Syllabus DRAFT: August 3, 2020 (Subject to revision) |

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Virtual office hours: Monday – Thursday 6 – 7 PM, immediately after class on Tuesdays, and almost anytime by appointment. I plan to begin holding office hours the week of August 17 before our first group session on August 25 to meet with each of you individually. More on scheduling these visits soon, via e-mail.

Class time (synchronous, virtual via Blackboard Collaborate Ultra.): Tuesdays, 7:20 – 10 PM. Although the length and content of group sessions may vary from week to week, you should prepare to be available for synchronous activities for the full 2 hours and 40 minutes. In addition, just as with face-to-face classes, you will do much your of work asynchronously, on your own, e.g. reading texts, watching videos, practicing the tools you are acquiring by working problems and drafting text, reflecting on and relating the relevance of public financial decision making to your professional life.

Course Description: This course deals with processes and procedures through which governments make economic decisions, with heavy emphasis on federal budgeting. It also gives some attention to government’s reporting of its financial performance and condition. Our analysis of those processes and
their results will use the conceptual foundations of microeconomics, behavioral science, and accounting. We will attempt to animate our study with current events. To that end, we devote some time to monitoring budget and other financial activity via news items, Committee hearings and websites, including CBO/OMB/GAO/CRFB and public interest reports and conferences.

**Blackboard Login.** Access to MyMason and GMU email are required to participate successfully in this course. Please make sure to update your computer and prepare yourself to begin using the online format before the first day of class. Check the IT Support Center website. Navigate to the Student Support page for help and information about Blackboard. In the menu bar to the left you will find the tools you need for this course.

**Required Textbooks**
John L. Mikesell, *Fiscal Administration*, 10th edition. (Don’t be misled by the sensationalist title. This is a serious tome.)
N. Gregory Mankiw, *Principles of Microeconomics*, (any inexpensive edition. used—if intact, OK.) Mankiw also has a useful companion *Study Guide*.
Both Mikesell and Mankiw are published by Cengage Learning.

In addition, I’ll be posting additional reading material on Blackboard throughout the course.

**Course Learning Outcomes**
At the completion of this course students will be able to:

- describe the current federal budget process and some major economic consequences of its use;
• explain the basic principles of microeconomics and demonstrate their application to government decision making;

• use a microeconomic framework, principles of accounting, and relevant findings of behavioral science to evaluate the federal budget process as a means of addressing universal scarcity, while promoting equity and sustainable, higher living standards;

• detail, differentiate, and assess various proposals for reforming the federal budget process;

• apply this analytical framework broadly to public financial policies and processes, existing and proposed, to evaluate their performance in terms of stated objectives and to identify alternative means of increasing their effectiveness and efficiency; and

• avoid being misled by budget gimmicks and other strategic, financial legislative and administrative “slights of hand” that misstate the cost and/or benefits of federal policies, procedures, and activities.

**Course grades** will be the weighted sum of quizzes and assignments 0.10; policy brief, 0.35, mid-term exam: 0.25, final exam: 0.30.

**Grading Scale**

A: 100 - 90

B: 89 – 80

C: 79 – 70

D: < 70
Policy Brief. This is a supported and guided opportunity to practice contributing to the development of better (e.g. more informed, effective, efficient) government economic decision processes. You will select a budget process feature or practice, apply a microeconomic analytical framework to assess its functional effectiveness in budgeting, and identify process modifications that could be more effective. One 3 – 5 page brief is required. Paper topics are to be selected from the attached list or agreed with instructor. To assist you in preparing the paper, you will make an (ungraded) presentation (w/ Power Point) to the class for feedback, before you write it. I also will provide advice on your topic, approach, and analysis. I will also give you comments on your draft before you submit it as final. My intention is to schedule your presentation so that it fits with the sequence of topics covered in our virtual class. Due date for initial policy brief (ungraded) submission will be two weeks after your in-class presentation. You should submit your proposed topic for approval as soon as you have identified a topic of interest to you.

