Professor: Zsofia Barta  
Office hours: Tuesdays and Thursdays 9.15-10.15 in the Contact Office (HU B64)  
Office: Milne 205  
Phone: 518-442-5259  
Email: zbarta@albany.edu

Course description

This course focuses on the politics of public finances. It explores the social conflicts surrounding taxation, public spending, and public debt, the role played by different political actors and institutions in fiscal policy choices, and the influence of non-governmental and supra-national organizations (like rating agencies or the International Monetary Fund) on national public finance. It seeks to answer questions like ‘Why do different countries spend and tax so differently?’ ‘Why do some countries get dangerously indebted?’ ‘How do others keep their budgets in balance?’ The course relies on independent study, class discussion and student projects. The last three weeks are set aside for team-projects analyzing the significant problems of several countries in the wake of the global economic and financial crisis.

Course objectives

By the end of the course, students should have a good understanding of how public finances work. They should be familiar with the technical and the political aspects of budgeting, recognise the main “stakeholders” in the process and appreciate their influence on policy choices. They should be able to apply this knowledge to explore the fiscal challenges that countries face in the wake of the global economic and financial crisis.

Teaching method

This course relies on independent study, class discussions and student projects.

Readings form an integral part of the coursework. Therefore, it is imperative that students keep up with readings. Readings listed for each week relate to the whole week. Accordingly, students are expected to have read all of the texts assigned for the week before coming to class on Tuesday in order to be able to participate in class discussion and to ask informed questions throughout the week. In addition, students are expected to hand in response papers of no more than 200 words by Monday midnight each week based on questions related to the week’s reading.
In weeks 6 and 7, students will be asked to engage in independent analysis of the budgets of different countries and compile a report. Further guidance on team projects can be found in Appendix 1. of this syllabus.

From week 6 until the last weeks of the course, students will also work in teams to apply their knowledge to real-world fiscal problems. They will make themselves familiar with the fiscal situation of different countries that have had serious fiscal problems (Ireland, Japan, Italy, Argentina and the US), analyze the evolution of these countries’ spending and taxation patterns and their experience with public debt and debt crises, and propose solutions to the challenges that the countries are facing from the perspective of different “stakeholders” (e.g. the government, the opposition, the IMF, rating agencies, the electorate etc.). Further guidance on team projects can be found in Appendix 2. of this syllabus.

**Assessment**

The final grade for the course will be based on the following components:
- response papers 30%
- independent project 30%
- team paper 20%
- team presentation 20%

**Readings**

There is no single textbook for this class. However, several sections are assigned from the following books:


Readings will be made available on Blackboard.

**Accommodations**

“Reasonable accommodations will be provided for students with documented physical, sensory, systemic, cognitive, learning and psychiatric disabilities. If you believe you have a disability requiring accommodation in this class, please notify the Director of Disabled Student Services (Campus Center 137, 442-5490). That office will provide the course instructor with verification of your disability, and will recommend appropriate accommodations. (For further information, please visit [http://www.albany.edu/studentlife/dss/Accommodation.html](http://www.albany.edu/studentlife/dss/Accommodation.html)).” If you wish to discuss academic accommodations for this course please also inform the instructor as soon as possible. In addition, the instructor will make every effort to accommodate difficulties arising from religious observance. You are asked to bring any possible conflicts to the instructor’s attention as soon as possible. “Students should not expect that, if they do poorly on an exam or other
assignment, to claim, at that time, the need of an accommodation. This statement is to preclude that problem, and allow people with a need for accommodations to be treated fairly and appropriately (Harwood 2003).”

**Plagiarism**

Please make sure to know and follow the rules. If you are involved in plagiarism the penalty will be failure in the course and you will be reported to judicial affairs. Every Student is expected to go through the following tutorial [http://library.albany.edu/usered/plagiarism/index.html](http://library.albany.edu/usered/plagiarism/index.html). All papers will be judged with the knowledge that you have taken the online tutorial.
Appendix 1.
Guidelines for the individual projects

The purpose of the individual project is to apply the knowledge acquired in the first term to real-world cases.

