

Public Finance and Financial Management

Still Living Dangerously- The Economist, Oct 23, 2003.

This article discusses the difficulty Indonesia is having attracting foreign investors because of an inadequate legal system, government corruption, poor capital infrastructure and protectionism.

Just What the Professor Ordered- Ian Sayres, New York Times. Sept. 16, 2005

This article explores the monopoly enjoyed by college textbook manufacturers and possible remedies to the exorbitant amount that students pay each semester. Analogies are made with the prescription drug industry and allusions in both are to the economic concept of a moral hazard.

Dreams of a Monster- Daniel Chirot, Washington Post, Dec. 17, 2003. sect A4.

Chirot discusses the utopian ideals of Saddam Hussein and other Islamic leaders and stresses the importance of Americans thinking about the ideals they are trying to create as well as the physical manifestations of their attempts at creating them.

Don't let the Industry win with Disaster Bailouts- Steven Pearlstein, Washington Post, Sept 28, 2005

Pearlstein discusses the moral hazards associated with some Federal bailout plans post Hurricane Katrina. Plans discussed include post-disaster flood insurance issuance, federal bailout of area municipal bonds, and low cost lending operations.

Economic man, Cleaner Planet- The Economist, Sept. 27, 2001.

Command and Control regulation, or a system where the market and private property rights protects the environment? This article looks at the traditional, and the market oriented approach to saving the environment.

Study Finds net Gains From OMB Rules- Eric Painin, Washington Post, Sept. 27, 2003.

This article discusses a controversial cost benefit analysis of EPA issued Clean Air regulations. The OMB analysis claims benefits outweigh costs by 5-7 times, while the year before they estimated them to be even.

Changing all the Rules- Bruce Barcott, New York Times, April 4, 2004.

This article discusses the changes to "New-Source-Review" laws upon George W. Bush's arrival. The article follows EPA efforts to curb emissions from power plants from the 70's until recently, noting the policy changes and emissions fluctuations that have colored that history.

The Truth About the Environment- The Economist, April 2, 2001.

This article comes from the other side of the environmental debate. Characterizing many environmental arguments as Malthusian in nature, and keying up the importance of environmental group self-interest, this article questions the legitimacy of some common environmental concerns.

Inequality- The Economist, Sept. 6, 2003.

Set in the context of the 2004 Presidential Election, this article explores income distribution in the U.S. and what tax policies might make it more equitable.

A Different Manifesto- the Economist, Sept. 29, 2001.

This article highlights weaknesses in the intellectual arguments of staunch anti-globalizers and pro-globalization politicians. Its main thrust is that globalization in mixed economies will likely have a positive environmental effect, raise people from poverty and empower developing countries, and if staunch anti-globalizers opened their minds to the idea of mixed capitalism, they may have a different opinion.

African Aid For American Farmers- Celia Dugger, New York Times, Oct. 12, 2004.

This article describes the US Food AID program and the variety of American organizations that have a stake in continuing the inefficient system of American farmers growing the food, with American shippers shipping it.

Cow Politics- New York Times, Oct. 27 2005.

This article discusses to the wrangling over Agricultural Subsidies between major countries at the Hong Kong round of WTO negotiations. The title refers to a study that found the average European cow is subsidized at a rate of \$2.20 a day, which is more than 1.2 billion people live off of.

Globalization and Its Critics- The Economist

<http://econ.jhu.edu/people/ccarroll/courses/365/Topics/3-JusticeAndEconomics/D-Globalization/ReadingsRequired/GlobalizationAndItsCritics.pdf>

Let Them Sweat- Nicholas Kristoff, New York Times, June 25, 2002.

This article talked about sweatshops in the developing world from the viewpoint of the people who need the jobs to survive. Using interviews and stories from Afghanistan, Pakistan and Cambodia the author argues that Western nation campaigns to end sweatshop labor could have unintended tragic consequences.

MacGillivray, David. (2006). "The Role of the Finance Officer in Economic Development," *Government Finance Review*, (October) 22:5: 8-15.

A GFOA publication outlining the finance officers role in his government's economic development planning.

In Praise of Cheap Labor- Paul Krugman, a "Dismal Science" piece for Slate available on Krugman's website at:

<http://web.mit.edu/krugman/www/smokey.html>

Krugman also talks about how the people who work in sweatshops are choosing to work there rather than the even worse alternatives. Krugman references the Smoky Mountain garbage scavengers in the Phillipines to Kristoff's (above) examples of loom workers, but the argument is essentially the same.