Some Suggested Policy Brief Topics

An effective budget process must inform budget planners with estimates of the amount of resources expected to be available for beneficial uses (a limit or constraint), the quantity of those resources used by each considered use (cost), and the results expected from each considered use (benefits). Select one of those required elements: constraint, costs, or benefits and a) identify how the current process addresses that need; b) evaluate the effectiveness of the process in meeting this need by relevance, salience, and reliability c) assess the consequences of that feature of the process for decisions affecting budget outcomes, e.g. efficiency, equity, and stability and d) indicate how the current process might be modified to align budget decisions more closely with socially beneficial outcomes.

Political parties compete for power in democratic governments. Identify how US political parties compete for power using the federal budget. What are some of the desirable and undesirable consequences of that competition? How might the budget process be modified to improve the mix between desirable and undesirable outcomes?

The current federal budget process is primarily annual but with some projections for 5-, 10-, 25-, and 75-years. Evaluate one or more of the current temporal budget horizons by criteria and indicate how the performance of the budget process might be improved by changes in the budget's time horizon.
Effective budget processes need to be “comprehensive.” But comprehensive of what? Identify the extent to which the federal budget process is comprehensive of federal activity and assess the degree to which you think the budget’s current comprehensiveness is appropriate to the federal budgeting function.

The federal budget process is supported by technical analysts and advisers: CBO, OMB, GAO, Budget and Appropriations Committee Staffs, Joint Committee on Taxation Staff. Select one of these and assess its performance in terms of its contribution to improved budget decisions.

Budgets are flow statements that specify the planned use of resources during a specified period, e.g. a year. But government finances may also be described in terms of its stock of assets and liabilities at a single point in time via a balance sheet. Identify the most important assets and liabilities of the US government for a single point in time, and explain the relationship of the annual budget to the end-of-year balance sheet reported for the federal government. Is the reported balance sheet in the Annual Financial Statements Comprehensive? If not, what is missing? What are the advantages and disadvantages of a balance sheet and the budget? Should a federal balance sheet receive more attention in the budget process? If so, how?

You may also describe and evaluate the federal budget treatment of specific governmental activities including, Budgeting for:

- Government’s response to Disasters and Other Emergencies
- Federal Loans, Guarantees
- Federal Insurance of: Private Pensions, Bank Deposits, Income of the aged and disabled, Health, Floods, Terrorism
- Government Sponsored Enterprises
- Pensions, or Other Post-Employment Benefits (Health insurance)
- A Program with Trust Fund (earmarked) Financing, e.g.
  - Social Security
  - Medicare
  - Highways
Infrastructure

Public-Private Partnerships

Shared services: Working Capital Funds

Fee Financed Federal Programs

Climate Change

Mandatory programs

Tax expenditures

Automatic stabilizers

Regulation and mandates

Federal Production and Pricing of Goods and Services

   e.g. Electric Power, Veteran’s Medical Services, Postal Service, Patent and Trademark Office, Amtrak

You may also choose to write on a related topic in State and Local Government budgeting or financial reporting or you may propose any government financial policy topic of special interest to you. First (ungraded) drafts will be due 2-weeks after your in-class presentation.

