

**Professors Feltenstein, Martinez, Rider, Timofeev, and Wallace**  
**International Public Economics**  
**Economics 8470-003**  
**CRN: 13484**  
**Spring 2018**

Offices: See AYSPS Directory  
Phones: See AYSPS Directory  
Office Hours: By appointment  
Class Time: Friday 9:00 - 11:30 am  
Class Place: Langdale Hall 305

**COURSE OBJECTIVES**

This course is a survey of major, topical issues in international public economics presented through five modules. The purpose of the course is to provide students with case studies of international experiences developed using standard tools of public economics so that students can analyze these and other topics outside the classroom. The course uses the basic concepts of public economics (public goods, externalities, principles of taxation, economic efficiency, equity, and income distribution) to analyze issues such as the following: Which level of government should provide which goods? How should a tax system be structured in developing, transitional, and developed economies? How many levels of government should exist? How can taxes be more effectively collected? How can intergovernmental transfers be designed to achieve equity and efficiency? The course will be delivered in a set of modules, each with a specific policy-oriented focus. The objectives of the course are to provide students with an overview of the theory of public economics in an international setting and also to provide students with an in-depth understanding of some of the most important current issues in public finance. At the end of the course, students should be familiar with important policy questions facing countries around the world, and should be better equipped to analyze the optimal structure of governance, the appropriate design of the public finance systems of countries around the world, and the incentives and impacts of tax and expenditure systems on individual and firm behavior.

**COURSE PREREQUISITES**

Students should have taken a graduate level (masters or doctoral) course in microeconomic theory, or should have the permission of the professor.

**COURSE GRADING**

There will be five graded take-home assignments—one for each module of the course. Each assignment will be focused on the content of the module and will be assigned and graded by the professor instructing that specific module. Each assignment is worth 20 percent of the total grade.

**ATTENDANCE POLICY**

Student attendance is mandatory. However, it is recognized that students may be unable to attend class as a result of observation of recognized religious holidays of the student's faith, from summons to jury duty, or from similar compelling reasons for absence. Students are encouraged to obtain and review class notes for missed classes from fellow students.

**TEXTBOOKS**

An intermediate-level public economics textbook is recommended but not required, for example, see

Neil Bruce, *Public Finance and the American Economy*, Second Edition (Reading, MA: Addison-Wesley Educational Publishers, Inc., 2001).

Harvey S. Rosen, *Public Finance*, Seventh Edition (New York, NY: McGraw-Hill/Irwin, 2005).

There are also required readings for each module, which are listed in the course schedule below.

## COURSE LEARNING OUTCOMES

1. The student should be able to define and understand the reasons for fiscal decentralization.
2. The student should be able to define and understand a “public good”, and to evaluate public and private institutions that address the public goods problem.
3. Students should understand the welfare and distributional effects of a consumption tax.
4. Students should be able to perform basic microsimulation analysis.
5. Students should understand the uses of computable general equilibrium modeling.
6. Students should understand the uses of program evaluation.
7. Students should be able to discuss major issues that have driven the tax reform debate over the last 30 years.

## COURSE POLICIES

1. iCollege will be used for this course. Most of the readings for this course are available through iCollege.
2. All students are responsible for knowing and adhering to *GSU's Policy on Academic Honesty* as published in *On Campus: The Undergraduate Co-Curricular Affairs Handbook*
3. Incompletes will only be given to students who are **PASSING** the course, and even then, only in very special circumstances. In the case where an incomplete is awarded, it must be removed by the end of the next term that the student is enrolled (and within two terms regardless of whether the student is enrolled) or it will automatically turn into an F.
4. Please remember that all university regulations, deadlines, and policies must be observed. In particular, students are expected to follow the GSU “Policy on Academic Honesty” (Section 409 of the Georgia State University *Faculty Handbook*).
5. If you withdraw from class:
  - a. After the end of late registration but before the semester midpoint, the course will appear on your transcript, and you will receive a grade of either W or WF at your professor's discretion; **or**
  - b. After the midpoint of the semester, but before the final two weeks of scheduled classes, the course will appear on your transcript, and you will receive a grade of WF. For the only exception to this policy, see the Policy on Hardship Withdrawal in the Faculty Handbook.

