

PLCP 522 COMPARATIVE BUDGETING AND ECONOMIC POLICY

Thursday, 1:00-3:30, 247 Cabell Hall

Spring 2006

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Budgeting may be studied from several perspectives. From the vantage point of professional schools of public administration, the practical elements of budgeting include the actual drafting and formatting of budget documents, the application of cost-benefit and other tools of program analysis, the projection of revenues and expenditures, the division of spending into its operational and capital components, and the management and implementation of programs funded by the budget. Economists principally focus on the macroeconomic consequences of budgeting, such as the effects of deficit spending on interest rates, inflation, the crowding out of private investment, foreign exchange rates, and national debt management. At a more micro level, economists may also consider the effectiveness of specific programs funded in the budget, such as determining the influence of public jobs programs on the labor market. These questions may also be of interest to and directly addressed by political scientists, but the centrality of political science research looks at budgeting as a guide to a broader analysis of politics, relations between and the development of institutions, the behavior of political actors within those institutions, and specific public policies. This course examines budgeting from this last perspective, especially from a comparative and theoretical viewpoint. In addition, we will consider the politics and process of public budgeting, and the role the budget plays in national and international economic policy making. Students will, furthermore, read portions of the federal budget, learn budget terminology, and follow the American national budgetary process as it evolves during the course.

Course requirements: For Undergraduates: Midterm (35%), Final (50%), and Participation (15%). For Graduate Students: Midterm (25%), Final (25%), Research Paper (30%), and Participation (20%).

Required Course Texts:

Collender, Guide to the Federal Budget, 2000, Century Foundation, 1999.

Haggard and McCubbins, Presidents, Parliaments, and Policy, Cambridge U.P., 2001.

Hallerberg, Domestic Budgets in a United Europe, Cornell U.P., 2004.

In addition, some required and recommended readings will be available for downloading through Toolkit. These readings are identified by an asterisk. NOTE: Graduate students are strongly advised to read the recommended readings.

Reading Assignments:

January 19: Course Introduction

January 26: Normative and Sociological Theory, Classical Budgeting, and the Evolution of the Balanced Budget Idea

*Wildavsky, "The Dance of the Dollars: Classical Budgeting"

*Fenno, "The House Appropriations Committee as a Political System"

*Savage, "Chapter 4, Creating A Symbol: Balanced Budgets and the Concept of Corruption"

*Savage, "Chapter 5, Distorting A Symbol: Republican Party Government, 1861-1932"

*Recommended: Savage, "Chapter 3, Colonial Deficits, Constitutional Restrictions, and the Rise of Hamiltonian Government,"

Wood, "The Federal Balanced Budget Force: Modeling Variations from 1904 to 1996"

Savage, "The Origins of Budgetary Preferences: The Dodge Line and the Balanced Budget Norm in Japan"

V.O. Key, "The Lack of a Budgetary Theory"

February 2: The Decline of Classical Budgeting, Budgetary Reform, and the Rise of the Contemporary Budgetary Process
Collender, All

*Strongly Recommended:

Lyden and Lindenberg, "Design of the Executive Budget: From PPB to ZBB"

Schick, "The Road to PPB" and "A Death in the Bureaucracy"

LeLoup, "From Microbudgeting to Macrobudgeting: Evolution in Theory and Practice"

February 9: The Debate Over the Economics of Deficits

*Friedman, "Deficits, Interest Rates, and the Dollar" and "Becoming the Debtor Nation"

*Heilbroner & Bernstein, "Is the Debt Too Big?" "Measuring the Deficit," "Crowding Out," and "Living Beyond Our Means"

*Schultze, "Of Wolves, Termites, and Pussycats"

*Letter from Eisner on Schultze

*Eisner, "The Federal Deficit: How Does It Matter?"

*Boskin, "Do Deficits Matter?"

