

**PSPA 664: FALL 2008**  
**The Politics of budgeting: Rethinking America's Fiscal Infrastructure for the 21<sup>st</sup> Century**  
**Mondays, 6:30-9:10 PM. DU 252. Fall 2008.**

**Professor: Kurt Thurmaier.**

**Email: [kthur@niu.edu](mailto:kthur@niu.edu) [24 hrs].**

**Office Hours: Wednesdays, 10am-noon or by Appointment [very flexible].**

**Phone: (o) 815.753.0311 [24 hrs].**

**(h)815.901.0393 [8am-10pm, M-Sa].**

**COURSE OBJECTIVES:** This seminar focuses on how politics pervades the theoretical issues in public budgeting, public finance, and their nexus with public policies. The goal of the seminar is for the student to understand and develop theoretical perspectives that have been applied to these areas of study. The coursework and discussions will form an essential background for preliminary exams for students pursuing a doctorate. MPA students will gain an appreciation of how you cannot take politics out of budgeting—and why you should not try!

The emphasis this semester is analysis of the US fiscal structure. Put simply, the issue is whether the current tax system can sustain the demands in the budgets of American governments. One of the key budgetary issues facing the country is how the current fiscal structure can pay for social security and other entitlement demands in the face of an aging population demanding higher levels of services, and services that have not been traditionally offered by American governments.

We will examine the problems at hand, the current situation, and four reform proposals, all of which argue for dropping the national income tax and adopting a national consumption tax instead. Students will work in groups to analyze one solution in depth. MPA students will analyze how these reforms might affect local and state governments, while PhD students will develop a research design to analyze reform implementation. At the end of the semester, we should have a better understanding of what is on the table and which reform proposal is likely to gain support in the next 10 years.

**COURSE REQUIREMENTS AND GRADING:** This is a small seminar, so class attendance and participation is crucial to our success. We have both PhD and MPA students in the course, and grading will reflect the different types of interests inherent in those perspectives. Students will need access to, and be able to use, an email program and have access to the course webpage at Blackboard (Bbd) <https://webcourses.niu.edu/webapps/portal/frameset.jsp>.

All Students: Each student will write a 4-5 page reflection on the problem definition issue. Do the authors we read correctly identify the problem? If not, what is your alternative problem definition? Each student will also be in a small group (2-3 students) who will analyze one of the four options we will consider. The group will make an opening presentation that lays out the three most important strengths and weaknesses of the proposal, as well as the implications for state and local governments. Finally, each student will submit a 2 page briefing paper on the last class day summarizing their choice for reform options, based on the evidence in the semester.

MPA Students: The final 40% of the final grade will be based on a seminar paper reporting and analyzing the estimated impacts of a selected reform (your choice) from the perspective of a local, state, or federal finance director. Your choice for an interview subject must be approved in advance; we will spend some time in class creating a few common questions to start each interview. The paper should not exceed 10 double-spaced pages, 10 pt font.

PhD Students: The reform proposals leave many unanswered questions, or provide only vague answers to key questions. Your final paper must develop a research design that would evaluate the impacts of a reform (your choice) at the national level. How could we know whether a reform (if implemented) is living up to its promises? The design will include a research question, hypotheses, literature review, variables, time frame, and data selection. The paper should not exceed 15 double-spaced pages, 10 pt font.

<b>Course Component</b>	<b>Share</b>
<b>Problem Reflection</b>	<b>20%</b>
<b>Reform Analysis (Group)</b>	<b>30%</b>
<b>Final Briefing Paper</b>	<b>10%</b>
<b>Final Paper</b>	<b>40%</b>
	<b>100%</b>

**READING ASSIGNMENTS:** There is a vast literature on fiscal structure problems. Although there are eight books required for all to read, several of them are not very academic and “easy” to read. A few require more time to read and digest. I have tried to select some important supplemental materials to start our search for answers, but much literature remains beyond the reading list. Each group will be tasked with digesting the supplemental materials and reporting to the class. These will be the ideal sources for critiquing the various reform proposals we consider.

