

POL 423 H1S/2110 H1S: The Politics of Public Monies

Christian Breunig

Time: W 4-6pm Place: LA214

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Hours: R 4-6pm OBA

1 Statement of Purpose

Budgeting is a central task of a political system and shapes the macro-economy. Given this importance, the course provides an overview of the politics of public monies. The course starts with a general understanding on the process of budgeting and then evaluates competing theories of the politics of public monies. Theoretically, it concentrates on the role of individual decision-making, political interests, as well as institutional and economic constraints. Substantively, the course focuses more attention on the expenditure aspect of budgeting but also touches on the principles of revenue-raising. Readings cover the national and sub-national level of government in the developed and developing world. This course aims to provide students with knowledge about how budgeting works and how politics shapes budgetary outcomes.

2 Prerequisites

This course is designed for advanced undergraduates and MA-level graduate students in political science and public policy. At a minimum, students need to have taken at least one class in either Political Science or Economics; well-prepared students will have completed several courses in comparative politics or macro-economics.

3 Requirements

Students are evaluated based on four types of assignments that are weighted in the following fashion:

Assignment	Composition of Final Grade
Resident Expert Duty	10%
Participation	15%
Two Reaction Papers	each worth 15%
Proposal of and Final Paper	10% and 35%

Students are expected to read assigned readings before class and participate in class discussion. Active participation based on careful reading is given substantial weight in the determination of the final grade. To encourage discussion all of you should *prepare one question* a week to post on Blackboard by 9:00am of the day of class. In the first week of the course, you will sign up to be a *resident expert* for one meeting

of the class. The resident experts on any given meeting are prepared to theoretically review and empirically consider the meeting's reading material. Resident experts are prepared to open the discussion with a 5 minute presentation of the readings and are especially responsible for starting and rescuing class discussion. The following scheme is used for evaluating your participation and resident expert duties:

Grade	Contribution
A	Active and voluntary participation in almost all discussions, combination of constructive contributions <i>and</i> the ability to listen to others.
B	Active participation in at least some discussions and regular non-dormant presence in all.
C	Minimal voluntary contribution to discussions.
D	Minimal presence and no voluntary contribution to discussions.

For two pre-selected class meetings, students will turn in a two page (ca. 800 words) "*reaction paper*" addressing the readings of the previous weeks. This paper should be more than a summary; it might critique, compare, and contrast arguments and findings, or place them into broader themes. The *final paper* will be an eight page essay (ca. 3000 words) on a topic of your choice placed within the context of the course. Potential topics include empirical examinations of some type of public money at the sub-national or national level as well as the study of various forms of fiscal institutions. In preparation for the final paper, you are ask to submit a *research proposal* of two pages (ca. 800 words). The proposal should contain (1) your research question, (2) a statement regarding the relevance of the topic, and (3) an outline of the employed methodology and data. Bibliography, graphics, and tables are not included in the length requirements. It is expected that the final paper will be developed from the proposal and the comments received on it. Per U of T's double-sided printing initiative, please print all assignments double-sided. Writing works are due at the beginning of the class on the following dates:

Due Date	Content
10-Feb-2010	Reaction paper for sessions 1 - 6
24-Feb-2010	Proposal for Final Paper
24-Mar-2010	Reaction paper for sessions 7 - 11
31-Mar-2010	Final paper

4 Readings

The course draws on readings published in academic books and journals. Depending on demand, there will be a reading package available at Print City located at 180 Bloor St West (Tel: (416) 920-3040). All readings are available electronically through the library or Blackboard. Please make sure to bring the reading material with you to class.

5 Course Policies

1. *Participation guidelines.* Students are expected to participate actively in class by engaging both with the course material and with your peers. Most importantly, it is essential that the class environment be one of mutual respect and tolerance. The widest possible diversity of opinion is encouraged. An

atmosphere of respect for all students is critical to fruitful and amicable discussion. In addition, it is unacceptable to engage in behavior that inhibits or distracts from discussions such as carrying on side conversations, reading outside material, or leaving wireless networks and cell phones on.