**Schar School Policies**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 993-2474. All academic accommodations must be arranged through the DRC. Faculty in the Schar School have zero tolerance for academic dishonesty and will strictly enforce Mason’s honor code.
<table>
<thead>
<tr>
<th>Course Calendar</th>
<th>TOPICS</th>
<th>ASSIGNMENTS:</th>
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<tbody>
<tr>
<td><strong>Class 1</strong></td>
<td><strong>08/25</strong></td>
<td>Introduce yourself on Discussion Board</td>
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<td><strong>Introductions: Students, Instructor, Course</strong></td>
<td>Mikesell, Ch.1, pp. 1-12</td>
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<td></td>
<td><strong>Microeconomics and Budgeting: It all starts with Scarcity</strong></td>
<td>Mankiw, Ch 1, Ch 2. Section 2 on Economic Models &amp; Ch 2. Appendix</td>
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<td></td>
<td><strong>Goal: Constrained Optimization: How can we?</strong></td>
<td>Watch Video: Jonathan Gruber, Intro to Micro. Link: <a href="https://www.youtube.com/watch?v=Vss3nofHpZl&amp;t=96s">https://www.youtube.com/watch?v=Vss3nofHpZl&amp;t=96s</a></td>
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<td>Participate in Virtual Class 1 &amp; Discussion Groups.</td>
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<td>Homework: Use Mankiw’s treatment of PPF to respond to Homework # 1a (due before next class) and Mikesell reading for 1b.</td>
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<td><strong>Class 2</strong></td>
<td><strong>09/01</strong></td>
<td>Mikesell, Ch. 1, pp 13 - 30</td>
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<td><strong>Addressing Scarcity: Markets and Government</strong></td>
<td>Mankiw, Ch. 3 “The Most Important Paragraph in Economics” on BB</td>
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<td>Participate in Virtual Class 2</td>
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<td><strong>Class 3</strong></td>
<td><strong>09/08</strong></td>
<td>Mikesell, Ch 1, pp 30 - 40</td>
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<td><strong>How markets and governments succeed and fail</strong></td>
<td>Mankiw, Ch. 4</td>
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<td>Participate in Virtual Class 3</td>
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<td>PGP Chart Book Slides</td>
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<td><strong>Class 4</strong></td>
<td><strong>09/15</strong></td>
<td>Mikesell, Ch 2, pp 44 - 82</td>
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<td><strong>Federal Budget Process</strong></td>
<td>CBPP, Introduction to the Federal Budget Process</td>
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<td>Mankiw, Ch. 5 and 6</td>
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<td>Participate in Virtual Class 4</td>
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<td><strong>Class 5</strong></td>
<td><strong>09/22</strong></td>
<td>Mikesell, Ch 2, pp. 82 – 105. Scan Ch.3</td>
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<td><strong>Budget Concepts and Practice</strong></td>
<td>Mankiw, Ch.7</td>
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<td><strong>Cash-flow cost v accrual/sunk/opportunity cost</strong></td>
<td>Participate in Virtual Class 5</td>
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<td><strong>Government Cost versus Social Cost</strong></td>
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<td><strong>Class 6</strong></td>
<td><strong>09/29</strong></td>
<td>Mikesell, Ch. 4</td>
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<td><strong>Government and Market Responses to Covid-19 Pandemic: Evaluation By Criteria</strong></td>
<td>Virtual Class 6</td>
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<td><strong>Class 7</strong></td>
<td><strong>10/06</strong></td>
<td>Mikesell, Ch.5, scan pp. 214-235. Read pp.236-252</td>
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<td><strong>State and Local Budget Issues</strong></td>
<td>Virtual Class 7</td>
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<td><strong>Begin Policy Brief Presentations</strong></td>
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<td><strong>Prep for Mid-Term Exam</strong></td>
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<td><strong>Fall Break</strong></td>
<td><strong>10/13</strong></td>
<td>No Class</td>
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| Class  8  | 10/20 | Mid-Term Exam  
7:20 – 10 PM |
|---------|------|------------------|
| Class 9  | 10/27 | Mid-Term De-brief  
Making Better Decisions: Process Reform: Adding an Aggregate Constraint  
Policy Brief Presentations |
|         |      | Mikesell, Ch. 6  
Bhatti and Phaup, “Case for Adding a Constraint to the Federal Budget Process” |
| Class 10 | 11/03 | Selected topics: Budgeting for Disasters, Taxation and Tax Expenditures  
Policy Brief Presentations |
| Class 11 | 11/10 | Selected Topics: Budgeting for Insurance and Retirement Benefits, Regulation & Mandates  
Policy Brief Presentations |
| Class 12 | 11/17 | Selected topics: Budgeting for Mandatory Spending, Capital Budgeting  
Policy Brief Presentations |
| Class 13 | 11/24 | Selected Topics: Adding Benefits, Performance, Value Added  
Policy Brief Presentations |
| Class 14 | 12/01 | Last Policy Brief Presentations  
Prep for Final Exam |
| Exam    | 12/15 | 7:30 – 10:15 PM  
(Alternative date 12/08) |