

**Fulbright Economics Teaching Program  
Academic Year 2015-2017  
Spring Semester**

**COURSE SYLLABUS**

**PUBLIC SECTOR ECONOMICS**

***Teaching Team***

Instructors:	Huynh The Du	<a href="mailto:duht@fetp.edu.vn">duht@fetp.edu.vn</a>
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Interpreter:	Huynh Trung Dung	<a href="mailto:dunght@fetp.edu.vn">dunght@fetp.edu.vn</a>

***Office Hours***

	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
Huynh The Du	15:30-17:00		15:30-17:00		
Do Thien Anh Tuan		15:30-17:00		15:30-17:00	
Nguyen Thi Phuong	15:30-17:00		15:30-17:00		

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

***Objectives of the Course***

The course examines the role and choices of the government in the economy. Analyzing the objectives and the trade-offs to achieve the ultimate goals of the economy: the economic efficiency and the social equity. The course not only provides tools, but also frameworks for the analysis and assessment of policy issues in the public sector. The first part of the course presents the basis for state's intervention in the economy, including the role and size of the public sector, the trade-offs between efficiency and equity, the problems of public choice, the political economy of the public sector, the framework for the assessment of social policies such as the education, health and social protection policy of the government. The second part presents the economics of taxation, the optimal tax theory and the distribution of the tax burden between stakeholders. Part 3 analyzes the role of government at all levels in providing public goods and services, transferring of resources and cross-subsidies between levels of government. The final part of the course will present the tax policy in practice including tax incentives, compliance, enforcement, and tax reform.

***Course Outline***

- I. Intervention of the Public Sector**
  1. Role and Size of the Public Sector
  2. Tradeoff between Efficiency and Equity
  3. Public Choice
  4. Political Economy of the Public Sector
  5. Despair Circle: From Market to Government Failures
  6. Framework for Analysis of Expenditure Policy
  7. Evaluating Public Expenditure

8. Health Care
9. Education
10. Welfare Programs and Social Security

## **II. Economics of Taxation**

1. Introduction to Taxation
2. Tax Incidence
3. Taxation and Economic Efficiency and Optimal Taxation

## **III. Roles of the Government Levels and Inter-Government Relations**

1. Fiscal Decentralization and Resource Transfer
2. Subnational Revenues and Expenditures
3. Regional Collaboration in Providing Public Goods and Services
4. Local Government Debt Financing
5. Fiscal Balance and Public Debt

## **IV. Taxation in Practice**

1. Introduction to Government's Revenue Sources
2. Tax Incentives, Compliance, and Enforcement
3. History of Taxation in Vietnam
4. Reform of the Tax System

### ***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 one 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 ten 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.
- 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. Only under extenuating circumstances, at the discretion and with the permission of the instructor, can late submission be allowed.

### ***Grades will be determined by:***

Class participation	15%
Problem set and policy memos	30%
Midterm exam	25%
Final paper/exam	30%

***Main Required Course Texts***

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

## *Class Schedule*

### **Part I: Intervention of the Public Sector**

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#### **Class # 1 (02/15): Role and Size of the Public Sector (Huynh The Du)**

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

\*Huynh The Du (2013), The role and the nature of the state

POLICY MEMO #1 (THE BIG DIG) DISTRIBUTED, DUE ON 2/29.

#### **Class # 2 (02/17): Tradeoff between Efficiency and Equity (Huynh The Du)**

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

#### **Class # 3 (02/22): Public Choice (Huynh The Du)**

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

\*Alan Altshuler and David Luberoff (2003), Chapters 3&8

Huynh The Du and Do Thien Anh Tuan (2014), “*Public Investment and Problem of “Lobster” Budget*”, pg. 1-6.

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

#### **Class # 4 (02/24): Political Economy of the Public Sector (Huynh The Du)**

\*Alan Altshuler and David Luberoff (2003), Chapters 3&8

The Economist (1999), *The Grabbing Hand*, February 13, 350(8106): 76.

#### **Class # 5 (02/29): Case Study #1: THE BIG DIG (Huynh The Du)**

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

POLICY MEMO #1 (THE BIG DIG) DUE.

