics and public finance, had not been on the Andrew Young School faculty for long when he decided it was time to “bust a few silos,” organizationally speaking. In less than a year he brought together faculty from other GSU schools, including the Robinson College of Business and the College of Law, and from outside the university in what he calls a “loose consortium” to create a new focal group within Domestic Programs.

Turnbull formed the Urban and Regional Analysis Group to coordinate appropriate venues for researchers at Georgia State to interact with each other and with other leading scholars in their disciplines. URAG's goal in bringing these experts together is to make AYSPS a leading origination, collection and dissemination point for the work of eminent scholars actively engaged in research in urban and regional economics and related areas in real estate, geography, statistics, political science, public administration and urban studies.

“We are going to put Georgia State on the map in terms of academic research in broadly defined urban and regional analysis,” says Turnbull. “URAG is quickly becoming

“EFFICIENT COMPENSATION FOR EMINENT DOMAIN”

Study kicks off series

“Economic efficiency requires that resources be put to their highest valued uses,” opens the first report in the *URAG Research Notes* series posted online. *Research Notes* will provide summaries of the latest research on leading topics.

Turnbull's research deals with the issue of eminent domain when used by local governments to acquire land for greenspace preservation. “It turns out that acquiring land for this use is fundamentally different than acquiring land for other public uses like fire stations, schools or government facilities,” says Turnbull. Although the literature has focused on the latter case, this research explains how greenspace preservation is quite different.

Recent economic research has shown how eminent domain creates distortions in markets even with full compensation at market values, writes Turnbull. “One lesson from these studies is that when efficient policy calls for taking property by eminent domain, it also calls for compensating the owners at above private market values.” He goes on to show how this can be the case in greenspace preservation.

Turnbull's research suggests that the problem confronting courts and state constituents is how to create and enforce a compensation rule that creates the incentive for governments to take only that land that has greater value as greenspace than in private use, as well as the incentive for private owners not to hasten their development plans for vacant land to remove the risk of government taking it. “Property owners should be compensated with the social value of the property rather than the private market value in order to eliminate the inefficient wedge introduced into investors' incentives by the threat of taking,” he writes. “If the government taking the property finds that compensating above its value in private use cannot be justified by standard cost-benefit analysis or if it claims to be unable to accurately calculate the social value of the land, then the public use project cannot be justified as economically efficient in the first place and it is appropriate to leave the targeted property in private hands.”

ing the place to get the current leading-edge analysis in the subjects of metropolitan finance and governance, housing and land use, regional growth and economic development, and other related topics."

URAG's inaugural event in 2003, *Current Issues in Urban and Real Estate Economics: A Conference of the Urban Regional Analysis Group*, brought leading scholars from universities around the nation to GSU to share their latest research. Their presentations covered methodology issues, price formation in urban property markets, the effects of land use regulation and transportation and land use.

"Included in this group were the editors of four of the field's most important academic journals," says Turnbull, "*Journal of Urban Economics*, *Journal of Housing Economics*, *Journal of Real Estate Finance and Economics* and *Real Estates Economics*. Among other benefits, the conference provided these experts and editors the opportunity to meet and talk with GSU faculty and students."

URAG offers two distinct series of urban and regional research papers that target key audiences interested in urban and regional analysis: peer researchers or specialists, and policy-makers, its general audience.

The first series, *Working Papers of the Urban and Regional Analysis Group*, are papers destined for academic journals, says Turnbull. "This series raises the visibility of GSU in the academic community, helping to publicize and disseminate new work being done at the university before the work is printed in these journals." He points out that given the normal publication time lag, "this type of pre-publication exposure is important for



scholars, as well as for Georgia State, to start building a reputation as a place where serious academic research is being conducted."

The purpose of the new *URAG Research Notes* series is to take current or ongoing academic research primarily written by GSU faculty, but from other institutions as well, and explain the research results and policy relevance of the results to an educated but non-specialist audience. Turnbull points out that this series provides a nexus for URAG and the policy mission of the Andrew Young School.

"This series has an educational role. It will help explain the basic principles of frontier research in urban and regional analysis," says Turnbull. "When this research contributes broadly to the respective academic fields, when the focus of the URAG policy analysis is broader than just the state or local governments in Georgia, only then will Georgia State be recognized as a place where interesting and important urban and regional research is being conducted."

“By bringing together expert faculty ... URAG has become the ‘go-to’ group for this interesting and important research.”

GEOFFREY TURNBULL

related reading

The *URAG Working Paper Series* and *URAG Research Notes* are available online at <http://aysps.gsu.edu/urag/index.htm>.