You may not withdraw from a course during the final two weeks of scheduled classes of the semester.

6. All instructors must, on a date after the mid-point of the course (as set by the Provost):
  - a. Give a WF to all those students who are on their rolls, but no longer taking the class; and
  - b. Report the last day the student attended or turned in an assignment.
7. This course syllabus provides a general plan for the course; deviations may be necessary.

8. Your constructive assessment of this course plays an indispensable role in shaping education at Georgia State University. Upon completing the course, please take the time to fill out the online course evaluation.
9. Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services. Students may only be accommodated upon issuance by the Office of Disability Services of a signed Accommodation Plan and are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought.

## TENATIVE COURSE OUTLINE AND SCHEDULE

### **Module I: Fiscal Decentralization**

#### **Instructor: Prof. Martinez**

This module focuses on the four pillars of fiscal decentralization, with an emphasis on developing and transition countries.

#### **January 12: Readings for week 1:**

del Granado, Arze, F. Javier, Jorge Martinez-Vazquez, Robert M. McNab (2011). "Decentralization and the Composition of Public Expenditures." Working paper.

Martinez-Vazquez, Jorge (2011). "The Impact of Fiscal Decentralization Issues in Theory and Challenges in Practice." Phillipines: Asian Development Bank.

Qiao, Baoyun, Jorge Martinez-Vazquez, and Yongsheng Xu (2008). "The Trade-off between Growth and Equity in Decentralization Policy: China's Experience." *Journal of Development Economics* 86: 112-128.

#### **January 19: Readings for week 2:**

Bahl, Roy and Jorge Martinez-Vazquez (2006). "Sequencing Fiscal Decentralization." World Bank Policy Research Working Paper no. 3914, World Bank, Washington, D.C.

Canavire-Bacarreza, Gustavo and Jorge Martinez-Vazquez (2012). "Reexamining the Determinants of Fiscal Decentralization: What is the Role of Geography." Working paper.

Santiago Lago and Jorge Martinez-Vazquez, eds. (2013). *The Challenge of Local Government Size*. Northampton, MA: Edward Elgar.

Jorge Martinez-Vazquez and François Vallaincourt eds. (2010). *Decentralization in Developing Countries*. Northampton, MA: Edward Elgar.

### **Module II: Microsimulation Modeling**

#### **Instructor: Prof. Wallace**

The measurement of tax incidence -- the benefits of expenditures and the revenue costs of various policies - is not easily captured by most standard policy tools. Microsimulation modeling is a unique analysis tool that can capture the impact of revenue and expenditure changes on the distribution of income or other characteristics of a population. In this module, students will learn how to run a microsimulation module and analyze results of such models.

#### **January 26: Readings for week 3:**

Wahid, Umar and Sally Wallace (2008). "Incidence of Taxes in Pakistan: Primer and Estimates." International Studies Program working paper no. 08-13, Andrew Young School of Policy Studies, Georgia State University, Atlanta, GA.

Sally Wallace, Simulation Modeling Notes.

Sally Wallace and Robert McNab, "Microsimulation Modeling."

**February 2: Readings for week 4:**

Marilyn Marks Rubin, J. L. Peters, and Nancy Mantell, "Revenue Forecasting and Estimation," in *Handbook on Taxation*, ed. W. Bartley Hildreth and James A. Richardson, 1999.

Feltenstein, Andrew, Luciana Lopes, Janet Porras-Mendoza, and Sally Wallace. "Modeling Tax Reform in Developing Countries" in *Taxation and Development: The Weakest Link?* Bird, R. and J. Martinez-Vazquez (eds.). forthcoming 2013.

**Module III: Computational General Equilibrium Modeling****Instructor: Prof. Feltenstein**

Computational general equilibrium analysis has become the standard tool for analyzing the quantitative effects of fiscal policies. This module will introduce students to two broad areas, dynamic fiscal models, and the incorporation of financial assets in applied general equilibrium models. Students will be provided with computer programs written by the instructor, based upon fixed point algorithms, that solve n-period open economy models with financial assets and either fixed or floating exchange rates.