*Savage, "Deficits and the Economy: The Case of the Clinton Administration and the Budget Deficit"

*Starobin, "Weak Link"

*Yellen, "Symposium on the Budget Deficit"

*Barro, "The Ricardian Approach to Budget Deficits"

*Eisner, "Budget Deficits: Rhetoric and Reality"

*Gramlich, "Budget Deficits and National Savings"

*Bernheim, "A Neoclassical Perspective on Budget Deficits"

February 16: Macro Budgetary Constraints in the United States: Gramm-Rudman-Hollings, the Budget Enforcement Act, and Constitutional Amendments

*Schick, "The Role of Fiscal Rules in Budgeting"

*Wagner, "Effects of Constitutional Restraints on Economic Policy Making"

*Olson, "Is the Balanced Budget Amendment Another Form of Prohibition?"

**Statement by Louis Fisher, Congressional Research Service"

**Statement of Robert D. Reischauer, Director, Congressional Budget Office

**Statement by Congressman Joseph P. Kennedy II"

*Pierson, "From Expansion to Austerity"

*Patashnik, "Budgeting More, Deciding Less"

*Recommended: Hahn, "The Influence of the Gramm-Rudman-Hollings Act..."
Joyce and Reischauer, "The Federal Line-Item Veto: What It Is and What Will It Do?"

February 23: Exercise in Hard Choices I

**The 1996 Federal Budget: An Exercise in Hard Choices," pp. 1-8.

*Schick, "Incremental Budgeting in a Decremental Age"

*Schick, "Micro-Budgetary Adaptations to Fiscal Stress in Industrialized Democracies"

*Schick, "Macro-Budgetary Adaptations to Fiscal Stress in Industrialized Democracies"

*Schick, "Budgeting for Results: Recent Developments in Five Industrial Countries"

*Recommended: Schwartz, "Reinvention and Retrenchment: Lessons from the Application of the New Zealand Model to Alberta, Canada."
Savage and Schwartz, "Cutback Budgeting"

MIDTERM DISTRIBUTED

March 2: Exercise in Hard Choices II:

GAO, "Budget Surpluses: Experiences of Other Nations and Implications for the United States" (www.gao.gov/archive/2000/ai00023.pdf)

March 9: Spring Break

March 16: Micro Budgeting: Rational Choice and Principal-Agency Theories of Budgeting

*Kiewiet and McCubbins, "Delegation and Agency Problems," "Congressional Parties and Appropriations Decisions," and "Turning Appropriations into Expenditures"

*Kiewiet and McCubbins, "Congressional Appropriations and the Electoral Connection"

*Shepsle and Weingast, "Political Preferences for the Pork Barrel"

*Niskanen, "Part II, Critical Elements of a Theory of Supply by Bureaus," and Part IV, The Alternatives"

*Recommended: Dunleavy, "Bureaucrats, Budgets and the Growth of the State"

Conybeare, "Bureaucracy, Monopoly, and Competition"
Denemark, "Partisan Pork Barrel in Parliamentary Systems: Australian
Constituency-Level Grants"
Weingast, Shepsle, and Johnsen, "The Political Economy of Benefits and Costs"

MIDTERM DUE

March 23: Institutional Theories of Budgeting and Fiscal Policy

Haggard and McCubbins, Chs. 1-6

*von Hagen, "Budgeting Procedures and Fiscal Performance in the European Communities"

*Recommended: Kearns, "State Budget Periodicity: An Analysis of the Determinants
and the Effect on State Spending"

Alt, "Divided Government, Fiscal Institutions, and Budget Deficits: Evidence from
the States"

Alesina and Perotti, "Budget Deficits and Budget Institutions"

Roubini, "Political and Economic Determinants of Budget Deficits..."

Heller, "Bicameralism and Budget Deficits: The Effect of Parliamentary Structure..."

March 30: Macro and Micro Budgetary Constraints in Europe: The Maastricht Treaty on European
Union and Member State Compliance

Hallerberg, Chs. 1, 2, 4, 5, 9

*Buti, "Fiscal Discipline and Flexibility in EMU"

*Rossi, "The Theory of Subnational Balanced Budget and Debt Control"

*Schuknecht, "The Implementation of the Stability and Growth Pact"

*Recommended: Wildavsky, "Budgetary Control in a Decentralized System"

Savage, "Budgetary Collective Action Problems: Convergence and Compliance..."

Dafflon, "The Requirement of a Balanced Budget..."

