

*HESB 43040 and POLS 30153
Spending, Taxes, and Deficits
Professor Betson
1:30 to 2:45 PM
305 DeBartolo Hall*

Course Overview

Federal budgets reflect our nation's collective priorities. With the prospect of large and continuing federal deficits, the public has questioned the direction that our nation is heading. Fundamentally we need to ask ourselves as a nation, is the federal government overreaching its role in the economy? Or must we as a nation own up to our responsibilities and begin to pay for what we want our government to provide?

The course begins with a general discussion of the federal budget – how budgets are formed and the past and future trends in spending, taxes and deficits. One of the more disturbing implications is how Social Security, Medicare and other health programs, and the interest paid on the debt will dominate future federal budgets and consequently will limit our ability to meet new challenges that the nation may face. The second part of the course will examine two of these programs – Social Security and Medicare – to understand what could be done to address their impact on the budget. Finally, we will examine the current proposals for reducing the federal deficits.

Required Text:

There are two textbooks for the course. Both are available from the ND Bookstore and online sites such as Amazon.

The Real Deal: The History and Future of Social Security by Sylvester Schieber and John Shoven

Medicare: A Policy Primer by Marilyn Moon

There will several readings available from the library at the Electronic Reserves. During the semester, additional readings, handouts, announcements, and homework assignments will be made available on the web (designated by 'on Web') at

<http://www.nd.edu/~dbetson/courses/courses.html>

Grading:

The final course grade will be assigned using the following weights:

Class Participation	20%
Short Essay 1	10%
Short Essay 2	10%
Short Essay 3	10%
Group Presentation	15%
Research Paper	35%

Honor Code Policy:

I expect all students to abide by the Notre Dame Honor Code. I expect all students to fully participate in the course and homework. Specifically, the copying of another student's essay or work is considered an honor code violation just as copying answers

during an exam would be considered an honor code violation. However, seeking help either from me or another student is encouraged.

Attendance Policy

The Academic Code (Du Lac) states 'students are expected to attend classes regularly and punctually.' I have the same expectation as the university. I will hold students accountable for excessive class absences through reductions in the class participation component of the course grade.

Class Participation

For each class period, you are expected to have completed the reading for the day and be prepared to participate in the class. After Spring Break, I will notify any student whose performance in class I judge to be below average (C or lower).

Short Essays

Each student will be required to complete three short essays during the semester. On the due date for each essay, you should electronically submit your essay to me in a Word document.

Essay 1 (Due on 2/14): Complete the NY Times deficit reduction game at

<http://www.nytimes.com/interactive/2010/11/13/weekinreview/deficits-graphic.html>

Make your selections of budget changes to meet the goal of eliminating the deficit in the medium and long run. When you finish, 'print' your choices to a pdf file that can be circulated to the class. Also submit two to three page essay that explains your choices.

Essay 2 (Due on 2/21): A two to three page essay on the statement, "The US has done too little to protect its citizens from the risks of a modern capitalist economy."

Essay 3 (Due on 4/11): A two to three page essay on the statement, "The US should eliminate the use of tax expenditures."

Group Presentations

Interest groups share common interests and priorities. Students will be assigned to four different groups – labor unions, business, child advocates and the elderly – where each group will devise a deficit reduction plan that reflects the 'interest' group's priorities. Each group will draft a proposal of their plan that will be circulated to the class and give a 30 minute presentation on their assigned day. Grading will be based upon both the written and oral presentations of the group's proposals. Unless I receive statements from a group's members that one or more members didn't fairly participate in the work, all members of the group will receive the same grade.

Research Paper

Each student will be required to complete a research paper for this course. The topic of the paper will be chosen by the student but should relate to the course material. I would suggest that you examine the topics that we will be covering and select one to go into greater depth. For example, we will be devoting a single class to the budget process but there is substantial literature on topics such as the desirability of the line item veto. A second example is the question of the 'true' cost of the Wars. While these are just two examples, given the breadth of topics in this area I feel that there will be a wealth of interesting topics you can choose from. I would encourage all students to come in and discuss any topic you would like to propose.

The research paper should reflect research and reading of material not assigned in the class. Its length should be in the range of 15 to 20 double spaced pages not including footnotes or illustrations. The following are the deadlines for the research paper:

- 2/28 Submit a research proposal (1 page)
- 3/9 Preliminary list of sources
- 4/20 Optional – First draft for comment
- 5/4 Final Draft of Paper

Office Hours

My regular office hours will be from 10 to Noon on Tuesday and from 1:30 to 4:45 PM on Thursday. If you are not available for these times, appointments at other times can be arranged. You should be aware that my other class is at 1:30 to 2:45 on MW. Prior to the midterm exam, I will hold extra hours. My office is 404 Decio Hall. You are strongly encouraged to come and talk even if you are not having problems with the material. I can be contacted at 1-5068 (office telephone) or via email at dbetson@nd.edu.