### **REQUIRED BOOKS**

Boortz, Neal and John Linder, The Fair Tax Book: Saying Goodbye to the Income Tax and the IRS HarperCollins Publishers, 2006.

---

Buchanan, James and Richard Musgrave, Public finance and public choice : two contrasting visions of the State. Cambridge, MA: MIT Press, 1999.

Ehrenreich, Barbara, Nickel and Dimed, Metropolitan Books, 2001.

Hall, Robert E. and Alvin Rabushka, The Flat Tax, Hoover Institution Press; 2nd ed, 2007. also free at <http://www.hoover.org/publications/books/3602666.html> PDF format.

Heller, Peter J. Who Will Pay? International Monetary Fund, 2003.

Keen, Michael, Jean-Paul Bodin, Victoria Summers, The Modern VAT, International Monetary Fund, 2002.

McCaffery, Edward J. Taxing Women, University Of Chicago Press, 1997.

McCaffery, Edward J., Fair Not Flat: How to Make the Tax System Better and Simpler, University of Chicago Press, 2002.

### **RECOMMENDED BOOKS**

Boortz, Neal and John Linder, Fair Tax: The Truth: Answering the Critics, Harper Paperbacks, 2008.

Kahn, Jonathan Budgeting Democracy. Ithica: Cornell Press, 1997. (NIU bookstore reprint)

Tait, Alan A. The Value Added Tax: International Practice and Problems International Monetary Fund, 1988.

**COURSE COMPETENCIES:** This course is designed to improve your management skills and knowledge areas in the following ways:

Oral Communication	Class discussions, paper presentations, discussant roles.
Written Communication	Analysis papers
Analytical Thinking	Class discussions, budget analysis papers
Cultural Diversity & Ethics	Various discussions about ethical issues
Budgeting and Finance Theory	Reading, writing, and discussing required books and articles

Writing: Papers must be written at the level of graduate school work. Incomplete sentences, poor grammar, misspellings and typos will detract from your papers and your grades. I will comment on your papers in two ways. First, I will correct errors. Secondly, I will suggest improvements by editing with (?) attached to the comment. This should be taken as a suggestion to improve your writing. I won't put a remark on your paper if I don't think it is worth your consideration. I also have several writing guides, which you may borrow from me for more tips. There are now some excellent writing resources available on the web, including <http://www.grammarbook.com/>.

Peeves: 1. Turn off your cell phone before class begins; if it rings, we will stop class and wait for you to apologize. 2. Do not use “obviously, clearly” or variations in oral and written work. 3. Do not use contractions in formal writing. They are only permissible if you are quoting someone from an interview (or in a quoted text). 4. Proof your work by reading it aloud before you submit it to me. Read my comments and edits and learn from them.

Ethics: In case it is not yet crystal clear, there is zero tolerance for plagiarism in this course, this program and this university. Anyone who violates the ethical imperative to cite the work of others that is used in writing course papers is subject to an F for the course and possible dismissal from the university. If in doubt, cite the source, whether a quotation or a paraphrasing of someone else’s work. I am happy to provide advice on how to cite works in specific situations. Use a style manual taken from the MPA website writing page for all papers. The English Department’s statement on Plagiarism is direct and to the point: [www.engl.niu.edu/composition/guidelines/plag.shtml](http://www.engl.niu.edu/composition/guidelines/plag.shtml). I recommend you take the online tutorial available from the NIU website to be sure you understand the rules and principles [writingtutorial.niu.edu/writingtutorial/style/plagiarism01.html](http://writingtutorial.niu.edu/writingtutorial/style/plagiarism01.html).

**CLASS DISCUSSION:** Discussion is important in the public sector. Arguments are important, as long as they are conducted professionally. I like to discuss issues and I will argue with you about various aspects of your proposals and assignments. *Just because I never agree with you does not mean that I do not think your view or your point has merit.* Pushing you to be as precise as possible in your arguments is one mechanism for crystallizing what you really mean. Don't let my strong personality and vocal opinions scare you off; *I will criticize your argument--not you!* If you think I am being unfair in class, please do not hesitate to see me as soon as possible. Be warned: you will be expected to participate in class discussions and contribute to our greater understanding of the topics.