April 6: Budgeting for the European Union

*Laffan, "Budget Rules and Where the Money Comes From," "Making Budgets,"

"Building a Union," "Managing the Finances of the Union," "The Second Financial Arm"

*Lindner, "Linking Institutions with Outcomes: An Institutionalist Assessment of the
EU Budgetary Procedure"

April 13: Japan's Fiscal Crisis

*Ishi, "Budgets and the Budgetary Process,"

*Wright, "A 'Public Works State,'" "Deficits and Debt," "Japan's Fiscal Performance
in International Context"

*Theis, "When Will Pork Leave the Farm? Institutional Bias in Japan and the United
States"

*Savage, "A Decade of Deficits and Debt: Japanese Fiscal Policy and the Rise and

Fall of the Structural Reform Act of 1997"

FINAL DISTRIBUTED

April 20: Federalism, Decentralization, and Budgeting

*Garman, "Fiscal Decentralization: A Political Theory with Latin American Cases"

*Braun, "The Influence of Federalism on Fiscal Policy Making"

*Bird, "Fiscal Decentralization in Developing Countries"

*Bahl, "China: Evaluating the Impact of Intergovernmental Fiscal Reform"

*Rao, "India: Intergovernmental Fiscal Relations in a Planned Economy"

*Shah, "Indonesia and Pakistan: Fiscal Decentralization--An Elusive Goal?"

*Recommended: Haggard, "Politics, Institutions, and Macroeconomic Adjustment: Hungarian Fiscal Policy Making in Comparative Perspective"

April 27: Class Cancelled

May 5: **FINAL EXAM DUE**, 2pm in 258 Cabell Hall.

FURTHER READINGS (This is a partial list to get you started):

On the Evolution of the Budgetary Process and Theory:

Dennis Ippolito, Congressional Spending, Cornell UP, 1981

Allen Schick, Congress and Money, Urban Institute, 1980

Richard Fenno, Power of the Purse, Little Brown, 1966.

Otto Davis, et al, "Towards a Predictive Theory of Governmental Expenditure: US Domestic Appropriations," British Journal of Political Science, Oct. 1974, V. 4, 419- 52.

Charles Lindblom, "The Science of Muddling Through,"

Public Administration Review, V. 39, Spring 1959, 79-86.

Irene Rubin (ed.), New Directions in Budget Theory, SUNY, 1988.

Allen Schick, Perspectives on Budgeting, American Society for Public Administration, 1980.

Naomi Caiden, "Public Budgeting in the United States: The State of the Discipline," in N. Caiden & A. Wildavsky (eds.), Public Administration: The State of the Discipline, Chatham House, 1990.

Roy Meyers, Strategic Budgeting, U Michigan, 1994.

Aaron Wildavsky, Budgeting, Little Brown, 1975.

R. Kent Weaver, Automatic Government, Brookings, 1988.

Eric M. Patashnik, Putting Trust in the US Budget: Federal Trust Funds and the Politics of Commitment, Cambridge UP, 2000.

J. Bartle, Evolving Theories of Public Budgeting, Elsevier Press, 2001.

On Budget Process and Reform:

Allen Schick, "The Road to PPB: The Stages of Budget Reform," Public Administration Review, V. 26, Dec. 1966, 243-58.

Allen Schick, "A Death in the Bureaucracy: The Demise of Federal PPB," Public Administration Review, March/April 1973, 146-156.

Seckler-Hudson, "Performance Budgeting in Government," Advanced Management, March 1953, 5-32.

Taylor, "Introduction to Zero-Based Budgeting," The Bureaucrat, Spring 1977, V. 6, 33-55.

"Planning-Programming-Budgeting System Reexamined: Development, Analysis, and Criticism," Public Administration Review, V. 39, March/April 1969, 111-202.

David Novick (ed.), Program Budgeting, Harvard UP, 1965.

Harley Hinrichs & Graeme Taylor, Program Budgeting and Benefit-Cost Analysis, Goodyear Publishing, 1969.

On Rational Choice Theories of Budgeting:

Dirk-Jan Kraan, Budgetary Decisions: A Public Choice Approach, Cambridge UP, 1996.

