

SYLLABUS
FALL 2017 SEMESTER
ECONOMICS 8460-003
ECONOMICS OF STATE AND LOCAL PUBLIC SECTOR
COURSE NUMBER 90936
Thursdays 7:15 - 9:45 pm
Langdale Hall 315

Instructor: Mark Rider
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Office Hours: MW 2:00 - 4:00 pm (or by appointment)

Course objectives: Economics 8460 focuses on three major topic areas. The first topic is an analysis of sources of revenue, i.e., property, sales, and income taxes, lotteries, debt, and government operated enterprises. Second, the issue of the allocation of activities between levels of government will be addressed. This will include a discussion of intergovernmental fiscal relations, e.g., grants and tax base competition. The third topic includes consideration of the level, composition, nature (privatization, contracting, etc.), and pricing of public service provision, including applications to specific services.

Course prerequisites: Students should have taken a course in microeconomics beyond Principles of Economics, or have the permission of the professor.

Course learning outcomes:

1. Students should be familiar with the fiscal institutions of major federal countries, including Brazil, China, India, Russia, and the U.S. and the data sources on State and Local Governments.
2. Students should be familiar with key concepts that apply to the State and Local sector.
3. Students should develop analytical tools for understanding State and Local fiscal decisions.
4. Students should acquire an understanding of the principle economic theories that apply to the State and Local sector.
5. Students should enhance their ability to inform those who make fiscal policy decisions.

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Course requirements:

1. Readings. Reading assignments are provided below.
2. Written assignments. There will be three written assignments. Material for these assignments will be distributed during the semester.

Readings: There are two required textbooks, intended primarily for basic background.

1. Ronald C. Fisher, *State and Local Public Finance* (3rd Edition), Thomson/Southwestern, 2007.
2. Roy Bahl, Eunice Heredia, Jorge Martinez-Vazquez, and Mark Rider, *India: Fiscal Conditions of the States, International Experience, and Options for Reform, vol. 2*, International Studies Program working paper no. 05-14 (vol. 2), Andrew Young School of Policy Studies, Georgia State University, June 2005. Available for download at: <http://aysps.gsu.edu/isp/files/ispwp05142.pdf>

Method of instruction: ECON 8080 is taught through a combination of lecture, discussion, and written assignments. Class interaction allows the students to discover the strengths and weaknesses of alternative policy recommendations.

Attendance: All students are expected to attend and to participate in class discussions. Thus, all students are expected to be prepared for class discussions by having read the relevant material). Also, on some date after the mid-point of the course (a date set by the Provost), students on the grade rolls but no longer taking the class will be given a grade of WF, and the last day of class that the student attended or turned in an assignment will be reported to the GSU administration.

Academic Honesty: Please be aware 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).

Student evaluation of the course: Your constructive assessment of this course plays an indispensable role in shaping education at GSU. Upon completing the course, please take time to fill out the online course evaluation.

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Accommodation: Students who wish to request accommodation for a disability may do so by registering with the Office of Disability Services (ODS). Students are only accommodated upon issuance by ODS of a signed Accommodation Plan. Students are responsible for providing a copy of that plan to instructors of all classes in which an accommodation is sought.

Course grade: The following weights will be used to determine each student's final grade for the course:

Written assignment 1	1/3
Written assignment 2	1/3
Written assignment 3	1/3

A letter grade will be assigned according to your numerical average (X) and the following table:

Average	Letter Grade
$98 \leq X \leq 100$	A+
$93 \leq X < 98$	A
$90 \leq X < 93$	A-
$88 \leq X < 90$	B+
$83 \leq X < 88$	B
$80 \leq X < 83$	B-
$78 \leq X < 80$	C+
$73 \leq X < 78$	C
$70 \leq X < 73$	C-
$60 \leq X < 70$	D
$X < 60$	F

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Tentative Class Schedule

The course syllabus provides a general plan for the course; deviations may be necessary.