---

**STUDENTS WITH DISABILITIES:** NIU abides by Section 504 of the Rehabilitation Act of 1973 which mandates reasonable accommodations be provided for qualified students with disabilities. Any student who has a disability that may prevent him/her from fully demonstrating his/her abilities should contact me within the first three weeks of the semester to discuss accommodations necessary to ensure full participation and facilitate the educational opportunity. It is the responsibility of the student to make this information available to me at the beginning of the course. If you have not already done so, you will need to register with the Center for Access-Ability Resources (CAAR), the designated office on campus to provide services and administer exams with accommodations for students with disabilities. The CAAR office is located on the 4th floor of the University Health Services building (815-753-1303). I look forward to talking with you so that I may be helpful in enhancing your academic success in this course.

## COURSE OUTLINE

### AUGUST

- 25      **Introduction: The Nexus of Revenues and Expenditures**  
*Discussion:* What does fiscal structure have to do with public budgeting?  
**Assignment:**

### SEPTEMBER

#### PART I. Identifying the Problem(s)

- 08      **Nickel & Dimed**  
*Discussion:* What is the taxation burden and public service benefits for low income households?  
**Assignment:** (Ehrenreich) may add assorted articles
- 15      **The Income Tax: History and Structure**  
*Discussion:* How does the income tax work in American governments (all levels)?  
**Assignment:** Assorted articles and book chapters
- 22      **Social Security & Medicare: Contributions and Benefits**  
*Discussion:* How are these entitlement programs funded and how are benefits distributed and funded? What are the forecasts for future fund balances?  
**Assignment:** Assorted articles and book chapters
- 29      **Taxing Women**  
*Discussion:* How does the current fiscal structure abet or impede women?  
**Assignment:** (McCaffery 1997) may add assorted articles

### OCTOBER

- 06      **Taxing Women (continued)**  
*Discussion:*  
**Assignment:** (McCaffery 1997) may add assorted articles
- 13      **Who Will Pay?**  
*Discussion:* What do the big issues of social security and other major global trends portend for public budgets in the US and other countries?  
**Assignment:** (Heller)

#### PART II. Where we are now...

- 20      **Fiscal Thinking**  
*Discussion:* What are the distinctive approaches of public finance and public choice to public budgets and fiscal structure?  
**Assignment:** (Musgrave & Buchanan) may add assorted articles
- 27      **Fiscal Thinking (continued)**  
*Discussion:*  
**Assignment:** (Musgrave & Buchanan) may add assorted articles

**PART III. SOLUTIONS??****NOVEMBER**

- v 03      **Option 1: Flat Tax**  
*Discussion: Group Analysis*  
**Assignment:** (Hal and Rabushka) may add assorted articles
- 10      **Option 1: Flat Tax (continued)**  
*Discussion:*  
**Assignment:** (Hal and Rabushka) may add assorted articles
- 17      **Option 2: Fair not Flat Tax)**  
*Discussion: Group Analysis*  
**Assignment:** (McCaffery 2002) may add assorted articles
- 24      **Option 2: Fair not Flat Tax (continued)**  
*Discussion:*  
**Assignment:** (McCaffery 2002) may add assorted articles
- 15      **Option 3: Fair Tax**  
*Discussion: Group Analysis*  
**Assignment:** (Boortz and Linder 2006, 2008) may add assorted articles
- 22      **Option 3: Fair Tax (continued)**  
*Discussion:*  
**Assignment:** (Boortz and Linder 2006, 2008) may add assorted articles
- 29      **Option 4: Value-Added Tax**  
*Discussion: Group Analysis*  
**Assignment:** (Keen, Bodin, and Summers) may add assorted articles

**DECEMBER**

- 6      **Option 4: Value-Added Tax (continued)**  
*Discussion:*  
**Assignment:** may add assorted articles
- 13      **Wrap-up: Going Forward**  
*Discussion:*  
**Assignment:** bring 2 page briefing paper to class with recommendation and rationale for adopting one of the reforms, or for maintaining the status quo.