PAUS STUDENTS

cross seas over wires



Professor Greg Streib is well-known for using the latest online technologies to enrich the experiences of AYSPS students and interns. This summer he showed just how effectively these technologies can be used to expand global opportunities. In partnership with two German universities, he added new capabilities to the Department of Public Administration and Urban Studies: an online certification course in European Union Studies for students in Georgia and Germany, and a new international internship program that sends PAUS students overseas.

From June to July this year, Streib partnered with an instructor from the University of Munich/Geschwister School Institute of Political Science to teach 25 students

from locations around Georgia and 30 students in Germany through an online course designed to facilitate joint instruction in the United States and the European Union.

The class, E.U.-U.S. Relations, is part of an award-winning certification program in European Union Studies administered by the European Council of the University System of Georgia. Streib's course looked at policy issues in trade, defense, immigration and the environment, and how they are addressed in the U.S. and E.U. GSU is one of 25 institutions in the Georgia system participating in this collaborative program.

“This course really demonstrated where we can go with electronic technologies. Many see online teaching as diluting the traditional college experience, but such comments miss the big picture. There are no boundaries to an online course. The students can participate from anywhere in the world. ... You can have guests join your class from virtually any place they happen to be. This gives us the potential to offer students an extremely rich, non-classroom experience.”

GREG STREIB

Streib used leading-edge technologies that allowed students to work independently as well as to interact with their classmates, regardless of their location. He and

Sebastian Brokelmann, the German instructor, made their course materials available on a WebCT site and taught classes using “Elluminate Live,” a real-time, online classroom software that allows the simultaneous sharing of visuals, text and audio. They also conducted a “live chat” with public health expert Maureen Lichtveld, M.D., a senior health scientist in the Office of the Director at the Centers for Disease Control and Prevention who is affiliated with GSU's new Institute of Public Health.

Streib found the level of interaction between the students in the course most surprising. “It was over-

whelming,” he says. “We thought we might need to stimulate some discussions, but students were extremely active and intensely involved in the different bulletin board discussions. The final total was over 1,000 bulletin board postings for a seven-week course. This interaction helped us meet the spirit of this course; our students were very interested in learning about each other's countries.

“This course really demonstrated where we can go with electronic technologies,” continued Streib.

“Many see online teaching

as diluting the traditional college experience, but such comments miss the big picture. There are no boundaries to an online course. The students can participate from anywhere

in the world. The same goes for real-time sessions with Elluminate software. You can have guests join your class from virtually any place they happen to be. This gives us the potential to offer students an extremely rich, non-classroom experience."

"In E.U.-U.S. Relations, we were able to offer more than they would get in a traditional course. Whether they're in Valdosta, Georgia, or in our student lounge downstairs, our students were able to share meaningful interaction with German students and a German professor through their computers. Likewise, the German students were able to get very unique, personal experiences about the U.S."

PAUS internships now overseas

"I am scheduled to return from my internship on August 11. With all the things I am learning and experiencing, I am not sure that I want to come back!" emailed M.P.A. student John Lee to Streib in July. Lee is the first PAUS student to take advantage of a new international internship program offered through PAUS and GSU.

Lee began his summer internship in Baden-Württemberg, Germany in May. "I am interning with the Berufshochschule (University of Cooperative Education). Students here work for an employer as they go to school in engineering, business or social work." Lee wrote that he wanted to apply his public administration skills to a university setting to enhance his understanding of how public institutions operate. His duties include maintaining the university's computer

network and helping to produce a website (in English) for the Bachelors and International Affairs offices.

"This new program adds another terrific facet to our already successful MPA internship," says Streib, who co-directs the international program with Mike Daniels of GSU's career planning and placement office. "The internships are all fantastic. They are a great way to gain job experience and experience working in another culture. They look really good on the resume, too."

Lee wrote that he has thoroughly enjoyed his experience: "I recommend that everyone seek to do an internship abroad," he said. "In addition to the delightful work that I do, I also get to travel each weekend to various places around Europe. Thus far, I have been to several places in Germany including Ulm, Mannheim,

Frankfurt, Berlin, Wiesbaden, Heidelberg and Worms. I have also traveled to Paris and London.

As interest in the program grows, Streib and Daniels plan to expand it into other countries. "This program could grow much bigger," says Streib, "and I want all of our students to know about it." Interested students are encouraged to contact him or to go online to learn more about it at www.gsu.edu/~wwwco/ico/students/students_2.html.

“With all the things I am learning and experiencing, I am not sure that I want to come back!”

JOHN LEE





GEORGIA HEALTH POLICY CENTER

improves access for the uninsured

Higher-than-average rates of heart disease, infant mortality, cancer deaths, infectious diseases: a variety of health issues contributed to lowering Georgia's ranking to 45th in the United Health Foundation's latest *State Health Rankings* (2004). Of special note is a critical deficit that clinched Georgia's low position: the high number of Georgians who lack health insurance, including children who live in poverty.

