

Public Finance Doctoral Examination

Ground Rules:

- Answer at least one (1) question from each of the three sections, plus one (1) more question from any section of your choosing. This means you will have answered four (4) questions in total.
- You should not identify yourself in the exam, so as to assist in making this a double-blind grading process.
- You are not to discuss the questions with your colleagues as you prepare your answers.
- Your answers are to be turned in by 5:00 PM.

You should have sufficient time for the examination. Before you begin to write, it would be helpful for you to spend some time on reflection and on organizing your thoughts.

Taxation:

1. In 2023-24, many U.S. state legislatures sought to address citizen concerns of rising property taxes. A couple of key themes emerge from these states. First, many of them experienced fast recent growth in assessed values of residential property in the wake of the COVID pandemic through some combination of rising housing prices, inflation, or economic growth. Second, many of these states already had in place limitations on property taxes in terms of maximum growth rates of property tax levies or assessed values. Third, to the extent that property taxes actually increased, they overwhelmingly occurred through voter referendums for school district expenditures.

Your task:

Offer and discuss two research questions based on the text above that could be publishable in a public finance journal. You can go in any direction you can think of (e.g., fiscal federalism, tax incidence, tax competition, property tax debate, property assessment, renter illusion, political economy, tax limitations, etc.) so long as it can be connected to the paragraph. Be extremely clear in terms of the theoretical set-up of these hypotheses that result from your research question. For example, if you were going to test a tax incidence question, then you'd set up an objective & constraint for the relevant actor(s) with their first-order conditions. Contextualize the hypotheses in relevant public finance literature, and explain the relevance of the hypothesis to policy, our

understanding of social order, or both. Do not spend time on econometrics or data, we're mostly interested in your command of theory and literature to set up research questions. We will assume you know nothing, so be thorough in your explanation of ideas.

2. Increased globalization of companies and the shift towards intangibles-based and digital economic activity has presented challenges for policymakers and tax scholars. In 2021, more than 140 member countries of the Inclusive Framework on the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project emerged as a coordinated effort to address these challenges. The framework agreed to a two-pillar solution that has been championed by Larry Summers as "the most significant international economic pact of the 21st century."

The first pillar establishes new nexus and profit allocation rules with the objective of assigning a greater share of taxing rights over global business income to market countries. The second pillar of BEPS would introduce a coordinated global minimum corporate tax rate. The target of these pillars are Multinational Enterprises (MNEs) that produce and/or sell in a number of different countries. They will need to calculate their global minimum tax liability, apportion their taxable liabilities, and report to the relevant tax authorities.

Your task:

Offer and discuss two research questions based on the text above that could be publishable in a public finance journal. You can go in any direction you can think of (e.g., tax compliance of the rich, corporate tax incidence, tax competition, political economy, etc.) so long as it can be connected to the paragraph. Be extremely clear in terms of the theoretical set-up of the hypotheses resulting from these questions. For example, if you were going to test a tax incidence question, then you'd set up an objective & constraint for the relevant actor(s) with their first-order conditions. Contextualize the hypotheses in relevant public finance literature, and explain the relevance of the hypothesis to policy, our understanding of social order, or both. Do not spend time on econometrics or data, we're mostly interested in your command of theory and literature to set up research questions. We will assume you know nothing, so be thorough in your explanation of ideas.

Budgeting:

3. Numerous scholars have claimed that the field of Public Budgeting is broken and that it has lost its identity. 1) In the US, the need to focus

on multiple functions of budgets (control, management, planning, policy/politics, and governing through networks/or the hollowing of the state) and the resulting complexity in the budgeting process is partly to blame. 2) Elsewhere, it has been suggested that inability of public budgeting scholars to address broader societal challenges proactively is cited as a reason for the current “dismal” state of the discipline. 3) Finally, from a normative perspective, theories and theoretical frameworks used by public budgeting scholars have arguably been lacking and weak.

Your task:

Please offer a discussion (your own reflection) of the literature related to each of the three points above. You can explain your position by highlighting whether you agree or disagree with these statements/sentiments. A mastery of both the theoretical and empirical research and the trends in scholarly conversations should be reflected in your answer. We will assume you know nothing, so be thorough in your explanation of ideas.

4. Public finance scholars and practitioners have called for an expanded/larger role of public budgeting in our communities and institutions. Such calls for public budgeting with a “purpose” are not new, however. Prior research on performance and program budgeting, participatory budgeting, capital budgeting, and budgeting for contracting offers examples of both successful and unsuccessful applications. What does this research offer to a new wave of budgeteers with a “purpose”—from gender budgeting to racial equity budgeting to climate change budgeting to budgeting for development and human rights?

Your task:

Please reflect on the key lessons that we can draw from prior public budgeting research with a “purpose”. After identifying the promises and pitfalls of using public budgeting processes and institutions as a tool to address certain (additional) critical objectives, please develop a research question where you discuss why budgeting with a “purpose” will (does) or won’t (doesn’t) work. Be extremely clear in terms of the theoretical set-up of the hypotheses resulting from these questions. For example, if you were going to test a gender budgeting question, please be clear with your theoretical framework on the antecedents or outcomes of gender budgeting. Contextualize the hypotheses in relevant public finance literature, and explain the relevance of the

hypothesis to policy, our understanding of social order, or both. Do not spend time on econometrics or data, we're mostly interested in your command of theory and literature to set up research questions. We will assume you know nothing, so be thorough in your explanation of ideas.

Debt:

5. Over the past fifty years there has been much discussion in the public finance literature over the role and impact of the tax exemption of municipal debt. One major aspect of the debate focuses on the efficiency of the federal subsidy. Craft an essay that carefully lays out the contours of the theoretical and empirical aspects of this debate. Use your analysis of the literature to analyze the issues of supply and demand, capital investment (especially public infrastructure investment), and the general pros and cons (benefits and costs) of tax-exempt municipal debt. Finally, U.S. Treasury officials appear to support a proposal to replace tax-exempt securities with AMT and taxable municipal bonds. Carefully analyze the pros and cons of such a proposal within a fiscal federalist framework, employing the principles of modern financial economics, and demonstrating a sophisticated understanding of the public finance principles used to analyze changes in tax policy.
6. The COVID-19 pandemic and national shutdown placed great stress on the intergovernmental fiscal system and financial markets in the United States in 2020. The pandemic-related shocks to the fiscal and financial systems are similar in many ways to that of the financial crisis and Great Recession shocks in 2007-2009, but they are also very different in many ways as well. In response to the crises, governments have used both old and new fiscal and monetary policies and tools; some of the strategies across crises have been the same, others have varied merely by degree, while still others are fundamentally different. Using rigorous public finance and financial economic theories as your analytical framework, analyze the fiscal and monetary policies and tools implemented in response to both the COVID-19 pandemic and national shutdown in 2020 and the financial crisis and Great Recession of 2007-2009.
 - a. What are the major fiscal and monetary policies and tools (acts, programs, funds, facilities, etc.,) that have been implemented?
 - b. What are the important public finance and financial economic theories that have been used to understand on-going events and craft fiscal and monetary policies and tools? Explain in detail whether the

policies and tools are consistent with such theories?

c. What has been the impact of the major fiscal and monetary policies and tools that have been implemented? Specifically, what has been their effect on macroeconomic aggregates; on financial markets, especially the municipal securities market and issuer credit quality; and the intergovernmental financial system and intergovernmental relations?

d. In your reasoned and informed opinion, what are the major lessons learned for government policymakers and research scholars facing the next fiscal, financial markets, and intergovernmental financial system shocks?