

**Fulbright School of Public Policy
Academic Year 2017-2018
Spring Semester 2018**

COURSE SYLLABUS

**PUBLIC SECTOR ECONOMICS
(4 credits)**

Teaching Team

Instructors:	Huynh The Du	du.huynh@fuv.edu.vn
	Do Thien Anh Tuan	tuan.do@fuv.edu.vn
Tutor	Thach Phuoc Hung	phuochung105@gmail.com

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Huynh The Du	15:30-17:00		15:30-17:00		
Do Thien Anh Tuan		15:30-17:00		15:30-17:00	
Thach Phuoc Hung	16:30-18:00		16:30-18:00		

If you have a scheduling conflict with these regular office hours, please feel free to make appointments at other mutually convenient times.

Course Objectives and Learning Outcomes

The course examines the roles and choices of government as well as local governments in the economy in terms of mobilizing and allocating resources from different levels of government; analyzes the objectives and the tradeoffs between economic efficiency and social justice, examines the principles of choice and decision. The course also provides students with tools and analytical frameworks for evaluating government investment and spending programs.

Specifically, after finishing the course, students will:

- Understand the role of the public sector in relation to the market;
- Understand revenue and expenditure policies and decentralization of budgets among different levels of government
- Analyze and evaluate dimensions of fiscal policy;
- Participate in the discussion and evaluation of the Government's public finance reform program;
- Apply public finance principles to the context of Vietnam's transitional economy, policy and practice.

Course topics

For that purpose, the content of the course is designed as follows: The first section introduces the basis for state intervention in the economy, including rationales, role and scale of the public sector, tradeoffs between efficiency and equity, political economy of the public sector, study of public choice theory, from state failures to market failures. The second section presents the issue of mobilizing government resources, analyzing tax aspects; tax theories, allocation of tax burden among stakeholders, economic efficiency and optimal taxation theory, tax incentives and coercive measures; tax reform. The third part analyzes aspect of budget expenditure including public spending and investment policies; government's social policies on

education, health, social welfare; private participation in the provision of public goods and services; Public Private Partnership (PPP); analysis of fiscal balance and public debt management; understanding the analytical framework for assessing the effectiveness of government spending policy. The fourth section presents budgetary relationship between different levels of government, including exploration of decentralization process and transfer of resources and cross-subsidization between provinces; analysis of the structure of local budget revenues and expenditures; mobilization of local resources; understanding the needs and potential for regional cooperation in the provision of public goods and services.

Course Outline

I. Intervention of the Public Sector

1. Role and Size of the Public Sector
2. Tradeoff between Efficiency and Equity
3. Political Economy of the Public Sector and Public Choice Theory
4. Despair Circle: From Market to Government Failures

II. Revenue and Taxation

1. Sources of Revenue
2. Economics of Taxation
3. Tax Incidence
4. Taxation and Economic Efficiency and Optimal Taxation
5. Tax Incentives, Compliance, and Enforcement
6. Tax Reform

III. Budget Allocation and Related Issues

1. Public Spending and investment
2. Social Policies
3. PPP
4. Fiscal Balance and Public Debt
5. Framework for understanding and evaluating public expenditure

IV. Roles of the Government Levels and Inter-Government Relations

1. Fiscal Decentralization, Resource Transfer, and cross-subsidization
2. Subnational Revenues and Expenditures
3. Mobilization of other finances at local levels
4. Regional Collaboration in Providing Public Goods and Services

Course Requirements and Assessment

- It is expected that participants will attend class regularly, actively participate in class discussions, and successfully complete all course written requirements. Please read the assigned readings before class and come to class prepared to discuss these readings.
- There will be two problem sets, which may require the use of electronic spreadsheets like Excel. Participants will have one week to complete the problem set. In preparing the solutions to the problem sets, participants are encouraged to work in groups of three to four people, but they must write and submit their own individual answers.
- There will be six policy memos based on case studies which must be completed without consultation with other class participants. Participants will have one week to complete each policy memo.

- Students will take two exams, including a midterm exam and a final exam. For the final exam, students may choose to take the test or write a policy analysis. As for the policy analysis paper, students will select topics that are relevant to the subject and write the paper with consultation from the teaching team. Requirements regarding subject, content and structure of the policy analysis will be provided in detail.
- Assignments should be submitted by 8:20 a.m. on the due date. The teaching team will make every effort to return graded assignments, along with suggested solutions, to students within a week from the day of submission. If there are any questions about the grading of the assignments, please feel free to arrange a meeting with the instructors of the course.
- Late submission is subject to penalty described under Section II.3.2 (Homework Assignments) in Student Handbook.

Grading structure:

Class participation	20%
Problem set and policy memos	20%
Midterm exam	20%
Final paper/exam	40%

Main Required Course Texts

1. Joseph E. Stiglitz and Jay K. Rosengard (2015), *Economics of the Public Sector*, 4th ed., Norton & Co.,
2. Jonathan Gruber (2011), *Public Finance and Public Policy*, MIT Press
3. Alan Altshuler and David Luberoff (2003), *Mega-Projects: The Changing Politics of Urban Public Investment*, Brookings Institution Press and Lincoln Institute of Land Policy.
4. World Bank (2011), *Tax Reform in Vietnam: Toward a More Efficient and Equitable System*

Readings with the * sign are required.