Lindsey Lonergan (L), Chris Parker, M.D. and Karen Minyard

More than 1.4 million people in Georgia are uninsured, according to the U.S. Census Bureau. To meet the health care needs of this population, the State of Georgia spends an estimated \$1.2 billion every year on services. Public costs include payments for uncompensated hospital and private physician care, patient assistance programs where prescription drugs are distributed, and free care rendered through public health departments and clinics.

In its latest round of research projects, Georgia Health Policy Center is examining ways to improve healthcare access for uninsured, low-income children and the working uninsured. The Commonwealth Fund, Healthcare Georgia Foundation and

Georgia's Department of Community Health each have enlisted the center's help in shaping policy and programs that will address escalating costs while improving access for the uninsured.

"These three separately contracted projects benefit in that they share a common concept," says Karen Minyard, director of GHPC, "the goal of providing better health care for more people at less cost."

Additionally, GHPC is recognized for its all-inclusive approach to addressing research projects. "Our collaboration with university faculty and representatives of several public and private organizations adds value," says Minyard.

"Karen is particularly skilled at pulling key health policy experts together to produce critically important findings. 'Getting the best of

the best' is Karen's mandate," adds Glenn Landers, a senior research associate at GHPC. "For that reason, Georgia Health Policy Center is often the maestro orchestrating major health policy research efforts. We're the hub, the center of activity." The Center's leadership role is evident in three new projects that will improve health care coverage and access for the uninsured.

Coverage for the uninsured: **THE ROLE OF COMMUNITY INITIATIVES**

For this project, GHPC and a private research group, Mathematica Policy Research, have been commissioned by the Commonwealth Fund to investigate and understand how community initiatives have developed and sustained financing to provide care

related reading

GHPC publications are available online at www.gsu.edu/~wwwghp/.

for the uninsured. Minyard and Deborah Chollet of Mathematica are co-principal investigators.

"This study will help community, state and federal policy-makers understand the potential synergy between communities and national or state initiatives, how they can best work together to serve the uninsured," says Minyard. "Our findings will show how greater efficiencies can help communities stretch their limited health dollars further."

Research teams consisting of GHPC research associates Dr. Chris Parker, Lindsey Lonergan and the late Claudia Lacson, and Jaclyn Wong and Laurie Felland from Mathematica conducted site visits in local communities throughout five states, including Georgia. Preliminary findings reveal that community programs for uninsured Americans are facilitating access to care as well as controlling costs. These programs may be replicated in other communities in which the right combination of shared responsibility, leadership and state support exist.

"People are very interested in our findings," says Minyard, who presented an initial report on this project at an August meeting of the National Association of State Health Policy. "They hold lessons for projects nationwide that are working to provide affordable coverage to more uninsured citizens." The final report will be available in December.

THE IMPACT OF MEDICAID AND PEACHCARE CHANGES

Georgia Health Policy Center is developing a two-part model for evaluating the impact of proposed changes in Georgia's Medicaid and PeachCare programs on affected consumers and

the state's economy. The Healthcare Georgia Foundation is supporting this research, which will include the development of a micro-simulation model to evaluate the impacts of changes in eligibility and participation requirements and a quantification of their economic impact.

"If someone comes off public assistance and becomes uninsured, the local economy is impacted," says Landers. "Modeling and evaluation will allow us to predict the extent of that effect. These tools will give policy-makers the information they need to make an informed decision."

The analyses will be used to help assess the implications of choices in public financing and access to care, the level and distribution burden of the uninsured, and the economic impact of these choices beyond the health care system.

This GHPC project brings together policy experts from the Fiscal Research Center and GSU's Robinson College of Business. "Again, Georgia Health Policy Center is the fulcrum, with additional policy experts doing the modeling and research," says Landers.

Minyard says that this collaboration is a natural fit in the center's bigger vision for state coverage initiatives.

Reports and policy briefs will be disseminated to policy-makers, health care providers and to philanthropic and business leaders, taxpayers and the community after the research is completed in August 2005.

GEORGIA STATE COVERAGE INITIATIVE

GHPC has been asked by the Georgia Department of Community Health to conduct a project funded by the Robert Wood Johnson Foundation that will go even further in addressing the issue of the uninsured, particularly children and the working uninsured.

"Our research for the Georgia Healthcare Coverage Project found that 13 percent of Georgians under the age of 65 are without any type of health insurance coverage at all," says Minyard. "Nearly 275,000 of Georgia's uninsured are children under the age of 18."

This study will examine the feasibility of supporting private insurance premiums with public funds. By working with researchers from the Robinson College of Business, Georgia Health Policy Center will model the use of PeachCare dollars to leverage family coverage in the private market and subsidize coverage. The research will show how many children lose coverage and what happens to their health care, tracking the transitions they may make between Medicaid and PeachCare in response to proposed changes in programming and eligibility.