Keeping in mind the concepts, issues and theories that we discuss in the first half of the course, students should make themselves familiar with the public finances of a country of their choice (other than the US) and write a report on the fiscal policy of that country.

The report should answer the following questions.

- What does this country spend on?
- What sort of taxes does it employ to get its revenues?
- Are there any anomalies about spending or taxation? (E.g. corruption, tax evasion)
- Do revenues cover expenditures?
- How indebted is this country?
- How do the public finances of this country compare to other countries?
- What are some political problems surrounding public finances in this country?

The report should rely mostly on description, but it should also include informative tables and/or graphs to illustrate the most important points of the analysis.

We are going to spend a class on how to best obtain and analyze fiscal data in order to facilitate the project.

The individual country report should be around 600 words and it is due by midnight, Monday, March 9. It serves as an alternative form of assessment instead of a midterm exam.
Appendix 2.
Guidelines for the team projects

Purpose of the project

The purpose of this project is to creatively apply the knowledge of public finances that you acquired throughout the course to real-world cases.

All of the five case studies that we look at are countries that have recently faced considerable challenges with respect to public finances.

• **Ireland** had serious fiscal problems in the past, which it overcame and by the mid-2000s it almost had no debt. Due to a severe banking crisis, however, it is once again mired in government debt.
• **Japan** is the most indebted sovereign in the world with a debt going on 250 percent of the GDP.
• **Italy** is also amongst the most indebted countries. In the past years, it was often on the brink of a sovereign debt crisis and had it not been for the European Central Bank, it would have already gotten into trouble for its sovereign debt.
• **Argentina** is a serial defaulter, a country that seems to be cursed with “debt intolerance.”

Through the case studies, we seek to understand what explains these countries’ problems. What are the root-causes of the fiscal imbalances that have led to large-scale debt accumulation? What do we know about the specific country’s spending and taxation patterns? Is it overspending or missing tax revenues that explain the persistent borrowing? How does the politics of the given country explain spending, taxation and borrowing? How should the budget be adjusted to address the problem of debt in these countries? How likely is it that such adjustment will be politically feasible?

The substance of the project

The Irish, Japanese, Italian and Argentinean case studies will be prepared by groups. (The number of people in each group will depend on class size). Students should sign up for a country on Blackboard by Monday, February 15, the latest.

Each group will write a collective paper of no more than 2400 words that analyses the issues of the given country and answers all of the above questions.

Each group will also prepare a presentation that explains to the rest of the class what they think are the most important factors explaining their country’s public finance problems. The presentation should aim to be no longer than 30 minutes. For the rest of the class, the presenters will lead the discussion with their fellow classmates.
The collective papers are due by midnight on Friday, April 10. They should be submitted by email.

Presentations will take place in week 13 and 14. The presentation on Ireland will take place on Tuesday, April 14, Japan on Thursday, April 16, Italy on Tuesday, April 21, Argentina on Thursday, April 23. Each group needs to send me their power point slides before 9am on the day that they present.

**Technicalities**

Groups should start working on their projects no later than week 6, when there will be a couple of classes available to get the projects started while I am away on conferences. From then on, I will require each group to submit weekly progress reports to allow me to keep track of the process and provide feedback. Progress reports should include

- a comprehensive bibliography of all the sources (databases, articles, books, reports etc.) the project currently uses,
- half a page description of where the project is currently at,
- any problems that the group needs help with or
- any questions.

I will provide feedback to these reports in writing and/or in person. I am also happy to read and comment on up to three consecutive drafts of the final paper.

