

PLAP 546: THE POLITICS OF THE BUDGETARY PROCESS

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

Spring 2008

Professor James D. Savage

Office: 258 Cabell Hall

Office Hours: Thursday, 4:00-5:00 pm, most afternoons and by appointment.

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Our course examines the politics and processes of federal budgeting, and the role the budget plays in national economic policy making. Topics covered include the historical development of the budget and fiscal policy; the creation of the executive budget; the politics of the budgetary process by way of appropriations, entitlement, and tax policy; the relationship between fiscal and monetary policy; the creation of macrobudgetary rules; and the relationship of the budget to the economy through fiscal policy. Students will read portions of the budget, learn budget terminology, and follow the budgetary process.

Grading: Midterm (25%), Final (25%), Quizzes (20%), Political Assessment (5%), and Participation (10%).

Course assignments and requirements:

FIRST: You are responsible for learning key budget terminology. There will be at least two quizzes on budgetary and economic policy terms. Each quiz will count as 10 percent of your grade.

SECOND: You are responsible for writing a final paper.

THIRD: You will be assigned the task of creating a one-page political assessment/biography of a member of Congress who sits on a House or Senate Appropriations Committee. Your assessment will evaluate that member's seniority/ranking on the committee, the member's ideological rating, and the member's position on major legislation or programs of importance that fall within that member's subcommittee jurisdiction. This assessment will count as 5 percent of your grade.

FOURTH: You will participate in an ungraded group exercise, where each of you will be assigned to a budget committee with the responsibility of creating a budget that meets certain deficit and spending targets. This "Exercise in Hard Choices" will ask you to make choices between various types of spending and revenue programs to realize these fiscal goals.

FIFTH: You will keep a "budget diary." Each week you will collect two different stories from two different sources (newspapers, internet, etc.) about public budgeting. For each story you will provide a brief summary that indicates the level of government involved (federal, state, local); the amount of funds involved; whether the budget is being cut or increased; the name of the budgeted program. If taxes are being raised or cut to support a budget, indicate by how much and the type of taxes involved. Include a hard copy of the story. Be prepared to share your diary entries with the class each week. The budget diary is a credit/minus credit course requirement. Diaries will either

be given a "credit" grade, or a "minus credit" grade, in which case your overall course grade will be lowered by two grades (e.g. A- becomes a B, B+ becomes a B-, etc.).

SIXTH: There will be take-home mid-term and final exams, each counting as 25 percent of your grade.

Required Texts:

Collender, Guide to the Federal Budget, 2000

In addition, some required and recommended readings will be available for downloading through Toolkit. These readings are identified by an asterisk.

Reading Assignments:

January 17: Course Introduction

Recommended for Spare Time:

- *Savage, "Colonial Deficits, Constitutional Restrictions, and the Rise of Hamiltonian Government"
- *Savage, "Creating A Symbol: Balanced Budgets and the Concept of Corruption"
- *Savage, "Distorting A Symbol: Republican Party Government, 1861-1932"

January 24: Evolution of the Balanced Budget and Classical Budgeting

- *Wildavsky, "The Dance of the Dollars: Classical Budgeting"
- *Fenno, "The House Appropriations Committee as a Political System"
- *Lyden & Lindenberg, "Design of the Executive Budget: From PPB to ZBB"

Strongly Recommended:

- *LeLoup, "From Microbudgeting to Macrobudgeting: Evolution in Theory and Practice"
- *Schick, "The Road to PPB: The Stages of Budget Reform"
- *Taylor, "Introduction to Zero-Based Budgeting"

January 31: The Decline of Classical Budgeting, Budgetary Reform, and the Rise of the Contemporary Budgetary Process

Collender, All

February 7: Understanding Bush by Looking at the Past: The Reagan Revolution's Influence on American Fiscal Policy

- *Greider, "The Education of David Stockman"
- *Makin & Ornstein, "The Reagan Revolution in 1981," & "Fiscal Policy in the Reagan Years"
- *Stein, "The Reagan Campaign" & "The Reagan Presidency"

Recommended:

- *Savage, "The Economic Dimension: Fiscal Conservatism, Deficit Reduction, and Welfare Retrenchment in the United States"

February 14: Macro Budgetary Politics: Gramm-Rudman-Hollings (1985),
the Budget Enforcement Act (1990), and the Balanced Budget Act (1997)
*Schick, "The Role of Fiscal Rules in Budgeting"
*Palazzolo, "Budget Choices and Deficit Politics," "Tug of War," "Reconciliation
Medley," "The Politics of Tax Policy," and "Conference Politics"

MIDTERM DISTRIBUTED

February 28: Micro Budgetary Politics: Rational Choice, Principal-Agency, and Institutional
Theories of Budgeting
*Kiewiet & McCubbins, "Delegation and Agency Problems," "Congressional Parties and
Appropriations Decisions," and "Turning Appropriations into Expenditures"
*Kiewiet & McCubbins, "Congressional Appropriations and the Electoral Connection"
*Shepsle & Weingast, "Political Preferences for the Pork Barrel"
*Weingast, Shepsle, & Johnsen, "The Political Economy of Benefits and Costs"
*Niskanen, "Part II, Critical Elements of a Theory of Supply by Bureaus," and
"Part IV, The Alternatives"
*Savage, "Saints and Cardinals in Appropriations Committees"

March 6: Spring Break

March 13: Exercise in Hard Choices I
*"The 1996 Federal Budget: An Exercise in Hard Choices," 1-8.

MIDTERM DUE

March 20: Exercise in Hard Choices II
*Wagner, "Effects of Constitutional Restraints on Economic Policy Making"
*Olson, "Is the Balanced Budget Amendment Another Form of Prohibition?"
*Joyce & Reischauer, "The Federal Line-Item Veto: What It Is and What
Will It Do?"
**Statement by Louis Fisher, Congressional Research Service
**Statement of Robert D. Reischauer, Director, Congressional Budget Office"
**Statement by Congressman Joseph P. Kennedy II"

March 27: Tax and Entitlement Policies
*Steuerle, "Tax Policy from 1990 to 2001" and following comments
*Howard, "The New Politics of the Working Poor"
*Gale and Kelly, "The 'No New Taxes' Pledge"
*Newhouse, "Medicare Policy," and following comments
*Elmendorf, "Fiscal Policy and Social Security Policy During the 1990s" and comments

April 3: Monetary Policy
*Greider, Secrets of the Temple, Chs. 2, 11-14
*Woodward, "Behind the Boom"

- *Bernake & Mishkin, "Inflation Targeting: A New Framework for Monetary Policy?"
- *Mankiw, "U.S. Monetary Policy During the 1990s" and following comments

April 17: The Debate Over the Economics of Deficits I

- *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?"
- *Boskin, "Sense and Nonsense About Federal Deficits and Debt"
- *Savage, "Deficits and the Economy: The Case of the Clinton Administration and the Budget Deficit"
- *Starobin, "Weak Link"

FINAL DISTRIBUTED

April 24: The Debate Over the Economics of Deficits II: Class Cancelled--Do the Reading Anyway.

- *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"

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