The final phase of the research will use focus group testing that engages the various health care constituents in decision-making exercises to formulate policies that will provide greater health care access to more people at less cost.

The impact of this study has national appeal, according to Minyard. The GHPC research team plans to develop a logic model that can be used by state and national policy-makers to improve health care coverage and costs.

“These three projects ... share a common concept: the goal of providing better health care for more people at less cost.”

KAREN MINYARD

On the Road Again

Asphalt pricing index analyzed in joint GSU-GTRI project



Orange cones in the road often draw anger from drivers, despite the fact that they presage smoother rides and less wear-and-tear. The Georgia Department of Transportation may get more angry honks than friendly waves while working to repave some of the nation's busiest roads.

Yet nobody does it better, according to a report cited in a recent Asphalt Pavement Alliance newsletter: "A recent FHWA Southern Resources Center report explains how Georgia has maintained the best roads in the nation for the last seven years."

Cost is an important element in maintaining and expanding the road system: the cost of asphalt, in particular, since it covers about 95 percent of the GDOT network. The problem? Paving contractors in Georgia are reporting that it is increasingly difficult to secure long-term fixed-price agreements for liquid asphalt cement from terminals and refineries, says Robert J. Eger III, assistant professor in AYSPS's Public Administration and Urban Studies Department.

Georgia's five bordering states have adopted various forms of asphalt price adjustment techniques to address long-term pricing issues, says Eger. These states use price indexes that allow their paving contractors to be compensated by them for unexpected increases in the cost of this material – increases that may take them above the original unit bid cost. The system also works to lower their costs when the adjusted price of the material falls.

In a report for the GDOT, *A Study of Liquid Asphalt Price Indices Applications to Georgia Pavement Contracting*, principal investigators Eger and Cliff Eckert of the Georgia Tech Research Institute write that Georgia has no price adjustment procedures in place should the price of liquid asphalt cement change after the original contract bid has been accepted.

Eger and Eckert examine the pros and cons of developing an asphalt price index at the GDOT. The analysis in their report proceeds in three areas: a qualitative review of the current price indexes used in Georgia's border states, a quantitative review of the indexed prices of asphalt in these states at different dates vs. those quoted in Georgia, and a legal review of whether an index system is allowed under Georgia's Constitution.

Their findings suggest that under current conditions the GDOT would gain no significant savings by setting up such a system. "...the Georgia DOT is not paying a price risk premium for liquid asphalt cement," they write, "therefore in a benefit/cost analysis only the price index process costs are quantifiable. ... Our findings can be interpreted to indicate that the costs associated with the liquid asphalt cement price index would exceed the benefits derived from such an index." Their findings also questioned whether such an index would be viable in Georgia given limitations that may be imposed on it by the Georgia Constitution, such as a price ceiling or range.

Examining new strategies to attract business

CAN FOREIGN INVESTMENT BE PREDICTED?

Research, marketing and relationships have long been the cornerstones of successful business attraction and retention. However, economic development research has evolved since the early 1960s, when industrial recruiters would produce elaborate market studies to help sell their location to interested prospects. Strategic research tools now include cluster analyses, targeted industry reports and similar studies aimed to attract the right mix of domestic and international businesses to an area.

But is this strategy hitting the mark? Is it possible to improve success rates by further narrowing the aim of precious marketing campaigns – often paid for with public dollars – to only those closest to making relocation and expansion decisions? Is it possible to find out who these industries and countries are?

The Georgia Department of Economic Development (formerly GDITT) contracted with the Fiscal Research Center to see if there is a way to narrow its aim and get a greater return on investment. The state's goal is to focus its international economic development efforts on only those companies most likely to produce successful results. Associate Professor Bruce Seaman and Associate Dean Robert Moore examine whether existing information would allow such a targeted effort in *FRC Report No. 90*, "International Trade and Economic Development Strategy: Can Foreign Direct Investment Be Predicted?"

"Partly due to data limitations, little detailed research has been done to clarify how a state might direct its recruitment strategies to those industries and countries most likely to be seeking Foreign Direct Investment (FDI) opportunities within the U.S.," write Moore and Seaman. "This study is a move toward rectifying this deficiency." Their study moves away from the predominant focus of existing research – the characteristics of a recipient region, country or market – to examine the characteristics of an investing region or market.

"Our efforts were directed at finding variables that could be applied to better target potential foreign investors, more specifically for investment in Georgia,"



Bruce Seaman and Robert Moore

says Moore. "What the research found – without fully understanding why these variables behave as they do, given the data limitations – was that special attention should be given to specific foreign industries that have a few key characteristics. Recruiters should pay attention to companies or industries that are: increasing exports to the U.S., experiencing relatively high growth in wages and employment, and shrinking their number of establishments abroad." Their findings also suggest that special attention should be paid to domestic industries that exhibit slowdowns in business failures and higher growth in total wages.