Class Schedule

Part I: Intervention of the Public Sector

Class # 1 (02/26): Role and Size of the Public Sector (Huynh The Du)

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 1, 2, 3 & 7

*Huynh The Du (2013), *The role and the nature of the state*, (excerpted from "Interpreting Socialist-oriented Market Economy in Vietnam")

POLICY MEMO #1 (THE BIG DIG) DISTRIBUTED

Class # 2 (02/28): Political Economy of the Public Sector

*Huynh The Du and Do Thien Anh Tuan (2014), *Public Investment and Problem of "Lobster" Budget*

*Joseph E. Stiglitz & Jay K. Rosengard (2015), Chapter 9.

Alan Altshuler and David Luberoff (2003), Chapters 3, 8.

Xuan Trung – Quang Thien (2005), *Dumping coal*, Excerpt in *Nights before Doi Moi*, Tuoi Tre Newspaper (distributed in class)

Class # 3 (03/05) Case Study #1: THE BIG DIG

*Alan Altshuler and David Luberoff (2003), Chapter 4

POLICY MEMO #1 (THE BIG DIG) DUE.

POLICY MEMO #2 (CANCUN, MEXICO: WATER AND WASTE WATER PRIVATIZATION),
DISTRIBUTED

Class # 4 (03/07) Despair Circle: From Market to Government Failures

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 8

Vu Thanh Tu Anh (2010), *SOEs fall short of being driving force*," Saigon Economics Review.

Class # 5 (03/09): Case Study #2: CANCUN, MEXICO: WATER AND WASTE WATER PRIVATIZATION

*Gustavo Merino-Jarez and Carolina Gutierrez de Taliercio (2000), *Cancun. Mexico: Water and waste water privatization in Mexico*, HKS Case No. 1593.0 and HKS Case Sequel No. 1593.1

POLICY MEMO #2 (CANCUN, MEXICO: WATER AND WASTEWATER PRIVATIZATION)
DUE.

Part II: Economics of Taxation

Class # 6 (03/12): Introduction to Government's Revenue Sources

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 28

*Ronald C. Fisher, "Pricing of Government Goods: User Charges," in *State and Local Public Finance*, 2nd ed. (Chicago: Richard D. Irwin, 1996), pp. 177-201.

Janet Stotsky, "The Base of the Personal Income Tax" and "The Choice of Taxable Unit" and John Norregaard, "The Progressivity of Personal Income Tax Systems" in Parthasarathi Shome, ed., *Tax Policy Handbook* (Washington, D.C.: International Monetary Fund, 1995), pp. 121-136.

PROBLEM SET #1 (ECONOMICS OF TAXATION) DISTRIBUTED

Class # 7 (03/14) Economics of Taxation

*Joseph E. Stiglitz & Jay K. Rosengard (2015), Chapters 17, 18, 19, 20.
Jonathan Gruber (2011), Chapter 1.

Class # 8 (03/19) Tax Incidence

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 18
Jonathan Gruber (2011), Chapter 20, 21 & 22.

PROBLEM SET #1 DUE

PROBLEM SET #2 (ECONOMICS OF TAXATION) DISTRIBUTED

Class # 9 (03/21) Taxation and Economic Efficiency and Optimal Taxation

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 19, 20

*Jay K. Rosengard, "Introduction" Chapter 1 in *Property Tax Reform in Developing Countries* (Boston: Kluwer Academic Publishers, 1998), pp. 1-30.

PROBLEM SET #3 (VAT REFORMS IN VIETNAM) DISTRIBUTED

Class # 10 (03/23) Tax Incentives, Compliance, and Enforcement

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 24

*Do Thien Anh Tuan (2014) "*Transfer Pricing in FDI Enterprises in Vietnam*" – case study

*WB (2011). *Chapter 2: Tax Compliance and Sources of Revenue Leakage: Conceptual Framework and Assessment*.

Class # 11 (03/26) Reform of the Tax System

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 25

*Jonathan Gruber (2011), Chapter 25

*WB (2011). Chapter 5: Tax Reform and Revenue Assignments in Vietnam.

*Vu Thanh Tu Anh (2017), "In Refuting the claim that an increase in VAT does not affect the poor"

*Do Thien Anh Tuan (2017), "Tax Reforms: A Consideration from the Public Perspective"

PROBLEM SET #2 DUE

Class # 12 (03/28) Case Study #3 Vietnam's Taxation Reform

*Do Thien Anh Tuan (2018), "VAT Reforms in Vietnam"

PROBLEM SET #3 DUE

MONDAY (04/09): MIDTERM

Part III: Budget assignments and related problems

Class # 13 (04/16): Budget Allocation and Public Investment

*Vu Thanh Tu Anh (2012), *Administration and Decentralization of Public Investment: Vietnam's Reality and Global Experiences*

* Do Thien Anh Tuan (2016), "Public Investment and Management of Public Investment in Vietnam", lecture notes.