Profits over People- The Economist

<http://econ.jhu.edu/people/ccarroll/courses/365/Topics/3-JusticeAndEconomics/D-Globalization/ReadingsRequired/ProfitsOverPeople.pdf>

Don't Get Into a Lather Over Sweatshops- Benjamin Powell

<http://econ.jhu.edu/people/ccarroll/courses/365/Topics/3-JusticeAndEconomics/D-Globalization/ReadingsRequired/SweatShopsEvidence.pdf>

When Trust in an Expert is Unwise- David Leonhardt, New York Times, Nov. 7, 2007

This article discusses a study done by Cornell Professor where a rigged car was sent to body shops for diagnoses to determine if they would catch the intentional damage done to the car or if they would prescribe some expensive alternatives. The latter was true in this article that explores incomplete information and the economics of reputation.

Health Economics 101- Paul Krugman, New York Times, Nov. 14, 2005

First, about risk: in any given year, a small fraction of the population accounts for the bulk of medical expenses. In 2002 a mere 5 percent of Americans incurred almost half of U.S. medical costs. If you find yourself one of the unlucky 5 percent, your medical expenses will be crushing, unless you're very wealthy -- or you have good insurance.

What happens to those denied coverage? Citizens of advanced countries -- the United States included -- don't believe that their fellow citizens should be denied essential health care because they can't afford it. And this belief in social justice gets translated into action, however imperfectly. Some of those unable to get private health insurance are covered by Medicaid. Others receive "uncompensated" treatment, which ends up being paid for either by the government or by higher medical bills for the insured. So we have a huge private health care bureaucracy whose main purpose is, in effect, to pass the buck to taxpayers. Private health insurance in America comes almost entirely in the form of employment-based coverage: insurance provided by corporations as part of their pay packages. The key to this coverage is the fact that compensation in the form of health benefits, as opposed to wages, isn't taxed.

One recent study suggests that this tax subsidy may be as large as \$190 billion per year. And even with this subsidy, employment-based coverage is in rapid decline.

Oxygen Suppliers Fight To Keep a Medicare Boon- Charles Duhigg, New York Times, Nov. 30, 2007

This article discusses how the oxygen supply industry has been able to turn senior citizens into activists and keep hold of Medicare reimbursements for products that are in some cases twice the retail price. The article explores the whole political process in attempting to bring the prices down, and notes the repeated failures after each attempt.

A Double Dose of Failure- Sebastian Mallaby, Washington Post. Nov. 7, 2005

This article argues the United States has failed to effectively stockpile Tamiflu, the bird flu vaccine, and also threatened the innovation of the pharmaceutical industry by insinuating it was considering breaking patent laws to produce its own stockpile.

Terri A. Saxon, Steven M. Sheffrin, and Arthur O'Sullivan, "Proposition 13: Unintended Effects and Feasible Reforms," *National Tax Journal*, March 1999, 99-111.

This paper explores the causes and consequences of Proposition 13, focusing on its effects on horizontal equity among homeowners, household mobility, and the fiscal structure of state and local government.

Jeffrey Chapman, “The Impacts of Public Fiscal Tools on Private Development Decisions” *National Tax Association Proceedings – 2002*, 308-315.

Charles Tiebout "A Pure Theory of Local Expenditures," *The Journal of Political Economy*, Vol. 64, No. 5. (Oct., 1956), pp. 416-424.

Charles Tiebout's Pure Theory of Local Expenditures serves as a helpful framework in examining the emergence of the learning society, communications technologies, freer trade, and the effects these will have on the educational infrastructure. Tiebout argued that the failure of market-type systems of public good at the central government level does not necessarily mean failure at the local level. The advent of technology and an information society provides citizens with more freedom to relocate should they be unhappy with their local governments and politicians, creating competition between governments and a desire to best serve its citizens. Local governments, which are directly responsible for delivering education, must therefore provide adequate post-secondary education to increase the attractiveness of their community. In order to remain competitive, many colleges and universities have designed courses and programs for electronic delivery, via the Internet and World Wide Web. Smaller local educational institutions, however, might not benefit from such developments when in competition with larger, well known institutions, and will likely find it difficult to obtain public support. As a result, the private sector delivery of education will increase dramatically, pushing government and publicly sponsored institutions aside. This may increase the exclusivity of higher education, and, unfortunately, further hinder the path of lifelong learning.

Kinghorn “From Scorekeeper to Business Partner”

This article by the GFOA encourages government financial executives to be much more policy oriented, and help steer the organization from their financial perspective.

Joyce, “Federal Budgeting After September 11th : A Whole New Ballgame, or Is It Déjà vu All Over Again?” *Public Budgeting & Finance* (2005), 25 (1): 15-31

Federal budgeting has undergone some profound changes since the tragic events of September 11th, 2001. Large surpluses that existed prior to September 11th and were forecast to continue have been replaced by equally large and intractable deficits. The consensus around a macro-level norm for federal budgeting has completely broken down. In other ways, the federal budget process has not changed at all. Despite the emphasis on defense and homeland security, domestic discretionary spending is still continuing unabated, as it has since the late 1980s. Further, the federal government continues to have chronic difficulty adopting its budget in a timely fashion.