1. **Thursday, August 24:** The four pillars of an intergovernmental fiscal system
 - * Fisher, Chap 1, "Why Study State and Local Government Finance"
 - * Fisher, Chap 2, "Microeconomic Analysis"
 - * Paul A. Samuelson (1956). "Diagrammatic Exposition of a Theory of Public Expenditures." *The Review of Economics and Statistics* Vol 27, pp. 350-56.
 - * Charles Tiebout (1956), "A Pure Theory of Local Expenditures", *The Journal of Political Economy*, pp. 416-424.

2. **Thursday, August 31:** Principles of tax assignment
 - * Fisher, Chap 12, "Principles of Tax Analysis."
 - * Roy W. Bahl and Johannes F. Linn, "Urban Public Finance in Developing Countries", *Urban Public Finance in Developing Counties*, P11-48.
 - * Robert Tannenwald, "Are State and Local Revenue Systems becoming Obsolete?", *55 National Tax Journal* 467-89 (September 2002)
 - (Ph.D.) Ronald C. Fisher, 2003, "The changing State-local Fiscal Environment: A 25-year Retrospective", in Sjoquist (ed), *State and Local Finances under Pressure*, pp 9-29
 - (Ph.D.) J. Richard Aronson and John L. Hilley, *Financing State and Local Governments*, 4th edition, Chapter 1, pp. 10-30.
 - (Ph.D.) John Wallis, "American Government Finance in the Long Run: 1790-1990", *Journal of Economic Perspectives*, Winter 2000, pp 61-82.

3. **Thursday, September 7:** Property tax (institutions)
 - * Fisher, Chap 13, "The Property Tax: Institutions and Structure."
 - * Roy Bahl and Johannes Linn, 1992. "Property Tax Systems: Practice and Performance," Chap 4, *Urban Public Finance in Developing Counties*.

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* Roy Bahl, Sally Wallace, and Musharraf Cyan, "The Challenge of Intergovernmental Fiscal Relations in Pakistan: The Property Tax Division", ISP Working Paper Number 08-25, December 2008.

Available for download at: <http://aysps.gsu.edu/isp/files/ispwp0825.pdf>

* John J. Wallis, "A History of the Property Tax in America", *State Tax Notes*, May 29, 2000, pp. 1883-1897.

4. **Thursday, September 14:** Property tax (economics)

* Fisher, Chapter 14, "Property Tax: Economic Analysis and Effects."

*Zodrow, George R. 2001. "The property tax as a capital tax: a room with three views." *National Tax Journal* 54(1): pp. 139-156.

*O'Sullivan, Arthur, Terria A. Sexton, and Steven M. Sheffrin, "Proposition 13: Unintended Effects and Feasible Reforms," *National Tax Journal*, March, 1999, 102 (1): pp 99-112.

(Ph.D.) Peter Mieszkowski, 1972, "The Property Tax: An Excise Tax or a Profits Tax?" *Journal of Public Economics*, 1 (1): pp. 73-96.

(Ph.D.) Peter Mieszkowski and George Zodrow, 1989, "Taxation and the Tiebout Model: The Differential Effects of Head Taxes, Taxes on Land Rent, and Property Taxes", *Journal of Economic Literature*, 27: pp. 1098-1146.

(Ph.D) David Wildasin, 1986, Chapter 5, "Property and Land Taxation" in *Urban Public Finance*.

(Ph.D.) Henry Aaron, *Who Pays the Property Tax*, Chapter 3, "Incidence of the Property Tax," Brookings, 1975.

5. **Thursday, September 21:** Writing Assignment 1 distributed (No class)

6. **Thursday, September 28:** Sales taxes (Writing assignment 1 due)

* Fisher, Chap 15, "Sales and Excise Taxes."

* William F. Fox and Matthew Murray, "Economic Aspects of Taxing Services," *National Tax Journal*, March 1988, pp. 19-36.

* John F. Due and John L. Mikesell, "Local Government Sales Taxation," Chapter 11, pp. 277-318 in *Sales Taxation: State and Local Structure and Administration*, 1994, Urban Institute Press.

