

John Witte
109 La Follette School
262-5715

Public Affairs 890, Spring 2002
Off. Hours: TU 10-12PM, by appt.
witte@lafollette.wisc.edu

FEDERAL BUDGET AND TAX POLICY AND ADMINISTRATION

This is a graduate seminar in budget and tax policy and administration, with an emphasis on policy, politics and analysis, with less on practical administrative techniques. As is apparent in the topical outline and readings below, there is approximately equal division between budgets and taxes.

The objectives of the course are: (1) to familiarize students with current policy issues in budget and taxation; (2) to provide an understanding of changing policymaking processes and the consequences of those processes for budget and tax policy; and (3) to introduce students to specific analytical techniques for evaluating aspects of budget and tax policy.

The style of the course will be a combination of "seminar lectures" and discussion. It is expected that the readings be done in advance of the class to facilitate careful analysis of concepts and individual readings. Since the readings are not perfectly distributed between sections, I strongly suggest that you look ahead and judiciously use your time.

Course Requirements

- 1. Paper(s).** Papers can be of two varieties at the option of the student. The first option consists of two relatively short (8-10 pages) "background, briefing and recommendation" papers written on a relatively narrow policy topics – one for the budget and one for the tax sections of the course. Topics will be distributed in class or students may define their own topics. The second option is a longer, "research paper" of approximately 20 pages. Self-defined background and research paper topics must be approved by the instructor. For these papers, each student must provide (after consultation) a brief one or two paragraph description of the paper topic. Papers will be due on the following days:

First Briefing Paper -- TU March 5

Second Briefing or Research Paper – TU May 7

- 2. A team project** to be completed on **March 12**.
- 3. A final examination** to be completed on **Friday May 10**. This will be a two hour final to be done open book in any 2 hour period from 8 AM

to 6PM. The answers must be done on a computer. The final will be checked out and in by the instructor.

Grading weights are as follows: Paper(s) = 40%; Final = 40%; Team Project = 20%. Class participation will be factored into borderline cases – of which there often are many.

Course Outline and Readings

The following books have been ordered for purchase at the University Bookstore:

Allen Schick, **The Federal Budget: Politics, Policy, Process.**

Joseph Pechman, **Who Paid Taxes, 1966-85?**

Nearly all of the other required readings not in these books are available on line through the library system. The web site is:

<http://www.library.wisc.edu/libraries/College/circreserve/ereserves/dept.htm>.

They may be downloaded and printed. Several additional readings and materials will be distributed to class participants or made available on the LaFollette server.

Required readings are indicated by an asterisk. Recommended readings are so indicated. It is suggested that Ph.D. students planning to work in this area or take the Public Administration or Policy sections of the American Politics prelim read the recommended as well as the required readings. Non-required readings will be briefly discussed in class so that others can make determinations as to what to browse, read or ignore.

I DECISION-MAKING THEORY APPLIED TO BUDGETS AND TAXES

Week 1 - January 22: Introduction and Overview

Week 2 - January 29: Decision Theories Applied to Budget and Taxation

* David Braybrooke and Charles Lindblom, **A Strategy of Decision**, Chapter 5, pp. 81-110.

* John F. Witte, **The Politics and Development of the Federal Income Tax**, Introduction, Chapter 1.

* William Niskanen, "Bureaucrats and Politicians," **Journal of Law and Economics**, 18: pp. 617-43.

Recommended:

Charles E. Lindblom, "The Science of Muddling Through," **Public Administration Review** 19, 1959: 79-88.

Charles E. Lindblom, "Still Muddling, Not Yet Through," **Public Administration Review**, Nov/Dec, 1979: 517-26.

J.R. Gist, "Stability and Competition in Budgetary Theory," **APSR** 76 (1982): 859-72.

William Niskanen, **Bureaucracy and Representative Government** (Chicago: Aldine, 1971).

II FEDERAL BUDGETING

Week 3 - February 5: The Development of Budgetary Institutions and Processes

* Schick, Chapters 1-3.

* Aaron Wildavsky, **The New Politics of the Budgetary Process** (New York: Harper Collins, second edition), Chapters 2 -3, pp. 36-126.

Recommended:

Richard Fenno, **The Power of the Purse**.

Rodney D Kiewiet and Mathew McCubbins, "Congressional Appropriations and the Electoral Connection," **Journal of Politics** 47 (1985): 59-82.

Week 4 - February 12: Reform Eras and the Politics of the Budgetary Process

* Schick, Chapters 4-5, 7-9.

Recommended:

Allen Schick, **Congress and Money: Budgeting, Spending and Taxing** (Washington, D.C.: Urban Institute, 1982).

Week 5 – February 19: Deficits and Policy Learning.

* Schick, Chapter 10.

* John H. Makin and Norman J. Ornstein, **Debt and Taxes: How America Got Into Its Budget Mess and What To Do About It**, Chapter 12.

* Paul Manna and John Witte, "Policy Learning and Deficit Reduction: 1985-1997." This paper will be distributed in class and/or available on the La Follette server.

Recommended:

Allen Schick, **The Capacity to Budget** (Washington: Urban Institute, 1990) Chapters 3, 4 and 7.