*Vu Tuan Anh and Nguyen Quang Thai (2011), Chapter 1: "Public Investment over 10 years," in "Public Investment", Encyclopedia Publishing House, P.13-101

PROBLEM SET #4: DEVELOPING URBAN INFRASTRUCTURES THROUGH LAND SUBSIDIES: A CASE STUDY IN HO CHI MINH CITY

Class # 14 (04/18) Government's Social Policies

*Joseph E. Stiglitz & Jay K. Rosengard (2015), Chapters 13, 15, 16.

World Bank (2005), "Viet Nam: Managing Public Expenditure for Poverty Reduction and Growth – Public Expenditure Review and Integrated Fiduciary Assessment" Volume 1: Cross Sectoral Issues, "Executive Summary".

Class # 15 (04/23): Private Participation and Public-Private Partnership (PPP)

*Huyhnh The Du (2011), "PPP: A Magic Wand?", Saigon Economics Times

*Edward R. Yescombe (2007), Chapters 1 & 2, in *Public-Private Partnership: Principles of Policy and Financial*, Elsevier Ltd.

Antonio Estache, PPI Partnerships vs. PPI divorces in LDCs, Policy Research Working Paper 3470 (Washington, D.C.: World Bank, January 2005).

Class # 16 (05/02): Case Study #4: Developing Urban Infrastructures through Land Subsidies: Case Studies in Ho Chi Minh City

*Huyhnh The Du (2018), Developing Urban Infrastructures through Land Subsidies: Case Studies in Ho Chi Minh City

PROBLEM SET #4 DUE

Class # 17 (05/04) Fiscal Balance and Public Debt

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 28

*Do Thien Anh Tuan and Nguyen Xuan Thanh (2017), 'Diagnosing' Public Debt in Vietnam
Do Thien Anh Tuan (2015), Public Debt Management Models and Issues in Vietnam.
Do Thien Anh Tuan (2013). The Future for Vietnam's Public Debt: Trends and Challenges

Class # 18 (05/07) Framework for Analyzing and Evaluating Public Expenditure

*Joseph E. Stiglitz & Jay K. Rosengard (2015), Chapters 10, 11.

CASE STUDY #5: PRIORITIZING EQUALITY OR EFFICIENCY IN BUDGET ASSIGNMENTS IN VIETNAM?

Part III: Roles Government Levels Relations in Budget Assignments

Class # 19 (05/09): Fiscal Decentralization, Resource Transfer and Cross-financing among Regions

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 26

Anwar Shah (2004), *Fiscal Decentralization in Developing and Transition Economies: Progress, Problems, and the Promise*, World Bank Policy Research Working Paper No. 3282.

Class # 20 (05/14): Case Study # 5: Budget Decentralization in Vietnam: Equity or Efficiency

*Do Thien Anh Tuan (2018): Case Study: Prioritizing equality or efficiency in budget assignments in Viet Nam?

CASE STUDY #5 DUE

Class # 21 (05/16): Subnational Revenues and Expenditures

*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 27
Richard M. Bird and Roy W. Bahl (2008), *Subnational Taxes in Developing Countries: The Way Forward*, IIB Working Paper No. 16 (Toronto: Institute for International Business, Rotman School of Management, University of Toronto).

<http://ssrn.com/abstract=1273753>

Class # 22 (05/18): Local Government Debt Financing

Ronald C. Fisher (1996), *Borrowing and Debt*, in *State and Local Public Finance*, 2nd ed., pp. 235 – 267
Đỗ Thiên Anh Tuấn (2013), “Municipal Bond and Debt of the Local Governments in Vietnam”, FETP.

Class # 23 (05/21): Regional Collaboration in Providing Public Goods and Services

*Huynh The Du (2016), *Regional Collaboration and Partnership: Fundamental Pillars*

*John Parr, Joan Riehm, and Christiana McFarland (2006), *Guide to Successful Local Government Collaboration in America's Regions* (Washington, D.C.: National League of Cities).

https://www.lincolnst.edu/subcenters/regional-collaboration/pubs/RC_for_Local_Govts_2006.pdf

Class # 24 (05/23): Case Study #6: Financing Public Transportation in Philadelphia

*Mary Lovely, *Financing Public Transportation in Philadelphia*, HKS Case No. C16-81-476.

*Jose A. Gomez-Ibanez, Jay K. Rosengard, and Pamela Varley, *The Quest for Sustainable Public Transit Funding: SEPTA's 2013 Capital Budget Crisis*, HKS Case No. C16-81-476.

<http://case.hks.harvard.edu/the-quest-for-sustainable-public-transit-funding-septas-2013-capital-budget-crisis/>

CASE STUDY #6 DUE

MONDAY, 06/04: FINAL EXAM/FINAL PAPER DUE