* James Alm, Edward Sennoga, and Mark Skidmore, 2006, "Perfect Competition, Spatial Competition, and Tax Incidence in the Retail Gasoline Market." Fiscal Research Center Report No. 112 (September 2005)

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(Ph.D.) Timothy Besley and Harvey Rosen, "Sales Taxes and Prices: An Empirical Analysis," *National Tax Journal*, June 1999, Vol 102, no 2, pp 157-178.

(Ph.D.) Michele Hendrix and George Zodrow, "Sales Taxation of Services: An Economic Perspective", *State Tax Notes*, February 23, 2004, pp 641-651. Thursday, September 28: Income tax

7. **Thursday, October 5:** Income taxes

* Fisher, Chap 16, "Income Taxes."

* Wallace and Edwards, 1999. "Personal Income Tax," Chapter 8 in Hildreth and Richardson (eds), *Handbook on Taxation*.

* Stephen T. Mark, Therese J. McGuire, and Leslie E. Papke, "The Influence of Taxes on Employment and Population Growth: Evidence from the Washington, D.C. Metropolitan Area", 53 *National Tax Journal* 105-24 (March 2000)

* Randall Holcombe and Donald Lacombe, 2004, "The Effect of State Income Taxation on Per Capita Income Growth", *Public Finance Review*, 32(3): 292-312.

8. **Thursday, October 12:** Business taxes

*Fisher, Chap 17, "Business Taxes."

* Thomas F. Pogue, "State and Local Business Taxation: Principles and Prospects", *The Future of State Taxation*, pp. 89-110.

* William F. Fox, LeAnn Luna, "State Corporate Tax Revenue Trends: Causes and Possible Solutions", 55 *National Tax Journal* 491-508 (September 2002)

* Daphne Kenyon, 1996, "A New State VAT? Lessons from New Hampshire," *National Tax Journal*, 49(3): 381-99.

(Ph.D.) Kelly Edmiston, 2002, "Strategic Apportionment of the State Corporate Income Tax: An Applied General Equilibrium Analysis", *National Tax Journal*, 55(2): 239-62.

(Ph.D.) Harry Grubert, 2003, "Intangible Income, Intercompany Transactions, Income Shifting, and the Choice of Location", *National Tax Journal* 56(1) Part 2: 221-242.

(Ph.D.) David Brunori, "Corporate Income Taxes", *State Tax Policy: A Political Perspective*, pp. 103-118 (Ch 7)

(Ph.D.) William Oakland, "How Should Businesses Be Taxed?" chap 2, pp 17-34 in Thomas F. Pogue, *State Taxation of Business*, 1992

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9. Thursday, October 19: Other revenue

- * Fisher, Chap 8, "Pricing of Government Goods -- User Charges."
 - * Fisher, Chap 18, "Revenue From Government Monopoly and Regulations."
 - * Charles Clotfelter and Phillip Cook, "Redefining 'Success' in the State Lottery Business," *Journal of Policy Analysis and Management*, Winter 1990, pp. 99-104.
 - * Marie Lynn Miranda et al, "Market-Based Incentives and Residential Municipal Solid Waste," *Journal of Policy Analysis and Management*, Fall 1994, Vol 13 no 4, pp 681-698.
 - * William F. Fox and Kelly Edmiston, "User Charge Financing of Urban Public Services in Africa", unpublished paper.
- (Ph.D), 1987, Bös, "Public Sector Pricing," Chapter 3 in Auerbach and Feldstein, *Handbook of Public Economics*, vol 1.