Rudolph G. Penner (ed.), **The Great Fiscal Experiment** (Washington: Urban Institute, 1991).

John Ferejohn and Keith Krehbiel, "The Budget Process and the Size of the Budget," **American Journal of Politics** 31 (1985): 296-320.

James M. Buchanan and Geoffrey H. Brennan, **The Power to Tax: Analytical Foundations of a Fiscal Constitution** (Cambridge: Cambridge University Press, 1980).

Week 6 - February 26: Budget Problems - Social Security.

* Congressional Budget Office, **Social Security: A Primer** (Washington, D.C.: U.S. Government Printing Office, Sept. 2001). Available on-line at:
www.cbo.gov [Publications] [Social Security and Pensions] [Social Security: A Primer]

* Jonathan Gruber and David Wise, "Social Security, Retirement Incentives, and Retirement Behavior: an International Perspective," plus commentaries, in A.J. Auerbach and R.D. Lee (eds.), **Demographic Change and Fiscal Policy** (New York: Cambridge University Press, 2001): pp. 159-201.

Week 7 - March 5: Budget Problems - Performance Budgeting and Administration

* OMB Circular A-11 (2001). Online readings:

www.whitehouse.gov/omb/circulars/a11/01toc.html

Section 51. Budgetary Basic Justification Materials;

Section 200. Overview of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports;

Section 210. Preparation and Submission of Strategic Plans;

Section 220. Preparation and Submission of Annual Performance Plans;

Section 230. Preparation and Submission of the Annual Program Performance Report.

Week 8 – March 12: Team Project

This will be a team project with a four hour duration. It will involve interactive web-site analysis. Location and logistics to be announced.

III FEDERAL TAXATION

Week 9 - March 19: Tax Policy Issues: An Overview

* J. A. Kay, “ Tax Policy: A Survey,” **The Economic Journal**, 399 (1990): 18-75.

* John F. Witte, **The Politics and Development of the Federal Income Tax**, Chapters 2 and 3.

NO CLASS MARCH 26 – SPRING RECESS.

Week 10 - April 2: Historical Development

* Eugene Steuerle, **The Tax Decade**, Chapter 2, pp. 13-38; Chapter 7, pp. 99-120.

* John F. Witte, "The Tax Reform Act of 1986: A New Era in Tax Politics?" **American Politics Quarterly** (1991), fall.

* Joint Committee on Taxation, “Summary of the Provisions Contained in the Conference Agreement for HR1836, The Economic Growth and Tax Relief Reconciliation Act of 2001.” www.house.house/jct/x-50-01.pdf

* Joint Committee on Taxation, “Distributional Effects of the Conference Agreement for H.R. 1836.” www.house.house/jct/x-52-01.pdf

Recommended:

John F. Witte, **The Politics and Development of the Federal Income Tax**, Chapters 4-12.

Sheldon Pollack, **The Failure of U.S. Tax Policy**.

James Biernbaum and Allan Murray, **Showdown in Gucci Gulch** (New York: Random House, 1987).

Week 11 - April 9: Institutions and Processes

* Schick, Chapter 6.

* Swen Steinmo, "Political Institutions and Tax Policy in the United States, Sweden, and Britain," **World Politics**, XLI (1989): 500-535.

* John F. Witte, "A Classic Debate Revisited: The Policy/Administration Dichotomy in Tax Politics," **International Journal of Public Administration**, 16 (1993), pp. 1177- 1198.

Recommended:

Joseph Pechman, **FEDERAL TAX POLICY** (Washington: Brookings, 1988).

Ronald King, **Money, Time and Politics** (Yale University Press, 1993).

Cathie Martin, **Shifting the Burden** (University of Chicago Press, 1991).

Week 12 - April 16: Income Tax Problems: Measuring Distribution

* Pechman, **Who Paid Taxes, 1966-1986**, entire.

Recommended:

Joseph Pechman and Benjamin Okner, **Who Bears the Tax Burden?** (Washington, D.C.: Brookings Institution, 1966), Chapter 4, Appendix A.

Week 13 - April 23: Income Tax Problems: Tax Expenditures

* John F. Witte, **The Politics and Development of the Federal Income Tax**, Chapters 13-15.

* Joint Committee on Taxation, "Estimates of Federal Tax Expenditures For Fiscal Years 2001-2006." www.house.gov/jct/s-1-01.pdf

Recommended:

Boris I. Bittker, "Accounting for Federal 'Tax Subsidies' in the National Budget," **National Tax Journal**, XXII (1969): 244-61.

Week 14 – April 30: Tax Reform Options

* Joseph A. Pechman, "The Future of the Income Tax," **American Economic Review**,

80: pp. 1-20.

* Paul L. Caron, Karen C. Burke, and Grayson M.P. McCouch, **Federal Income Tax Anthology** (Cincinnati, OH: Anderson Publishing, 1997).

Recommended:

Joseph Pechman (ed.), **Tax Reform and the U.S. Economy** (Washington, D.C.: Brookings Institution, 1987).

Week 15 - May 7: Conclusions and Future Issues

FINAL PAPERS DUE.

MAY 10 – FINAL EXAMINATION, 2 HOURS 8AM to 6PM.