This course explores the role of urban governments in the economy, their relationship to their suburban and rural neighbors and to the state and federal governments. Both the sources and uses of funds will be considered, including the relative merits of different tax instruments, and the implications of alternative spending decisions for equity and efficiency and the political economy of public decisions.

Most of this course is concerned with the analysis of policy issues in the financing of publicly provided services in large urban areas in the U.S. The analysis, and the readings, will be based on the approaches found in the literature of public economics--with its focus on equity and efficiency in resource allocation--and of urban economics--with its focus on the location of people and economic activity within and among urban areas. The course will begin with a review of the setting within which urban fiscal problems must be resolved: the special character of public finance in metropolitan communities, the nature of demand for public services in urban areas, and the roles of the complex networks and layers of governments. The second segment will deal in detail with the various ways in which governments in metropolitan areas raise funds to meet these demands and the implications for equity and efficiency.
This course has P11.1012 Statistics as a prerequisite. Familiarity with the contents of these courses will be presumed. I also suggest P11.2140 Public Economics and Finance. These may be taken concurrently and, in some cases, students may find Urban Economics is a good substitute for Public. The course will make extensive use of the text, *State and Local Public Finance, third edition* by Ronald C. Fisher.

**Course objectives:** Most of you will have taken Wagner finance courses that deal with the subjects covered in this course, especially Public Economics and Finance and Urban Economics. But this course deals with some of those subjects in more detail, notably fiscal federalism, the fiscal consequences of governmental structure, and local government tax instruments. (However, the course is not a financial management course, so don’t expect the focus to be on tax administration as such.) Also, the main tax policy issue is the local one: how do different tax instruments affect local economies? But we can minimize duplication best if you let me know, in one way or another, when you think there is too much duplication of what you’ve already studied.

NOTE: You should regard this syllabus as flexible and subject to change – with notice – as the semester progresses and in response to the preferences, capacity and needs of the class participants (including the instructor!) If, for example, the prior preparation of the class in public economics is strong and we are able to move quickly at the outset, we may add topics. Alternatively, if the syllabus is overly ambitious (and it may well be) then we can adjust.

Required Text:

Ronald C. Fisher *State and Local Public Finance* Third Edition Thomson South-Western


A schedule of readings from the textbooks follows below. Additional readings will be assigned in class and, where possible, posted on the blackboard site. For class 2, you should also read the New York City Independent Budget Office’s *Fiscal Outlook December 2009* and *New Yorkers on the Move 1989-2007: Where They Came from, Where They Went* which are available on the IBO website [www.ibo.nyc.ny.us/](http://www.ibo.nyc.ny.us/) and should also be posted on the class blackboard site for class 2.

**COURSE REQUIREMENTS**

There will be an in-class examination to be given in Class 8, and a final paper, due during final exam week. Each will be worth 40% of your grade.

There also will be two written assignments, in the form of a brief analytical essay, described below. The first assignment is described in class 2 and will be due in Class 5 when assignment 2 will be discussed. You should be prepared to participate in the discussion and share your work with others. It will be due in class 9. Each of these is worth 10% of your grade.
Note: All written work done outside of class must be submitted in typescript form in a 12-point font; all pages must be numbered, and double-spaced.

Active participation in the class, especially in connection with discussions of the assignments, will be considered in assigning your course grade and may be influential at the margin, like converting a B+ into an A-. One form of class participation is the required “one minute paper.”

**The “One-Minute Email”**

After each class, please write no more than a paragraph, in which you…

1. Tell me the one idea, concept, definition, whatever that you found most interesting or useful or new, in the class just ended.
2. Tell me the one thing that was most obscure or confusing or difficult, in the class just ended.

Send that to me before the weekend following the class, by e-mail, to amy.schwartz@nyu.edu.

This will not be graded, but you must do it. It is a form of class participation that is required. (While you can miss doing so occasionally during the term, if you rarely do so, it will lower your course grade.) And don’t worry about hurting my feelings. Say what you really think.

**SCHEDULE OF TEXTBOOK READINGS:**

**Class 1: Introduction to State and Local Public Finance, Review of Microeconomics**

Fisher Chapters 1 and 2, 3
Inman, Introduction and Chapter 2 *Growth: The Death and Life of Cities*
New York City Independent Budget Office (2009):


*December 2009 Jobs Report*: Summary by James Brown, Senior Economist, New York State Department of Labor

*Closing the Skills Gap: A Blueprint for Preparing New York City’s Workforce to Meet the Evolving Needs of Employers* by David Jason Fischer and Jeremy Reiss

**Class 2: Understanding Taxation – Budget Rules and Limits; Review of Principles of Tax Analysis**

Fisher Chapters 11 and 12

**Class 3: Public Choice and Demand for Public Services**
Fisher Chapters 4 and 5

**Class 4: Public Choice and Demand with Multiple Jurisdictions**
Fisher Chapter 5 and 6
Inman Chapter 6: *Immigration: How Immigration Affects U.S. Cities*

**Class 5: The Cost of Public Services**
Fisher Chapter 7
Inman Chapter 8: *Poverty: Poverty Among Inner City Children*
Inman Chapter 10: *Crime: Crime in the City*

**Class 6: Non Tax Revenues 1: User Charges and Revenue from Government Enterprise**
Fisher Chapter 8, 18
Inman Chapter 3, Transportation: *Urban Transportation Policy*

**Class 7: Non Tax Revenues 2: Intergovernmental Aid and Borrowing**
Fisher Chapter 9 and 10

**Class 8: Midterm Exam**

**Classes 9 and 10: The Property Tax – Equity, Efficiency and Administration**
Fisher Chapter 13 and 14
Inman Chapter 5 Housing: Urban Housing Markets

**Class 11 Taxing Goods: Sales and Excise Taxes**
Fisher Chapter 15

**Class 12 Taxes and Business**
Fisher Chapters 17 and 22

**Class 13 Financing Education**
Class Schedule Spring 2010

January 20   Class 1  
January 27   Class 2, Assignment 1 Given  
February 3   Class 3  
February 10  Class 4  
February 17  Class 5, Assignment 1 Due; Assignment 2 Given  
February 24  Class 6  
March 3      Class 7  
March 10     Class 8, Midterm Exam  
March 18     SPRING RECESS  
March 24     Class 9, Assignment 2 Due  
March 31     Class 10  
April 7      Class 11  
April 14     Class 12  
April 21     Class 12  
April 28     Class 13, Final Paper Due