Despite the caveats, write Moore and Seaman, it is worth noting that analysis can be used to identify economic indicators that are both economically and statistically significant predictors of FDI in the U.S. By finding the right indicators, they have helped move the state's economic development research to the next level. They conclude that their research findings complement those of other GDED-funded studies dealing with specific strategies for attracting targeted industries.

“... they have helped move the state's economic development research to the next level ...”

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FROM PRE-K TO KINDERGARTEN:

Ready? Set ...Go

“Concerns about educational performance have preoccupied us as a nation for over 20 years,” opens the latest report by Gary Henry, Laura Henderson and Bentley Ponder. Principal Investigator Henry and his project managers in the last several years have tracked various education issues, producing a prolific and impressive body of research in education policy, school accountability and evaluations of education reform. This report, *Ready or Not: A Snapshot of Children Entering Kindergarten in Georgia*, provides a statistical picture of school readiness for nearly all of one state’s children as they enter kindergarten.

Having every child start school ready to learn is widely viewed as essential to improving their life chances and raising the overall level of education. “Research concerning the development of young children has increasingly emphasized the importance of their experiences, including their interactions with other children and adults, in setting the stage for future development and success in school,” they write. So what impact does a parent’s choice of child care have on these early experiences, and what relationship does family circumstances have with the choices made, and therefore, the outcome?



Education Policy Group researchers (L to R) Dana Rickman, Bentley Ponder, Gary Henry and Laura Henderson

Henry and his team in the Educational Policy Group in Domestic Programs had researched the school readiness of preschoolers in Georgia’s public Prekindergarten Program (Georgia Pre-K), Head Start and other full-day preschool programs in its 2001 Early Childhood Study. In 2002, they recruited a random sample of kindergartners who had not participated in formal preschool to complement those who had participated in the ECS the previous year. “For the first time,” they write, “we include children who spent a substantial part of their week in informal care.”

The study addresses several questions, including:

- What skills do children typically bring with them as they begin kindergarten?
- How do family characteristics affect these skills?
- Among the options parents can choose for their preschoolers, what are the similarities and differences of the families doing the choosing?

Their findings present a multi-faceted picture of children entering kindergarten in Georgia. “Specifically,” says Henry, “Georgia kindergartners are at or above the national norms for their age. But we found that some economically disadvantaged children lag behind the norms, even those who participate in Head Start and Georgia’s free Pre-K program.”

Their research followed Georgia preschoolers because the state’s commitment to school readiness, particularly its universal Georgia Pre-K Program, has placed it in front of the nation in helping students gain significant improvements in language, communication and cognitive skills while in the program, says Henry. “Since Georgia is a pioneer in providing universal Prekindergarten services, this study provides a perspective on parents’ choices that may add to the information that other states need to develop their own Pre-K programs.”



related reading

Educational Policy Group reports are available online at www.gsu.edu/~wwwsps/epg/index.htm.

WHEN IT IS **who you know**

Unfortunately, most citizens are uninformed about politics and policy. “A number of studies have demonstrated this trend,” agrees Christine Roch, an assistant professor in PAUS. Yet 86 percent of the nation’s registered voters cast ballots in the 2000 presidential election, according to the Census Bureau. If citizens do not do the legwork needed to become informed, just how do they make important policy and political decisions at the national, or even local, level?

Opinion leaders are often the gatekeepers. “Researchers more than 50 years ago had found that self-designated opinion leaders mediate the flow of information from mass media to individuals. They enjoy the social power that holding and transmitting information gives them,” she says.

Roch has conducted research to attempt to address a key issue in the flow of political information: what are the processes through which opinion leaders gain influence over other citizens? How do they become the primary source for most citizens’ information?

In her article, “The Dual Roots of Opinion Leadership,” forthcoming in *The Journal of Politics*, Roch examines the role of social context in determining opinion leadership. Her findings add to the existing body of research

that focuses on the link between individual attributes and the flow of political information, she says. Roch extends recent studies by showing that opinion leaders become so not only by their predispositions or personal characteristics, but also because of the position they occupy in their particular social environment.