Lauth and Reese, “The Line-Item Veto in Georgia: Fiscal Restraint or Inter-Branch Politics?” *Public Budgeting & Finance* (2006), 26 (2): 1-19

This article about use of the line-item veto in Georgia concludes that the item veto has been used not as an instrument for reducing the budget total or the size of state government, but as an instrument for protecting the executive budget. Using

appropriations data and drawing upon interviews with participants in the budget process, including seven governors, the authors present evidence that in Georgia the item veto (1) is not frequently used, (2) when used, is more likely to remove legislative language than delete dollar amounts, and (3) enables the spending priorities and fiscal policy preferences of the governor to prevail as state policy.

Boskin, “Sense and Nonsense About Federal Deficits and Debt,” *The Economists’ Voice* (2004), 1 (2): Article 7

In the short run, the Bush tax cuts were one of the largest and best-timed uses of fiscal policy in history, helping to prevent a much worse downturn (but it would have been better still if the tax rate cuts had been immediate and real spending controls enacted simultaneously to take effect well into the economic expansion). In the medium run of five-to-ten years, the CBO projects gradually declining deficits and a debt-GDP ratio that rises slightly to peak at about 40% in two or three years, and then stabilizes for the rest of the decade through 2014 even as the tax cuts are made permanent, so long as the post-1998 splurge in non-defense discretionary spending is slowed substantially. This is hardly a debt spiraling out of control. The deficits will reduce domestic investment, but less than dollar-for-dollar. The effect is important, but hardly a cause for hysteria. Of course, President Bush's tax cuts and Senator Kerry's spending increases have ramifications well beyond the next decade, when fiscal pressures will become even more pronounced. In the long run of decades, the deficits in Social Security and Medicare are projected to be much larger than the unified deficit in the next ten years. Standard projections exceed fifty trillion dollars in present value, but may overstate the problem by assuming quite modest long-run annual growth, increases in health care outlays far in excess of GDP growth for the better part of a century (the only way that will happen is if the health benefits are sufficient for citizens to want to spend that much), large real benefit increases in Social Security, and continuous tax cuts to offset real bracket creep and the AMT. But even with less stark projections, there would still be large deficits and large tax increases looming. To avoid them, continuously rigorous spending control and major program reform is essential.

Jones and McCaffery, “Assessing Options for Changing the Federal Government Budget Process,” *Public Finance and Management* (2002), 2 (3): 436-469

Burns and Lee, “The Ups and Downs of State Budget Process Reform: Experience of Three Decades,” *Public Budgeting & Finance* (2004), 24 (3): 1-19

From zero-base budgeting to the Government Performance and Results Act, state budgeting systems have been synonymous with budgeting reform for over 30 years. This article examines the trends, both long-term and short-term, which have been identified through analysis of state budgeting office practices. Particular emphasis has been placed on understanding the changes in performance measurement over the period of 1970 to 2000. The findings reveal trends such as changes in the makeup of budget office personnel, a lack of budget offices in moving toward cost accounting, and trends in budget preparation and budget documents. Some budget reforms seem to have plateaued, beginning in the mid-1990s, while other reforms have exhibited 'backsliding'. It is clear that the states are not all marching in unison in reforming their budget systems. As with earlier phases of this study, the 2000 data raise many questions that will be explored in future research.

Mikesell, “Changing Revenue Policy in the United States: An Overview of the Record and Perennial Puzzles,” *Public Budgeting & Finance* (2005), Special Issue: 99-126

The past quarter century has produced little change in the government revenue share of gross domestic product in the United States. The federal share has fallen, but the state and local share has increased. There has been no great change among revenue sources, certainly nothing like the flight from the property tax that characterized the prior decade. Several issues have dominated revenue policy discussions over the last quarter century. These include the role of the property tax, realignment of the federal tax base away from income, tax simplification, and base broadening. There have been no definite solutions to date.

Slemrod, “The Role of Misconceptions in Support for Regressive Tax Reform,” *National Tax Journal* (2006), LIX (1): 57-75

In this paper, I use data from an exceptionally detailed survey of attitudes toward taxation in the United States to investigate the relative importance of one particular misconception—that high-income people would pay more tax under an apparently regressive reform, mostly because many people believe that the distribution of the burden of the existing income tax is regressive—in explaining public support for a flat tax and a retail sales tax. I find that this policy misconception is strongly associated with support for replacing the existing income tax with either of these two alternatives. A similar misconception about the distributional impact of the estate tax explains some of the support for eliminating that tax.