POLICY MEMO #2 (CANCUN, MEXICO: WATER AND WASTEWATER PRIVATIZATION), DISTRIBUTED, DUE ON 03/07.

#### **Class # 6 (03/02): Despair Circle: From Market to Government Failures (Huynh The Du)**

\*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 # 7 (3/07): Case Study #2: CANCUN, MEXICO: WATER AND WASTEWATER PRIVATIZATION (Huynh The Du)**

\*Gustavo Merino-Jarez and Carolina Gutierrez de Taliercio (2000), *Cancun. Mexico: Water and wastewater 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.

**Class # 8 (03/09): Framework for Analysis of Expenditure Policy (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 10

**Class # 9 (03/14): Evaluating Public Expenditure (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 11

**Class # 10 (03/16): Health Care (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 13

World Bank (2005), *Vietnam: Managing Public Expenditure for Poverty Reduction and Growth – Public Expenditure Review and Integrated Fiduciary Assessment*, Vol. 1: Cross Sectorial Issues, “Executive Summary”

POLICY MEMO #3 (SOCIAL POLICIES IN VIETNAM), DISTRIBUTED, DUE ON 03/28.

**Class # 11 (03/21): Education (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 13

**Class # 12 (03/23): Welfare Programs and Social Security (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 15&16

**Class # 13 (03/28): Case Study #3: Social Policies: State vs. Market (Do Thien Anh Tuan)**

\*Do Thien Anh Tuan (2015), Social Policies: State vs. Market

POLICY MEMO #3 SOCIAL POLICIES IN VIETNAM DUE.

**Class # 14 (3/30): Review (Huynh The Du & Do Thien Anh Tuan)**

**MONDAY, 04/04: MIDTERM EXAM**

**Part II: Economics of Taxation**

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**Class # 15 (04/11): Introduction to Taxation (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 17

PROBLEM SET #1 (ECONOMICS OF TAXATION), DUE ON 20/4.

**Class # 16 (04/13): Tax Incidence (Do Thien Anh Tuan)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 18

Jonathan Gruber (2011), Chapter 20, 21 & 22

**Class # 17 (04/20): Taxation and Economic Efficiency and Optimal Taxation (Do Thien Anh Tuan)**

\*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 #1 ECONOMICS OF TAXATION PROBLEM SET DUE.

CASES POLICY MEMOS DISTRIBUTED:

POLICY MEMO #4 ( <u>INDONESIA'S "BIG BANG" DECENTRALIZATION</u> )	DUE ON 4/25
POLICY MEMO #5 ( <u>FINANCING URBANIZATION IN ASIA</u> )	DUE ON 4/26
POLICY MEMO #6 ( <u>FINANCING TRANSPORTATION IN PHILADELPHIA</u> )	DUE ON 4/27
POLICY MEMO #7 ( <u>THE NEW YORK CITY CRISIS</u> )	DUE ON 4/28
POLICY MEMO #8 ( <u>GREEK CRISIS</u> )	DUE ON 4/29

**Part III: Roles of the Government Levels and Intergovernmental Relations**

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**Class # 18 (04/25): Fiscal Decentralization and Resource Transfer (Jay Rosengard)**

\*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 # 19 (04/25): Case Study # 4: INDONESIA'S "BIG BANG" DECENTRALIZATION**

World Bank (2007), "Fiscal Decentralization and Regional Inequality," Chapter 7 in *Spending for Development: Making the Most of Indonesia's New Opportunities* (Washington, D.C.: World Bank), pp. 111-140.

POLICY MEMO #4 INDONESIA'S "BIG BANG" DECENTRALIZATION DUE

**Class # 20 (04/26): Subnational Revenues and Expenditures (Jay Rosengard)**

\*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 # 21 (04/26): Case Study #5: FINANCING URBANIZATION IN ASIA (Jay Rosengard)**

\*Jay Rosengard et al (2006), *Paying for Urban Infrastructure and Services: A Comparative Study of Municipal Finance in Ho Chi Minh City, Shanghai and Jakarta*, Prepared under United Nations Development Program Project No. 5088790-01, UNDP-Vietnam Discussion Papers on Topics Relating to Decentralization and Economic Performance.