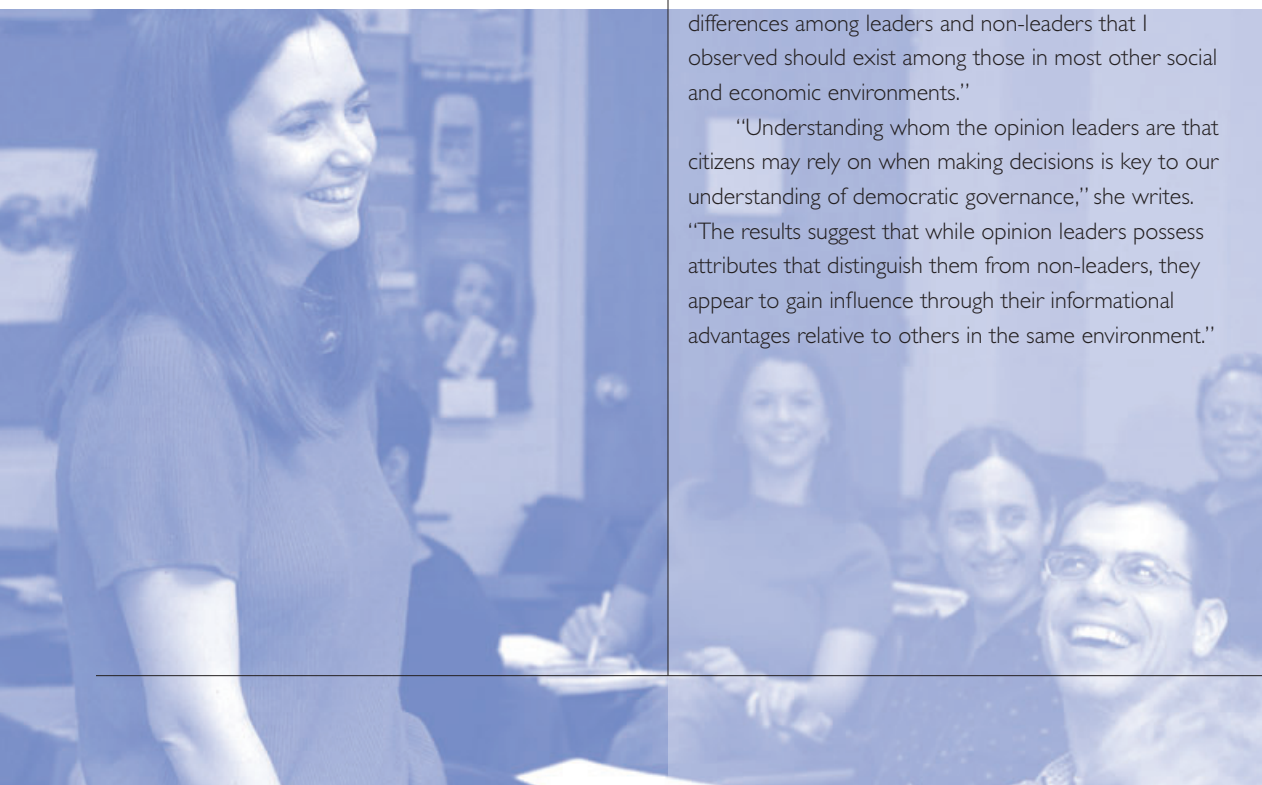
“The basic idea behind this research,” says Roch, “is that people are opinion leaders not just because of who they are, but also because of where they are located in people’s social networks.”

Roch considers the role that opinion leaders play in politics and markets. For her research, she developed a set of empirically testable hypotheses that she uses to investigate how opinion leaders differ from those who are not, and whether the differences are more closely tied to their personal characteristics or their social position. She also uses information from two New York phone surveys, and considers the results of her empirical analysis in the conclusion.

It is important to consider the tentative nature of her conclusions and their limits, Roch cautions. For this research, she relied on higher status survey respondents that were better educated and more likely to be white and live in the suburbs. “However,” she adds, “if opinion leaders gain influence through their advantages related to others in the same environment, then the same relative differences among leaders and non-leaders that I observed should exist among those in most other social and economic environments.”

“Understanding whom the opinion leaders are that citizens may rely on when making decisions is key to our understanding of democratic governance,” she writes. “The results suggest that while opinion leaders possess attributes that distinguish them from non-leaders, they appear to gain influence through their informational advantages relative to others in the same environment.”

“Roch’s findings add to the existing body of research that focuses on the link between individual attributes and the flow of political information.”



Survey tracks attitudes towards economic reform

“High unemployment is the price we have to pay for future prosperity.”

A surprisingly high 39 percent of 1,000 Bulgarian consumers surveyed agreed with this statement in August 2000, says Neven Valev, assistant professor of economics in his June 2003 study, “No Pain, No Gain: Market Reform, Unemployment, and Politics in Bulgaria,” published in the *Journal of Comparative Economics* (September 2004). Thirty-five percent of unemployed Bulgarians surveyed believed that current unemployment was the price for future prosperity.

“It is difficult to judge whether this percent is a large number because similar data are not available from other countries,” says Valev. “Yet it is interesting that a large section of the population perceived a purpose for high unemployment despite the fact that many Bulgarians were unemployed during the period of the survey.”

