I. Instructor: Dr. Tim Roth
   Office Hours: MW 9:30-10:30 AM
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II. NO TEXTBOOK

III. LEARNING OBJECTIVES:

Implicit in Section VIII, COURSE CONTENT, are the following Learning Objectives:

Students will evince the ability to distinguish between micro- and macroeconomics; to explain the role and limitations of economic models; to characterize the nature of the decision environments of private sector agents and of public policy makers. Emphasis is placed on the (federal) policy makers who are responsible for the conduct of fiscal and monetary policy. Students will be aware of the growth of federal on-, off-, and off-off-budget activity and the role of debt monetization in the growth of the money supply. In particular, students will be aware of the “demise of regular order” in the federal budget process, and the concomitant rise of “closed rules”, and omnibus budget reconciliation acts. A corollary of this is that students will be aware that federal budget policy is consequence-based and procedurally detached. Granting this, students will be aware of the economic and moral implications of the “demise of regular order”.

Finally, students will be aware of the differences between the Keynesian (Short Run) Demand Side Fiscal Policy Model, and the (Microeconomic Theory-based) Long-Run, Supply-Side Fiscal Policy Model.

IV. SPECIAL ASSIGNMENTS: None
V. TESTS:

Three OPEN-BOOK ESSAY EXAMS. (The lowest grade will be dropped.) The PROBABLE dates of examinations, number 1 and 2 are September 27 and October 29. The Final Examination will occur during Finals Week.

Please Note: We will have a Review Session before Each Exam.

VI. INSTRUCTIONAL METHOD: Lectures and Frequent Handouts

VII. My Approach to the class is informed by my years of government experience in service to a Democrat House Caucus, President Reagan, the U.S. Secretary of Commerce, Malcolm Baldrige, the U.S. Congress Joint Economic Committee, two Governors, and two Lt. Governors (all of the State of Texas).

VIII. COURSE CONTENT:

A. Introduction to Micro- and Macroeconomics

The subject matter, and the role of models

The logic behind model building.

B. Modeling private sector decision making: The objectives of, and constraints on (1) consumers/savers/labor suppliers and producers.

C. Decision making in the public sector (With emphasis on the federal government):

1. Decision makers in the federal government: The Congress, the Executive (including the "Administrative State") and the Judiciary.

2. Objectives and constitutional (and other) constraints.

3. The roles of economics, politics, and moral and political philosophy.
IX. FISCAL POLICY: The Decision Variables

A. The Components of On-, Off- and Off-Off- Spending:

1. On-Budget (Discretionary) Budget Authority:
   National Defense; International Affairs; General Science,
   Space and Technology; Energy; Natural Resources and
   Environment; Agriculture; Commerce and Housing Credit;
   Transportation—Ground, Air, Water, and Other Transportation;
   Community and Regional Development; Education, Training, Employment
   and Social Services; Health; Medicare; Income Security—Housing and other
   Assistance; Other; Social Security; Veterans Benefits and Services;
   Administration of Justice; General Government.

2. Off-Budget (Mandatory) Spending:
   Social Security; Deposit Insurance; Means Tested Entitlements; Other;
   Net Interest (on federal debt).

See: The Budget of the U.S. Government, Fiscal Year 2015,
Historical Tables, pp. 150-151.

3. Off-Off-Budget Activity:
   Federal Loans and Loan Guarantees; Federal Regulations (and the
   Never-institutionalized “Regulatory Budget”). The White House’s
   Office of Management and Budget, Office of Information and Regulatory Affairs
   regularly estimates the Benefits and Costs of federal environmental and other
   regulations.

   Consider that the Budget of the U.S. Government, Analytical Perspectives,
   Fiscal Year 2020 estimates that, in Calendar 2020, the Face Value of Federal
   Credit outstanding totaled $4.1 TRILLION (Loan Guarantees= $2.6 and Direct
   Loans= $1.5 trillion), Chart 22.1, p. 289.

B. Federal Tax Receipts by Source:
   Individual income taxes; Corporation income taxes; Social insurance and retirement
   Receipts (On- and Off-Budget); Excise taxes; Estate and Gift Taxes; Customs duties;
   Miscellaneous receipts.
Receipts are expected to rise from $3.7 trillion in FY 2020 to $6.4 trillion in FY 2030. "This growth is due to assumed increases in income resulting from both real economic growth and inflation." Budget of the U.S. Government; Analytical Perspectives, FY 2021, p. 125.