James Savage, "Budgetary Collective Action Problems: Convergence and Compliance under the Maastricht Treaty on European Union," Public Administration Review, January/February 2001, V. 61, N. 1, 40-50.

D. Roderick Kiewiet and Mathew D. McCubbins, The Logic of Delegation, U. Chicago Press, 1991.

On the Reagan Revolution:

Joseph White and Aaron Wildavsky, The Deficit and the Public Interest, U. California Press, 1989

John Gilmour, Reconcilable Differences, U. California Press, 1990.

William Niskanen, Reaganomics, Oxford UP, 1988

Paul Craig Roberts, The Supply-Side Revolution, Harvard UP, 1984

David Stockman, The Triumph of Politics, Avon, 1986

On Balanced Budget Requirements, Constitutional & Otherwise:

Edward Gramlich, "U.S. Federal Budget Deficits and Gramm-Rudman-Hollings," American Economic Review, May 1990, 75-80.

Sung Hahn, et al, "The Influence of Gramm-Rudman-Hollings Act on Federal Budgetary Outcomes, 1986-1989," Journal of Policy Analysis and Management, 1992, V. 11, 207-234.

Richard Doyle and Jerry McCaffery, "The BEA After One Year," Public Budgeting and Finance, Spring 1992, V. 12, 3-15.

Philip Joyce, "Budget Enforcement Act and Its Survival," Public Budgeting and Finance, Spring 1992, V. 12, 16-22.

Harry Havens, "Gramm-Rudman-Hollings: Origins and Implementation," Public Budgeting and Finance, Autumn 1986, V. 6, 4-24.

Aaron Wildavsky, How To Limit Government Spending, U. California Press, 1981

Richard Briffault, Balancing Acts, Twentieth Century Fund, 1996

James Saturno and Richard Forgette, "The Balanced Budget Amendment: How Would It Be Enforced?" Public Budgeting and Finance, Spring 1998, V. 18, N. 2, pp. 33-53.

Philip Joyce and Robert Reischauer, "The Federal Line-Item Veto: What is It and What Will It Do?" Public Administration Review, 1998.

On OMB:

Bruce Johnson, "OMB and the Budget Examiner," Public Budgeting and Finance, Winter 1988, V. 8, 3-21.

Bruce Johnson, "The OMB Budget Examiner," Public Budgeting and Finance, Spring 1988, V. 9, 5-14.

Larry Berman, The Office of Management and Budget, Princeton UP, 1979.

Hugh Hecl, "OMB and the Presidency--the Problem of Neutral Compliance," Public Interest, Winter 1975, 80-98.

Lawrence Haas, "What OMB Hath Wrought," National Journal, Sept. 3, 1988, 2187-2191.

Shelley Lynne Tomkin, Inside OMB, M.E. Sharpe, 1998.

On Budget Preparation and Analysis:

John Mikesell, Fiscal Administration,

John Engstrom & Leon Hay, Essentials of Governmental Accounting for Public Administration

Henry Levin, Cost-Effectiveness, A Primer

Joseph Kelley, Costing Government Services

Roy Meyers, ed., Handbook of Government Budgeting, Jossey-Bass, 1999

On Forecasting and Estimates:

Mark Kamlet, et al, "Whom do You Trust? An Analysis of Executive and Congressional Economic Forecasts," Journal of Policy Analysis and Management, 1987, V. 6, 365-384.

Kirk Jonas, et al, "Virginia's Revenue Forecasting Process and Models," Public Budgeting and Finance, Summer 1992, 70-81.

Rudolph Penner, "Errors in Forecasting," Urban Institute, April 2001.

On Cutback Budgeting:

James Savage and Herman Schwartz, "Cutback Budgeting," in Roy T. Meyers, ed., Handbook of Government Budgeting, Jossey-Bass, 1999.

Irene Rubin, Running in the Red, SUNY, 1982.

William Pammer, Managing Fiscal Strain in Major American Cities, Greenwood, 1990.

Charles Levine, et al, Fiscal Stress and Public Policy, Sage, 1980.

Charles Levine, et al, The Politics of Retrenchment, Sage, 1981.

On Tax Policy:

John F. Witte, The Politics and Development of the Federal Income Tax, U. Wisconsin Press, 1984.