This survey, funded by the National Science Foundation, was conducted more than three years after the country’s voters elected a center-right government (Union of Democratic Forces) armed with the mandate to accelerate market reforms. Valev has designed, organized and sought funding to conduct national surveys every year since 1997, when the Bulgarian Currency Board was implemented. The surveys track political attitudes toward economic transition from communism, the perceived success of the country’s economic reforms,

population confidence in the stability of Bulgaria’s currency, public support for adoption of the euro as the official currency, expected inflation, the unofficial use of the euro and U.S. dollar in the economy, and other issues. Results are distributed to the highest-level monetary authorities in Bulgaria. This work has also received the support of CIBER (Center for International Business Education and Research).

Valev’s latest report uses survey data to examine whether the high unemployment associated with Bulgaria’s market reform – estimated at 17.7 percent in 2000 – contributed to its 2001 election outcome, when the UDF was ousted.

No pain, no gain

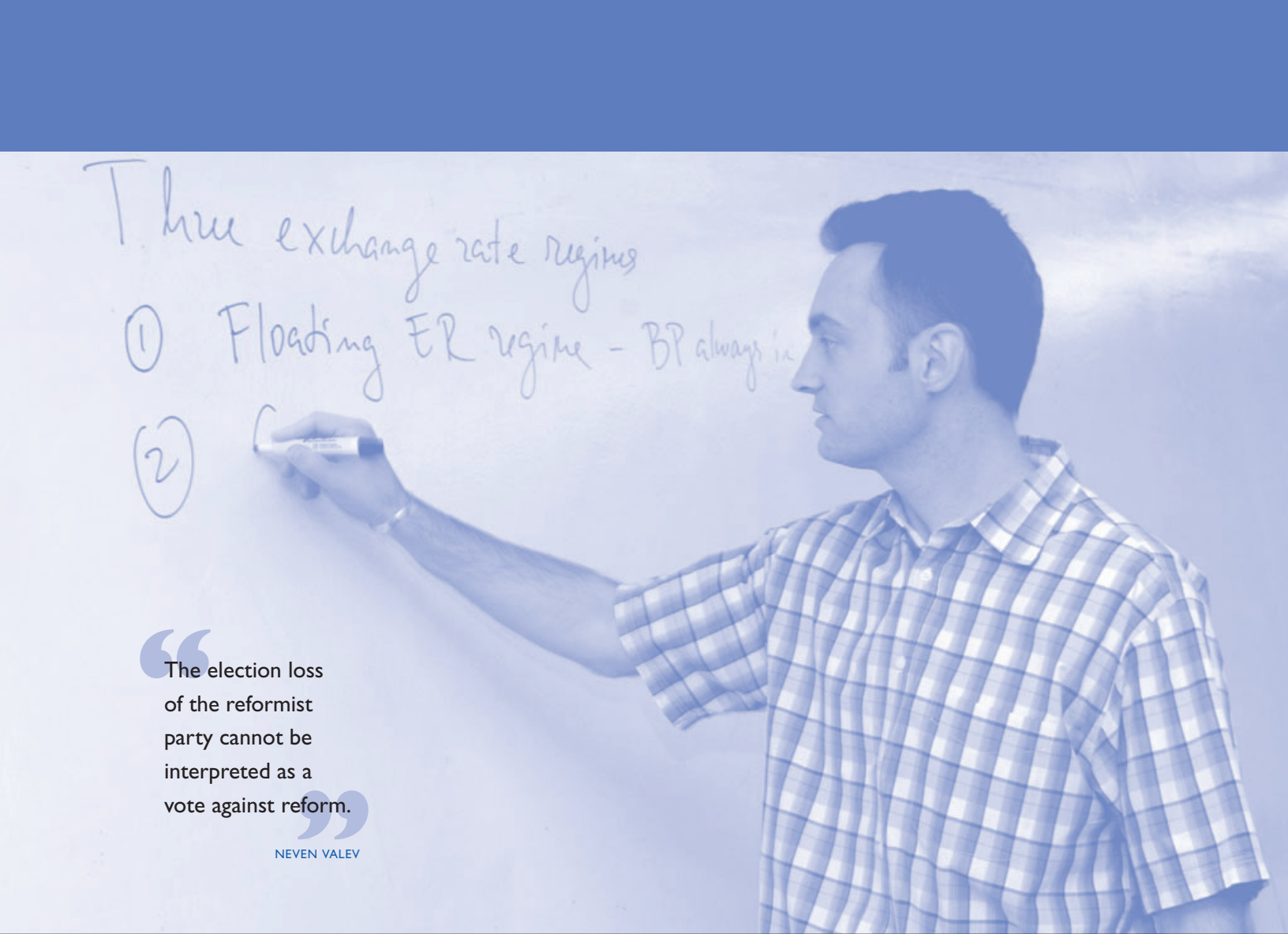
Empirical findings from developed economies suggest that unemployment and inflation are the “big two” reasons that incumbent governments lose political support, says Valev. “In these countries, governments are penalized when negative economic conditions exist.”