Hildreth and Zorn, “The Evolution of the State and Local Government Municipal Debt Market Over the Past Quarter Century,” *Public Budgeting & Finance* (2005), Special Issue: 127-153

Much has happened in the municipal bond market during the past 25 years. This article provides a retrospective of some of the significant developments in the market during that period of time. These developments include passage of the Tax Reform Act of 1986, innovations in the market in response to changing economic and social conditions, and the regulation, increase in disclosure requirements, and proliferation of credit enhancements that renewed the efficacy of municipal securities for American state and local governments.

Walker, D, “Financial Audit: Bureau Of The Public’s Debt Fiscal Years 2005 And 2005, Schedule Of The Public Debt”, General Accounting Office, November 2006

Johnson, “The State of the Tobacco Settlement: Are Settlement Funds Being Used to Finance State Government Budget Deficits? A Research Note,” *Public Budgeting & Finance* (2004), 24 (1): 113-125

In the Master Settlement Agreement, the major U.S. tobacco companies agreed to pay approximately \$229 billion between 1999 and 2025 to 46 states, the District of Columbia, and five U.S. territories. The windfall raises important spending and financing decisions for state governments. This research note analyzes how governments are spending their settlement proceeds, especially whether states are using funds to finance current budget deficits, and investigates the financing practice by several states of selling their right to future settlement proceeds to support the issuance and repayment of tobacco securitization bonds.

Poterba, “Balanced Budget Rules and Fiscal Policy: Evidence From the States,”
National Tax Journal (1995), 48 (3): 329-336

This article adds to the debate on a federal balanced budget amendment by noting what has worked with the states and what differences may require new ways of thinking.

J.L. Regens and T.P. Lauth, Buy Now, Pay Later: Trends in State Indebtedness, 1950-1989.

PAR (Mar./Apr. 1992, vol. 52, no. 2).

In theory, special purpose entities are entities whose compositions are corporate in structure and are established or chartered by the national, state, or a sub-unit form of government. In infrastructure provision, the mass transit authority is a special purpose authority that is established to provide the market-oriented service of transit operations. To understand the financial behavior of these providers of transportation infrastructure, this paper seeks to evaluate the corporate-like behavior of transportation authorities. This behavior is evaluated by applying corporate debt finance theory to public transit authorities. Considering the corporate-like structure of public transit authorities, multiple corporate debt issuing behavioral hypotheses are explored: the pecking-order hypothesis of capital investing, the bail-out hypothesis, and the market signal hypothesis. Findings indicate that although their enabling governments may subsidize transportation authorities, financially they appear to be more corporate-like than thought. Support is found for the pecking-order hypothesis indicating internal financing of infrastructure first and debt financing second. Although dependent somewhat on governmental subsidies, the role of own-source revenues with respect to debt acquisition appears to be strongly negative. Mixed results are found for the bail-out hypothesis with Federal IGR indicating an increase in capital debt, while both state and local IGR indicate an opposite effect. Mixed support is also found for the market signal hypothesis. The impact of interest costs is non-significant while the role of debt service funds and cash securities is positive as these authorities approach the debt market.

James D. Savage, California's Structural Deficit Crisis. Public Budgeting & Finance
(Summer 1992, vol. 12, no. 2), 82-97.

Clifford P. McCue, The Risk Return Paradox in Local Government Investing. Public Budgeting and Finance (Fall 2000, vol. 20, no. 3), 80-101.

This study contrasts expected utility theory in the form of modern portfolio theory (MPT) with a descriptive psychological analysis in the form of prospect theory. For local government investment managers, the assumptions underlying MPT are violated in the manner predicted by prospect theory. Findings confirm the notion that local government investment managers are risk-averse when facing an investment gain and risk-seeking when facing an investment loss. Although a number of researchers have appealed to prospect theory to explain firm and industry risk patterns, the utility of prospect theory in public sector organizations is questioned. This study finds that irrespective of their personal disposition toward risk, local government chief investment officers defer to a compelling public interest when making investment decisions for their organization.

Greifer and Vieceli, “Best Practices in Treasury Management”. Government Finance Review. April 2000. Pgs. 19-22

Heller, Walton, and Willmoth, “Back to Basics: Making the Case for Investment Policies”. *Government Finance Review*. April 2002. Pgs. 20-23

Kravchuk and Voorhees, “The New Government Reporting Model”. *Public Budgeting and Finance*. 21 (no.3). 1993. pgs. 703-724.

Kirk Jonas, G. J. Rest, and T. Atkinson, Virginia’s Revenue Forecasting Process and Models. Public Budgeting and Finance (Summer 1992, vol. 12, no. 2), 70-81.

P. S. Florestano, Revenue-raising Limitations on Local Government: A Focus on Alternative Responses. PAR (Jan. 1981, vol. 41, Special Issue), 122-130.

A.G. Cahill and J.A. James, Responding to Municipal Fiscal Distress. PAR (Jan/Feb. 1992, vol. 52, no. 1), 88-94.