Carolyn Webber and Aaron Wildavsky, A History of Taxation and Expenditure in the Western World, Simon and Schuster, 1986.

Timothy Conlan, et al, Taxing Choices: The Politics of Tax Reform, CQ Press, 1990.

Margaret Levi, Of Rule and Revenue, U California Press, 1988.

W. Elliot Brownlee, ed., Funding the Modern American State, 1941-1995, Cambridge UP, 1996.

John M. Quigley and Eugene Smolensky, eds., Modern Public Finance, Harvard UP, 1994.

On Defense Spending:

Errol Henderson, "Military Spending and Poverty," Journal of Politics, V. 60, #2, May 1998, 503-520.

Glenn Palmer, "Alliance Politics and Issue Areas: Determinants of Defense Spending," American Journal of Political Science, V. 31, #1, Feb. 1990, 190-211.

James Lebovic, "Riding Waves or Making Waves? The Services and the US Defense Budget," American Political Science Review, V. 88, # 4, Dec. 1994, 839-852.

Charles Ostrom, "US Defense Spending and the Soviet Estimate," American Political Science Review, V. 80, #3, Sept. 1986, 819-842.

On Monetary Policy:

John T. Woolley, Monetary Politics, Cambridge UP, 1984.

Donald F. Kettle, Leadership at the Fed, Yale UP, 1986.

Steven K. Beckner, Back From the Brink: The Greenspan Years, Wiley, 1996.

On the Historical Evolution of Budgetary and Economic Policy:

Richard Bonney (ed.), The Rise of the Fiscal State in Europe, c.1200-1815, Oxford U. Press, 1999.

J. Brewer, The Sinews of Power: War, Money and the English State, 1688-1783, Harvard U. Press, 1989.

Martin Van Creveld, The Rise and Decline of the State, Cambridge, 1999.

Dennis Ippolito, Why Budgets Matter, Penn State 2003.

On Comparative Budgeting:

Roland Sturm, Public Deficits: A Comparative Study of Their Economic and Political Consequences in Britain, Canada, Germany, and the United States, Longman, 1999.

Bernard Dafflon, Local Public Finance in Europe, Edward Elgar, 2002.

A. Wildavsky, Budgeting: A Comparative Theory of Budgetary Processes, Little, Brown, 1975.

R. Hutchings, The Soviet Budget, SUNY Press, 1983.

Davis, The Soviet Budgetary System, Cambridge, 1958.

Bahry, Outside Moscow: Power, Politics, and Budgetary Policy in the Soviet Republics, Columbia, 1987.

A. Lavrov, The Fiscal Structure of the Russian Federation, M.E. Sharpe, 2001.

Poterba and von Hagen (eds.), Fiscal Institutions and Fiscal Performance, U. Chicago, 1999.

R. Strauch and von Hagen (eds.), Institutions, Politics, and Fiscal Policy, Kluwer, 2000.

Wildavsky and Zapico-Goni (eds.), National Budgeting for Economic and Monetary Union, Martinus Nijhoff, 1993.

H. Wallace, Budgetary Politics: The Finances of the European Communities, Allen & Urwin, 1980.

Walder, The Budgetary Procedure of the European Economic Community, Bohlau Verlag,

1992.

J. Wanna, Managing Public Expenditure in Australia, Allen & Urwin, 2000.

A. Premchand (ed.), Government Financial Management: Issues and Country Studies, IMF, 1990.

H.Ishi, Making Fiscal Policy in Japan, Oxford, 2000.

R. Bonney (ed.), The Rise of the Fiscal State in Europe, c. 1200-1815, Oxford, 1999.

FEDERAL GOVERNMENT HOME PAGES:

Comprehensive listing of federal information: <http://fedworld.gov>

Library of Congress: <http://www.loc.gov>

Thomas (Library of Congress): <http://thomas.loc.gov>

US Government Printing Office: <http://www.access.gpo.gov>

Census data: <http://census.gov>

Office of Management and Budget: <http://www.whitehouse.gov/WH/EOP/omb>

White House: <http://www.whitehouse.gov>

House of Representatives: <http://www.house.gov>

Senate: <http://www.senate.gov>