Governance of Public/Private Finance  
PADM-GP 4132

Wagner School of Public Service  
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Purpose

Traditional methods of capital flow between the private and public sector have undergone tremendous change. For many years the financial and social needs of both sectors were adequately addressed by traditional debt instruments, largely bonds and notes. Starting some years ago, there has been a proliferation of new entities that now account for the bulk of public indebtedness. These entities are given a variety of names: Public Authorities, Industrial Development Agencies, Economic Development Offices, Local Development Corporations, Public/Private Partnerships, and most recently and dramatically Sovereign Wealth Funds including TARP.

These entities have sprung up without serious examination of the reasons for their creation, their governance, their policies and practices, and their consequences. This course will examine all forms of these new entities, the law and reality of their operation, international, national and state efforts to monitor and control them, and their impacts on financial markets and government policies.

Cases to be studied include the financing of the new Yankee Stadium, efforts by the IMF to rationalize and regulate them, efforts by New York State to rein in and democratize their operations, the application of the legal concept of fiduciary obligation to their operations, unintended legal and financial problems, and the unresolved financial, ethical, legal, policy and political questions that remain. The course will include required readings, notable guest speakers from both public and private sectors, team case studies, and a final paper.
Governance of Public/Private Finance

Session #1: The Scope of Public/Private Finance

The financial, intellectual, ideological, and political underpinnings of public and private finance have undergone dramatic change. Conventional definitions no longer adequately describe the institutions and mechanisms used to finance public and private activities and the policies they are intended to implement. We will examine the vocabulary and definitions of finance and explore the concept of “public purpose” in both arenas.

Readings: Please see Resources, Week 1

Session #2: The New Yankee Stadium

The decision to build a new Yankee Stadium in the Bronx raised complicated questions of finance and policy. We will examine the institutional structures, legal justifications, and political behaviors that ended up with the expenditure of $4 billion of public funds.

Readings: Please see Resources, Week 2

Session #3: Public/Private Financing Institutions in New York

New York has developed a wide range of institutions which issue debt for a wide range of purposes. We will examine the history of such debt-incurring institutions, legal problems with their creation and operation, and successful efforts to reform many of them.

Readings: Please see Resources, Week 3

Session #4: Sovereign Wealth Funds

Large pools of capital called Sovereign Wealth Funds have proliferated around the world. We will examine the creation of Sovereign Wealth Funds in the United States and elsewhere and problems of governance and accountability that have become increasingly important.

Readings: Please see Resources, Week 4
Session #5: Public/Private Partnerships

Entities styled Public/Private Partnerships (P3s) have gained wide attention in the United States and around the world as alternatives to conventional financing and construction mechanisms. We will examine the history of P3s and several case studies.

Readings: Please see Resources, Week 5

Session #6: Fiduciary Duty & Recap

The definition and application of the concept of “fiduciary duty” has recurred throughout the course. We will examine the legal and policy implications of applying a fiduciary duty to institutions engaging in public/private finance.

Readings: Please see Resources, Week 6