Class Schedule Disclaimer

Since each class is different with regards to their interests, some discussion of certain material may be lengthened while others may be shorten. Consequently the following schedule is tentative and is subject to change as the semester proceeds. However, the posted exam date is fixed but the material covered on them will reflect what we have covered prior to them.

Class Schedule – Tentative

- 1 1/19 Overview of Class – (Showing of 'Ten Trillion and Counting')
- 2 1/24 The Role of Budgeting – private and collective decisions
Reading: Budget and Diets (on Web)
CBO Budget Update 2010 (Summary and Chapter 1) (on Web)
Eisner (on Web)
- 3 1/26 The federal budget process
Reading: Citizen's Guide to Budget (pages 15-18) (on Web)
Pages 143-155 of Analytical Perspectives (on Web)
Joyce and Reischauer (on Web)
Poterba (on Web)
- 4 1/31 Trends in spending, taxes and deficits
Reading: CBO Budget Message 2000 (on Web)
CBO Budget Update 2002 (on Web)
- 5 2/2 Where have the Clinton surpluses gone?
Reading: Clinton's Economic Plan (on Web)
Greenspan on Bush Tax Cuts (on Web)
Leonhardt on Deficits (on Web)
NYT Editorial on Deficits (on Web)
- 6 2/7 Do deficits matter?
Reading: Shaviro (on Web)
Stelzer (on Web)
Pew Research on Public Opinion (on Web)
Yellen (on Web)
- 7 2/9 No Class
- 8 2/14 Personal Responsibility v. the Welfare State
Reading: Hacker (Preface to *Divided Welfare State*) (on Web)
- 9 2/16 No Class
- 10 2/21 Potential catch up day on discussion otherwise a discussion of budget politics

Social Security

- 11 2/23 History: From Conception to Adoption and Implementation
Reading: Schieber and Shoven (Chapters 2 to 10)
- 12 2/28 History: Expansion and Overreaching
Reading: Schieber and Shoven (Chapters 11 through 16)
- 13 3/2 How would your Social Security benefits be computed?
Reading: Annual Statistical Supplement pages 11 to 21 (on Web)
- 14 3/7 Current Realities
Reading: Schieber and Shoven (Chapters 17 through 22)
- 15 3/9 Reform Proposal

Reading: Schiber and Shoven (Chapters 23 and 24)
Gramlich "Different Approaches for Dealing with Social Security"

3/12 to 3/20 Spring Break

Medicare

- 16 3/21 An overview of the current Medicare Program
Reading: Moon (Chapter 1 and 2), Annual Statistical Supplement pages 35 to 55 (on Web)
- 17 3/23 Adoption and changes in the program:
Reading: Moon (Chapters 3 and 4)
- 18 3/28 Changes in Benefits and Financing
Reading: Moon (Chapters 6 and 7)
- 19 3/30 Privatizing Medicare
Reading: Moon (Chapter 5 and 8), Ryan/Rivlin Proposal (on Web)

Tax Expenditures and Possible Tax Reform

- 20 4/4 Tax Expenditures – Another form of Government Spending?
Reading: Tax Policy Center Briefing on Tax Expenditures (on Web)
JCT statement on Tax Expenditures (on Web)
- 21 4/6 Tax Reform Proposals
Reading: CBO Analysis of Tax Reform Ideas (on Web)

Proposals for Deficit Reduction:

- 22 4/11 The White House Proposal
Reading: *The Moment of Truth* (on Web)
Statements by Durbin and Gregg (on Web)
Commentary – New York Times and Slate (on Web)
- 23 4/13 Rep. Ryan and the Peterson-Pew Commission
Reading: Peterson-Pew Proposal (*Getting Back in the Black*) (on Web)
Rep. Ryan Proposal (*Roadmap*) (on Web)
- 24 4/18 Other Proposals
Reading: Debt Reduction Task Force (*Restoring America's Future*) (on Web)
Investing in America's Future ('liberal' proposal) (on Web)
Summary of Plans (on Web)
Ten Themes in Deficit Plans (on Web)
- 25 4/20 Student Proposals – Union and Business Groups
- 4/25 No Class -- Easter Monday
- 26 4/27 Student Proposals – Elderly and Child Advocates

- 27 5/2 Is there hope for a resolution?
Reading: None
- 28 5/4 Other Deficits: Personal Savings, Trade, and Leadership (segments from 'I.O.U.S.A.')
Reading: None