2. *No late papers.* All late papers will be punished by five percent for every day that they are late. Otherwise, restrictive University rules (illness, religious holidays) apply. No course work will be accepted after the last day of the Exam Period.
3. *Grade Appeal Policy.* All appeals of grades received on a test or paper need to be submitted in writing no later than five working days after the assignment is returned. Appeals on the final test are due the first day of class of the following semester. Provide a written statement outlining the reasons for your dissatisfaction, making explicit references to the grading criteria and, when appropriate, to course and lecture materials. Be aware when an assignment is appealed, I can choose to lower your grade as well as raise it.
4. *Plagiarism and cheating are violations of academic integrity and thus violations of the University of Toronto Student Conduct Code.* Plagiarism is a serious academic offence and will be dealt with accordingly. For further clarification and information, please see the University of Toronto's policy on plagiarism at <http://www.utoronto.ca/writing/plagsep.html>.
5. *Accessibility Needs:* The University of Toronto is committed to accessibility. If you require accommodations or have any accessibility concerns, as soon as possible please visit <http://studentlife.utoronto.ca/accessibility>.

6 Class Schedule

Jan-06-2010: Introduction to the Course

- Key, V. O. (1940). The lack of a budgetary theory. *The American Political Science Review*, 34(6):1137–1144
- Savage, J. D. (2001). Budgeting: Political science aspects. In Smelser, N. J. and Baltes, P. B., editors, *International Encyclopedia of the Social and Behavioral Sciences*, volume 2, pages 1397–1400. Elsevier Science Ltd, Oxford
- Wildavsky, A. (1984). *The Politics of the Budgetary Process*. Little, Brown and Company, Boston, 4th edition, p. 1-5

Jan-13-2010: Budgeting: Some Stylized Facts

- Blöndal, J. R. (2003). Budget Reform in OECD member countries: common trends. *OECD Journal on Budgeting*, 2(4):7–26
- Doern, B. G. (2009). Evolving budgetary policies and experiments: 1980–2009–2010. In Maslov, A. M., editor, *How Ottawa Spends, 2009-2010: Economic Upheaval and Political Dysfunction*, pages 14–43. McGill-Queen's University Press, Montreal
- Schiavo-Campo, S. (2007). Budget preparation and approval. In Shah, A., editor, *Budgeting and budgetary institutions*, pages 235–2–78. World Bank Publication, Washington D.C
- Tanzi, V. and Schuknecht, L. (2000). *Public spending in the 20th century: A global perspective*. Cambridge University Press, Cambridge. p. 2-22

Jan-20-2010: Early Theories and its Extensions

- Davis, O. A., Dempster, M. A. H., and Wildavsky, A. (1966). A theory of the budgetary process. *The American Political Science Review*, 60(3):529–547
- Good, D. A. (2007). *The politics of public money: spenders, guardians, priority setters, and financial watchdogs inside the Canadian government*. University of Toronto Press, Toronto, p. 1-40 and p. 385-309
- Heclo, H. and Wildavsky, A. (1974). *The Private Government of Public Money: Community and Policy Inside British Politics*. Macmillan, London, p.xi-36
- Wildavsky, A. and Caiden, N. (2003). *The New Politics of the Budgetary Process*. Pearson-Longman, New York, 5th edition, p. 42-67

Jan-27-2010: Public Responsiveness and Punctuated Equilibrium

- Jones, B. D. and Baumgartner, F. R. (2005). A model of choice for public policy. *Journal of Public Administration Research and Theory*, 15(3):325–351
- Jones, B. D., Baumgartner, F. R., Breunig, C., Wlezien, C., Soroka, S., Foucault, M., François, A., Green-Pedersen, C., Koski, C., John, P., Mortensen, P. B., Varone, F., and Walgrave, S. (2009). A general empirical law of public budgets: A comparative analysis. *American Journal of Political Science*, 53(4):855–873
- Soroka, S. N. and Wlezien, C. (2005). Opinion–policy dynamics: public preferences and public expenditure in the United Kingdom. *British Journal of Political Science*, 35(4):665–689