**February 9: Reading for week 5:**

Feltenstein, Andrew and Stephen Morris (1990). "Fiscal Stabilization and Exchange Rate Instability: A Theoretical Approach and Some Policy Conclusions using Mexican Data." *Journal of Public Economics* 42: 329-56.

**February 16: Reading for week 6:**

Feltenstein, Andrew and Sheryl Ball (2001). "Bank Failures and Fiscal Austerity: Policy Prescriptions for a Developing Country," *Journal of Public Economics* 82: 247-70.

**February 23: Reading for week 7:**

Feltenstein, Andrew and Maral Shamloo (2011). "Tax Reform, the Informal Economy, and Bank Financing of Capital Formation." *International Tax and Public Finance*, vol. 20, no. 1: pp. 1–28.

Feltenstein, Andrew and Maral Shamloo (2011). "Tax Reform, the Informal Economy, and Bank Financing of Capital Formation." *International Tax and Public Finance*, vol. 20, no. 1: pp. 1–28.

**Module IV: Program Evaluation****Instructor: Prof. Rider**

Program evaluation is a statistical methodology, including randomized controlled trials, developed by economists to evaluate government policies. We will focus on the application of these methodologies to evaluate policies in developing countries.

**March 2: Reading for week 8:**

Rubin, Donald B. (1974). "Estimating causal effects of treatments in randomized and nonrandomized studies," *Journal of Education Psychology* 66, 688-701.

Thornton, Rebecca L. (2008). "The demand for, and impact of, learning HIV status". *The American Economic Review* 98(5): 1829-63.

Newman, John, Laura Rawlings, and Paul Gertler (1994). "Using randomized control designs in evaluating social sector programs in developing countries," *The World Bank Research Observer* 9(2): 181-201.

**March 9: Reading for week 9:**

Marianne Bertrand, Simeon Djankov, Reman Hanna, and Sendhil Mullainathan (2007). "Obtaining a driver's license in India: an experimental approach to studying corruption". *The Quarterly Journal of Economics*: 1639-76.

Duflo, Esther, Michael Kremer, and Jonathan Robinson (2008). "How high are rates of return to fertilizer? Evidence from field experiments in Kenya." *The American Economic Review* 98(2), Papers and proceedings of the One Hundred Twentieth Meeting of the American Economic Association, 482-88.

**March 16: Spring Break – No Class**

**March 23: Readings for week 10:**

Gertler, Paul (2004). "Do conditional transfers improve child health? Evidence from PROGRESA's control of randomized experiment". *The American Economic Review* 94(2): 336-41.

Ashraf, Nava, Dean Karlan, and Wesley Yin (2006). "Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines." *The Quarterly Journal of Economics* 121(2): 635-72.

**March 30: Readings for week 11:**

**TBD**

**Module V: Tax Reform**

**Instructor: Prof. Timofeev**

Many countries have enacted fundamental reforms to their tax systems in the last three decades, and this module examines the reasons for and the practice of these reforms, focusing on a recent comprehensive reform in Jamaica as a case study.

**April 6: Readings for week 12:**

Mankiw, N. Gregory, Matthew Weinzierl, and Danny Yagan (2009). "Optimal Taxation in Theory and Practice," *Journal of Economic Perspectives*, 23(4): 147-74

OECD (2016). *Tax Policy Reforms in the OECD 2016*, Paris: OECD Publishing.

**April 13: Reading for week 13:**

Keen, Michael. 2012. "Taxation and Development; Again" IMF Working Papers 12/220. Washington, D.C.: International Monetary Fund.

Keen, Michael, 2008. "VAT, Tariffs, and Withholding: Border Taxes and Informality in Developing Countries." *Journal of Public Economics* 92(10-11): 1892-1906

**April 20: Reading for week 14:**

Bahl, Roy and Sally Wallace (2007). "Comprehensive Tax Reform in Jamaica." *Public Finance Review* 35(1): 4-25.