POLICY MEMO #5 FINANCING URBANIZATION IN ASIA DUE

**Class # 22 (04/27): Regional Collaboration in Providing Public Goods and Services (Jay Rosengard)**

\* 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](https://www.lincolnst.edu/subcenters/regional-collaboration/pubs/RC_for_Local_Govts_2006.pdf)

**Class # 23 (04/27): Case Study #6: Financing Transportation in Philadelphia (Jay Rosengard)**

\*Jose A. Gomez-Ibanez, Jay K. Rosengard, and Pamela Varley, *The Quest for Sustainable Public Transit Funding: SEPTA's 2013 Capital Budget Crisis*, Case study of HKS Number C16-81-476. <http://case.hks.harvard.edu/the-quest-for-sustainable-public-transit-funding-septas-2013-capital-budget-crisis/>

POLICY MEMO #6 FINANCING TRANSPORTATION IN PHILADELPHIA DUE.

**Class # 24 (04/28): Local Government Debt Financing (Jay Rosengard)**

Ronald C. Fisher (1996), *Borrowing and Debt*, in *State and Local Public Finance*, 2<sup>nd</sup> ed., pp. 235 – 267

Đỗ Thiên Anh Tuấn (2013), “Municipal Bond and Debt of the Local Governments in Vietnam”, FETP.

**Class # 25 (04/28): Case study #7: THE NEW YORK CITY CRISIS**

\*Peter Kiernan, *The New York City Crisis*, HKS Case No. C16-81-400.

POLICY MEMO #7 THE NEW YORK CITY CRISIS DUE

**Class # 26 (04/29): Fiscal Balance and Public Debt (Jay Rosengard)**

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

\*Do Thien Anh Tuan (2013). The Future for Vietnam's Public Debt: Trends and Challenges.

**Class # 27 (04/29): Case study #8: GREEK CRISIS (Jay Rosengard)**

POLICY MEMO #8 GREEK CRISIS DUE

**Part IV: Taxation in Practice**

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**Class # 28 (05/04): Introduction to Government's Revenue Sources (Huynh The Du)**

\*Joseph E. Stiglitz and Jay K. Rosengard (2015), Chapter 21, 22&23

\*Ronald C. Fisher, “Pricing of Government Goods: User Charges,” in *State and Local Public Finance*, 2<sup>rd</sup> 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.

Do Thien Anh Tuan (2012), *Value Added Tax Reform in Vietnam*

POLICY MEMO #9 (TRANSFER PRICING IN FDI ENTERPRISES IN VIETNAM), DUE ON 05/11

PROBLEM SET #2 (GOVERNMENT REVENUES AND TAX COMPLIANCE)

**Class # 29 (05/09): Tax Incentives, Compliance, and Enforcement (Huynh The Du)**

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

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

**Class # 30 (05/11): Case Study #9: TRANSFER PRICING IN FDI ENTERPRISES IN VIETNAM (Huynh The Du)**

POLICY MEMO #9 (TRANSFER PRICING IN FDI ENTERPRISES IN VIETNAM),

POLICY MEMO #10 VIETNAM'S TAXATION REFORM DUE ON 05/23.

**Class # 31 (05/16): History of Taxation in Vietnam (Phan Hiến Minh)**

\*Phan Hiến Minh, Nguyễn Ngọc Thanh, and Châu Thành Nghĩa, "Overview of Taxation, Chapter I in *Practical Taxation Handbook*, (Hanoi, Vietnam: Statistics Press, 2001), pp. 1–10.

WB (2011) Chapter 8: Taxation In Vietnam: Who Pays What?

PROBLEM SET #2 (GOVERNMENT REVENUES AND TAX COMPLIANCE) DUE.

**Class # 32 (05/18): Reform of the Tax System (Huynh The Du)**

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

\*Joel Slemrod and Jon Bakija (2008). Chapter 6: "Elements of Fundamental Reform," *Taxing Ourselves*, Russell Sage Foundation.

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

**Class # 33 (05/23): Case Study #10: VIETNAM'S TAXATION REFORM (Huynh The Du)**

POLICY MEMO #10 VIETNAM'S TAXATION REFORM DUE.

**Class # 34 (05/25): Review (Huynh The Du & Do Thien Anh Tuan)**

**MONDAY, 05/30: FINAL EXAM/FINAL PAPER DUE**