Feb-03-2010: Political Institutions

- Alt, J. E. and Lowry, R. C. (1994). Divided government, fiscal institutions, and budget deficits: Evidence from the states. *American Political Science Review*, 88(4):811–828
- Persson, T. and Tabellini, G. (2004a). Constitutional rules and fiscal policy outcomes. *American Economic Review*, 94(1):25–45
- Persson, T. and Tabellini, G. (2004b). Constitutions and economic policy. *The Journal of Economic Perspectives*, 18(1):75–98

Feb-10-2010: Budget Institutions

- Alesina, A., Hausmann, R., Hommes, R., and Stein, E. (1999). Budget institutions and fiscal performance in Latin America. *Journal of Development Economics*, 59(2):253–273
- Alesina, A. and Perotti, R. (1996). Fiscal discipline and the budget process. *American Economic Review*, 86(2):401–407
- Hallerberg, M., Strauch, R., and von Hagen, J. (2007). The design of fiscal rules and forms of governance in European Union countries. *European Journal of Political Economy*, 23(2):338–359
- Von Hagen, J. (2002). Fiscal rules, fiscal institutions, and fiscal performance. *Economic and Social Review*, 33(3):263–284

Feb-24-2010: The Size of Government

- Adserà, A. and Boix, C. (2002). Trade, democracy, and the size of the public sector: The political underpinnings of openness. *International Organization*, 56(2):229–262
- Cameron, D. R. (1978). Expansion of the public economy: A comparative analysis. *American Political Science Review*, 72(4):1243–1261
- Downs, A. (1960). Why the government budget is too small in a democracy. *World Politics*, 12(4):541–563

Mar-03-2010: Fiscal Policy and Deficits

- Cusack, T. R. (1999). Partisan politics and fiscal policy. *Comparative Political Studies*, 32(4):464–486
- Roubini, N. and Sachs, J. D. (1989). Political and economic determinants of budget deficits in the industrial democracies. *European Economic Review*, 33(5):903–933
- Wehner, J. (forthcoming). Institutional constraints on profligate politicians: The conditional effect of partisan fragmentation on budget deficits. *Comparative Political Studies*

Mar-10-2010: Fiscal Federalism

- Qian, Y. and Weingast, B. R. (1997). Federalism as a commitment to perserving market incentives. *The Journal of Economic Perspectives*, 11(4):83–92
- Rodden, J. (2002). The dilemma of fiscal federalism: Grants and fiscal performance around the world. *American Journal of Political Science*, 46(3):670–687
- Wibbels, E. (2003). Bailouts, budget constraints, and leviathans: Comparative federalism and lessons from the early United States. *Comparative Political Studies*, 36(5):475–508

March-17-2010: The Composition of Government Spending

- Adolph, C., Breunig, C., and Koski, C. (2008). Something's got to give: The political economy of state budget trade-offs. Unpublished Manuscript: University of Washington
- Dreher, A., Sturm, J., and Ursprung, H. (2008). The impact of globalization on the composition of government expenditures: Evidence from panel data. *Public Choice*, 134(3):263–292
- Tsebelis, G. and Chang, E. C. C. (2004). Veto players and the structure of budgets in advanced industrialized countries. *European Journal of Political Research*, 43(3):449–476

Mar-24-2010: The Welfare State

- Alesina, A., Glaeser, E., and Sacerdote, B. (2001). Why doesn't the United States have a European-Style welfare state? *Brookings Papers on Economic Activity*, 2001(2):187–254
- Huber, E. and Stephens, J. D. (2001). *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. University of Chicago Press, Chicago, p.39-84
- Wibbels, E. (2006). Dependency revisited: International markets, business cycles, and social spending in the developing world. *International Organization*, 60(02):433–468

Mar-31-2010: Taxation

- Ganghof, S. (2007). The political economy of high income taxation: Capital taxation, path dependence, and political institutions in Denmark. *Comparative Political Studies*, 40(9):1059–1084
- Genschel, P. (2002). Globalization, tax competition, and the welfare state. *Politics Society*, 30(2):245–275
- Swank, D. and Steinmo, S. (2002). The new political economy of taxation in advanced capitalist democracies. *American Journal of Political Science*, 46(3):642–655