### Reflection Paper Requirements

Length: 5 pages, double-spaced, 10 pt minimum

#### Evaluation:

The grade for each essay will be based on the quality of the thesis statement (accuracy, conciseness, completeness), the quality of the overall writing (clarity, conciseness, organization), and quality of the arguments presented in the essay.

PROOF your work by reading it aloud before you push the print (or send) button. I have a low tolerance for typos that spell-checkers do not catch, and for incomplete or run-on sentences. Be sure the references are cited properly and consistently throughout the essay. A list of references does not count toward the total five page limit. Use a style guide and dictionary (some are online) for proper citations and diction.

### MPA Interview Paper Requirements

Length: The paper should be no more than 10 pages, double-spaced, 10 pt font.

#### Methodology

(A) Interview Selection (**Important: Follow this ordering of steps!**)

1. Propose to Dr. Thurmaier the finance director (or assistant manager with budget responsibility) you would like to interview.
2. Get approval from Dr. Thurmaier for your selection (via email or in class).
3. Ask the person if they are willing to be interviewed for the project.
4. If they agree, schedule an interview date. If they do not agree, return to step 1.

(B) Conduct the interview in person (unless there are extenuating circumstances).

(C) Write an essay that analyzes their views on changing the fiscal structure in the US.

#### Evaluation:

The grade for the essay will be based on the quality of the thesis statement (accuracy, conciseness, completeness), the presentation of the manager's perspective (accuracy, conciseness, completeness), the quality of the overall writing (clarity, conciseness, organization), and the quality of the arguments presented in the essay.

### PhD Research Design Paper Requirements

Length: 15 pages, double-spaced, 10 pt minimum

#### Assignment

Treat this as a trial exercise to create a dissertation proposal. Identify the research question (and subquestions) with a literature review that set up the associated hypotheses. Then operationalize the hypotheses with a model and operationalize the variables (dependent and independent). Then discuss how you would get the data, and how you would analyze the data to test the hypotheses.

#### Evaluation:

The grade for each essay will be based on the quality of each section of the research design (accuracy, conciseness, completeness), the quality of the overall writing (clarity, conciseness, organization), and quality of the literature review presented in the essay.

**Other Readings List:**

CE McLure Jr. - Am. J. Tax Pol'y, 1997 -  
The Simplicity of the Flat Tax: Is It Unique?

**Fair Tax: A Wolf in Sheep's Clothing (Paperback)**

by Nelson Warwick (Author)

- Paperback: 80 pages
- Publisher: AuthorHouse (May 17, 2007)
- Language: English
- ISBN-10: 1434314626
- ISBN-13: 978-1434314628

AARP Social Security Reform Report (looks at US as well as other nations)  
<http://www.aarp.org/research/socialsecurity/reform/>

Urban Institute Social Security Reform Report  
<http://www.urban.org/toolkit/issues/socialsecurity.cfm>

The National Council of La Raza (NCLR) website on Social Security Reform  
<http://www.nclr.org/content/policy/detail/2441/>  
Particularly the report, The Social Security Program and Reform: A Latino Perspective  
<http://www.nclr.org/content/publications/detail/32018/>  
The Great Debate: Social Security Reform, What's at Stake for Latinos  
<http://www.nclr.org/content/publications/download/30739>  
The Pew Hispanic Center's Report on Social Security  
<http://pewhispanic.org/files/reports/43.pdf>

Remarks by [Fed Reserve] Governor Edward M. Gramlich, "Social Security Reform in the Twenty-First Century"  
<http://www.federalreserve.gov/boarddocs/speeches/2001/200104192/default.htm>

USGAO has several reports on Social Security Reform, including:  
GAO-05-193SP Social Security Reform: Answers to Key Questions  
[www.gao.gov/new.items/d05193sp.pdf](http://www.gao.gov/new.items/d05193sp.pdf)  
T-HEHS-99-94 Social Security: Criteria for Evaluating Social Security  
<http://www.gao.gov/archive/1999/he99094t.pdf>

Jim Lehrer News Hour Online has streaming video on Social Security Reform at:  
[http://www.pbs.org/newshour/bb/health/july-dec01/security\\_12-11.html](http://www.pbs.org/newshour/bb/health/july-dec01/security_12-11.html)