10. Thursday, October 26: Principles of expenditure assignments (Writing assignment 2 distributed)

- * Fisher, Chap 4, "Demand for State and Local Goods and Services."
- * Fisher, Chap 7, "Costs and Supply of State and Local Goods and Services."
- *Fisher, Chap 20, "Transportation"
- *Fisher, Chap 21, "Health and Welfare"
- * Richard Dye and Therese J. McGuire, "Sorting Out State Expenditure Pressures," *National Tax Journal*, September 1992, pp. 315-329.
- *James Marton and David Wildasin, "Medicaid Expenditures and State Budgets: Past, Present, and Future," *National Tax Journal*, June 2007, pp 279-304.
- * William H. Oakland and William A. Testa, "Fiscal Impacts of Business Development in the Chicago Suburbs", *Local Government Tax and Land Use Policies in the U.S.*, P201-217

11. Thursday, November 2: Principles of intergovernmental grants (Writing assignment 2 due)

- * Fisher, Chap 9, "Intergovernmental Grants."
- *Richard Bird and Andrey Tarasov, "[Closing the Gap: Fiscal Imbalances and Intergovernmental Transfers in Developed Federations](#)", ISP Working Paper Number 02-02, March 2002 . Available for download at: <http://aysps.gsu.edu/isp/files/ispwp0202.pdf>

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*Ron Fisher, "Income and Grants Effects on Local Expenditures: The Flypaper Effect and Other Difficulties," *Journal of Urban Economics*, 1982, pp. 324-45.

*Edward Gramlich, "Intergovernmental Grants: A Review of the Empirical Literature" in *Political Economy of Fiscal Federalism*, Oates (ed.), Chapter 12.

* William Oakland, "Recognizing and Correcting for Fiscal Disparities: A Critical Analysis," Chap 1, pp 1-20, in John E. Anderson (ed), *Fiscal Equalization for State and Local Government Finance*, 1994.

(Ph.D.) Richard Tresch, *Public Finance: A Normative Theory*, 2002, Chapters 31.

12. Thursday, November 9: Education

* Fisher, Chap 19, "Education"

* Ross Rubenstein and David Sjoquist, *Financing Georgia's Schools: A Primer*, Fiscal Research Center report, 2003

* John Witte, "School Choice and Student Performance," Chap 5 in in *Holding Schools Accountable*, Helen Ladd (ed), Brookings Institution, 1996.

* Eric A. Hanushek, "School Resources and Student Performance", *Does Money Matter?* P43-73

(Ph.D.) Charles Clotfelter and Helen Ladd, "Recognizing and Rewarding Success in Public Schools," Chap 2 in *Holding Schools Accountable*, Helen Ladd (ed), Brookings Institution, 1996.

(Ph.D.) Eric Hanushek, "Can Equity Be Separated from Efficiency in School Finance Debates?" in Emily Hoffman (ed), *Essays on the Economics of Education*, 1993, pp. 35-74.

(Ph.D.) Elizabeth Harter, "How Educational Expenditures Relate to Student Achievement: Insights from Texas Elementary Schools," *Journal of Education Finance*, Winter 1999, pp. 281-302.

(Ph.D.) Hoxby, Caroline M. (2000). "Does Competition among Public Schools Benefit Students and Taxpayers". *The American Economic Review* 90: 1209-1238.

13. Thursday, November 16: Australia's intergovernmental system

Appendix I, pages 1-6: Roy Bahl, Eunice Heredia, Jorge Martinez-Vazquez, and Mark Rider, *India: Fiscal Conditions of the States, International Experience, and Options for Reform, vol. 2*, International Studies Program working paper no. 05-14 (vol. 2), Andrew Young School of Policy Studies, Georgia State University, June 2005.

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- **Thursday, November 23:** Thanksgiving holiday (No class)

14. **Thursday, November 30:** India's intergovernmental system (Writing assignment 3 due)

Appendix V, pages 31-37: Roy Bahl, Eunice Heredia, Jorge Martinez-Vazquez, and Mark Rider, *India: Fiscal Conditions of the States, International Experience, and Options for Reform, vol. 2*, International Studies Program working paper no. 05-14 (vol. 2), Andrew Young School of Policy Studies, Georgia State University, June 2005

- **Thursday, December 14:** All grades must be submitted via GoSolar by 5:00 pm.
- **Friday, December 15:** All grades available to students via GoSolar after 10:00 am.