I will set aside 15 minutes at the end of each class after the spring break to discuss the progress of each group, to provide feedback and to allow each group to ask their fellow class-members for help and ideas in order to ensure optimal results for each group’s project.
<table>
<thead>
<tr>
<th>Wk</th>
<th>Topic</th>
<th>Tuesday</th>
<th>Thursday</th>
<th>Compulsory readings</th>
<th>Recommended readings</th>
<th>Assignment due</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Special aspects of spending</td>
<td>3-Feb Entitlements</td>
<td>5-Feb Pork-barrel, clientelism, corruption</td>
<td>• Meyers: Handbook of Government Budgeting Ch 27</td>
<td>• Kawata (2006) Comparing political corruption and clientelism, Ch 2,3</td>
<td>Response paper 2: Answer ONE of the following two questions: (a.) Why are entitlements a risky item of public finances? (b.) Where is the boundary between pork barrel spending and clientelism or outright corruption?</td>
</tr>
<tr>
<td>4</td>
<td>Taxation</td>
<td>10-Feb Size of taxation</td>
<td>12-Feb Tax structure and political conflict</td>
<td>• Adolino and Blake (2011) Comparing Public Policies, Ch 7</td>
<td>• Meyers (1999) Handbook of Government Budgeting Ch 13</td>
<td>Response paper 3: What are some of the most important characteristics of the tax system?</td>
</tr>
</tbody>
</table>
• Lowery and Sigelman (1981) Understanding the Tax Revolt: Eight Explanations. The American Political Science Review Vol. 75, No. 4 | Response paper 4: Why are tax expenditures such a peculiar feature of the American tax system?  
Final deadline for signing up for a country team on Blackboard is February 16 |
|---|---|---|---|---|---|---|---|---|
| 6 | Project preparation | 24-Feb | Analyzing budget data | 26-Feb | No class – independent work | This week, you are expected to work on an independent project and start thinking about your team project.  
• For your independent project, you will compile a report on the public finances of a country of your choice (other than the US). What does this country spend on? What sort of taxes does it employ to get its revenues? Do revenues cover its expenditures? How indebted is this country? How do the public finances of this country compare to other countries? What are some political problems surrounding public finances in this country? Make sure to include informative tables and/or graphs to illustrate the most important points of your analysis.  
• For your team-project, you need to start preparing your paper and your presentation. Have your first meetings, start compiling the sources you are going to use and distribute the work. Write up a comprehensive bibliography and put together a short report on where you are at and what are the plans for your future work. | None |
| 7 | Project preparation | 3-March | No class – independent work | 5-March | No class – independent work |  |  |  |
• Reinhart, Rogoff and Savastano (2003). Debt Intolerance, Brookings Papers on Economic Activity  
+ Individual project paper  
+ Report on your progress with the group project (half a page of what you have done so far + schedule of work to |
<table>
<thead>
<tr>
<th></th>
<th>17-March</th>
<th>19-March</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Spring break</td>
<td>Spring break</td>
</tr>
</tbody>
</table>

### 10 Understanding debt accumulation

#### 24-March
- Why do countries borrow?

#### 26-March
- How to carry out fiscal adjustment?

- Barta (2012) Flirting with Disaster, Ch 1

### 11 External influences – The markets

#### 31-March
- Risk premia

#### 2-Apr
- Credit rating agencies

- Sinclair, T (2008) The New Masters of Capital Ch. 1
- Reinhart (2002) Default, currency crises and sovereign credit ratings
- S&P Sovereign Government Rating Methodology And
<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Due Date</th>
<th>Readings</th>
</tr>
</thead>
</table>
Sinclair, T (2008) The New Masters of Capital Ch. 1  
Reinhart (2002) Default, currency crises and sovereign credit ratings  
| 12   | External influences – Inter/Supranational organizations | 7-Apr | Pop-Elesch (2009) From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe Ch. 1 and 8.  
| 13   | Country cases (team projects) | 14-Apr | Ireland  
16-Apr | Japan  
21-Apr | Italy  
23-Apr | Argentina |
| 14   | Country cases (team projects) | 28-Apr | Country information package on Blackboard |
| 15   | Public finance | 30-Apr |  
Response paper 7: What is the relationship between high public debt an interest paid on government bonds?  
+ Team project progress report (half a page on where you are at, what difficulties you encountered, what you need help with)  
Response paper 8: How has the role of the IMF changed since its inception?  
Team papers due |