In transition economies, however, research has found that despite high unemployment, reforms generally march forward. “One possible way to explain the lack of strong opposition to reforms,” writes Valev, “is that the public views the high unemployment associated with the structural adjustments as a temporary and necessary cost for future economic gains in the country. If so, the negative impact of high unemployment on political support for reforms may be small when compared to a case where high unemployment is not perceived to have any purpose.”

Valev notes that “the literature studying voting in developing economies has generally dismissed the existence of such a highly informed, forward-looking component in voters’ behavior, but the conditions in transition economies may be different because of the massive transformation.” His paper uses survey data from Bulgaria to explore this question.

This research makes several contributions to the literature. Its unique evidence on public beliefs regarding the necessity of short-term costs and their political impact suggests that, among other actions, effective communication of current policies and their impact is essential. The paper highlights the effects of perceived permanence of reforms on their support; after it was clear policy reversals





Three exchange rate regimes

- ① Floating ER regime - BP always in
- ②

“The election loss of the reformist party cannot be interpreted as a vote against reform.”

NEVEN VALEV

that delayed tough reforms led to deteriorating economic conditions prior to 1997, the credibility of the government increased after the 1997 election with rapid privatization, enterprise liquidation and the introduction of the currency board.

The paper complements earlier research on reform and voting in transitional economies by studying voting on the individual level, which made it possible to test whether a person's employment status or their feelings about the reforms contributed to the rapid decline in political support for the UDF. Survey data also made it possible to differentiate the effects of unemployment on voting for various categories of unemployed, and to test whether the unemployed may demand more rather than less reforms. Valev finds that despite different prevailing theory, the unemployed are a heterogeneous group whose political support for reforms varies with the differences in their circumstances.

Although the “reformist” UDF party lost its political support in Bulgaria's 2001 elections, Valev's research finds

that high unemployment was not sufficient to explain the party's loss of political support. The reforms themselves were not reversed. “The election loss of the reformist party cannot be interpreted as a vote against reform,” he writes. His paper closes by naming some potential reasons for this outcome.

Valev's 2004 survey for the Bulgarian Currency Board project was completed in September. His goal is to continue these surveys until Bulgaria enters the European Monetary Union and adopts the euro as its official currency.

related reading

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For more information on the Bulgarian surveys, go to www.gsu.edu/~econ/v/Bulgaria.html.

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we've moved!

In July, the Andrew Young School of Policy Studies moved to its new building at 14 Marietta Street in downtown Atlanta, across from GSU's Robinson College of Business.

LEVEL	
7	<ul style="list-style-type: none"> • Research Methods & Econometrics Lab • Open Access Student Lab • Seminar Rooms
6	<ul style="list-style-type: none"> • Dean's Office • Regional Leadership Forum • Atlanta Outreach Consortium • Research Atlanta
5	<ul style="list-style-type: none"> • Economics • International Studies Program
4	<ul style="list-style-type: none"> • Fiscal Research Center • Environmental Policy Program • Domestic Programs • Experimental Economics Lab
3	<ul style="list-style-type: none"> • Public Administration & Urban Studies
2	<ul style="list-style-type: none"> • Georgia Health Policy Center
1 MEZZANINE	<ul style="list-style-type: none"> • Child Policy Initiative – GHPC • Educational Policy Group • Domestic Programs
GROUND 14 Marietta Street Entrance Ground Level	Lobby <ul style="list-style-type: none"> • Office of Academic Assistance • Research Support • PAUS PTI/ECON PTI
VAULT LEVEL	<ul style="list-style-type: none"> • Cyber Student Lounge • Pre-K Project

For the first time, nearly all of the school's departments, centers and administration offices are located at the same address. The only exception is the Program for Rehabilitation Leadership, which will remain in its offices at 10 Park Place.

"We are finally under one roof as a college, and in a building that we designed to be student-friendly," says Dean Roy Bahl. "Professor Paula Stephan and Cynthia Pembroke on our staff in the Dean's Office led the design and implementation of this project, and did a marvelous job. The college will ever be in their debt."

In addition to bringing the school together in an easy-to-access organizational structure by function and floor, the new building offers a number of new conference rooms, an expanded Information Center and more space for quiet study. The level beneath the Ground Floor Lobby is "V," for Vault Floor, which contains the Student Cyber Lounge and GRA seating.

AYSPS will share more news about its wonderful new facility as the construction dust settles.

Andrew Young School of Policy Studies
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