Please note that, because income tax brackets are not indexed to inflation, increases in inflation impose an "inflation tax".

C. Tax Expenditures:
   The Congressional Budget Act of 1974 requires that a list of "tax expenditures" be included in the [Federal] budget. Tax expenditures are defined in the law as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Budget of the U.S. Government, Analytical Perspectives, FY 2021, p. 147.

D. Current Services (Budget) Estimates:
   "Current Services, or ‘baseline’, estimates are designed to provide a benchmark against which Budget proposals can be measured... Ideally, a current services baseline would provide a projection of estimated tax receipts, outlays, deficits, or surpluses, and budget authority reflecting this year’s enacted policies and programs for each year in the future." Budget of the U.S. Government, Analytical Perspectives, FY 2021, p. 275.

E. Introduction to the Legislative Process:
   1. The roles of the Authorizing, Appropriations and Rules Committees.
   2. The President’s (increasing) role in the Budget Process.


   A. On- and Off-Budget Activity:
B. Off-Off-Budget Activity:

1. Federal Credit Programs, FY 2021 Analytical Perspectives, Tables 18-1 and 18-2, pp. 259-260.

2. Deposit Insurance; Pension Guarantees; Terrorism and Risk Insurance; Disaster Insurance, and Crop Insurance.


XI. MONETARY POLICY

A. The Role of the Federal Reserve:

1. The autonomy of “The Fed”

2. The principal tools of the monetary policy:
   (1) The level and direction of interest rates;
   (2) The direction and rate of increase (decrease) of the money supply.

3. The increasing role of the Federal Reserve – since the October 3, 2008 passage of the Troubled Asset Relief Program—in the federal debt monetization process,

B. Money Stock and Debt Measures, 1980-2020:

XII. The Keynesian (Short Run) Demand Side Policy Model:

A. The logic of the Model

B. Methodological and Other Problems with the Model

C. The institutional constraints on "optimal" fiscal policy:

1. The Budget Process:


   Timothy P. Roth and Adam C. Smith, "Impartiality, Political Participation, and Federal Budget Process Reform", Mercatus Center, George Mason University, December 20, 2012

2. Constitutional Constraints

   The federal government's enumerated powers.

D. Technical Problems that complicate "optimal" macroeconomic policy

1. The sensitivity of the Budget to economic assumptions:

   Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2015: Table 2-1, p. 11; Table 2-4, p. 16; Table 2-6, p. 18; Chart 2-4, p. 19.
2. The Indeterminacy of Neoclassical and Behavioral Social Welfare Theory; the theories that inform income and wealth redistribution and regulatory policies.


A. The focus of the models is NOT “Aggregate Demand” or “Aggregate Supply”.

Rather, the focus is on predicting (and, occasionally, more heroically), on explaining the behavior of economic agents. Examples include the behavior of consumers, savers, investors, labor suppliers, and producers.

Broadly speaking, the objective is to develop microeconomic models that can predict the effect of changes in policy variables that come under the purview of federal decision makers.

B. Some Examples:


XIV. Attendance Policy:
While I do not require attendance, each examination will be based on class lectures. Attendance is, therefore, necessary.
XV. UTEP Policy on Academic Integrity:

The University of Texas at El Paso prides itself on its standards of academic excellence. In all matters of intellectual pursuit, UTEP faculty and students must strive to achieve excellence based on the quality of work produced by the individual. In the classroom and in all other academic activities, students are expected to uphold the highest standards of academic integrity. Any form of scholastic dishonesty is an affront to the pursuit of knowledge and jeopardizes the quality of the degree awarded to all graduates of UTEP. It is imperative, therefore, that the members of this academic community understand the regulations pertaining to academic integrity and that all faculty insist on adherence to these standards.

Any student who commits an act of scholastic dishonesty is subject to discipline. Scholastic dishonesty includes, but is not limited to cheating, plagiarism, collusion, the submission for credit of any work or materials that are attributable in whole or in part to another person, taking an examination for another person, any act designed to give unfair advantage to a student or to the attempt to commit such acts. Proven violations of the detailed regulations, as printed in the Handbook of Operating Procedures (HOP), are available in the Office of the Dean of Students, and the homepage of the Dean of Students (DOS) at www.utep.edu may result in sanctions ranging from disciplinary probation, to a failing grade on the work in question, to a failing grade in the course, to suspension or dismissal, among others.

XVI. Statement on Disability:
If you feel you may have a disability that requires accommodations, contact the Disabled Student Services Office at (915)747-5148, go to the Union Bldg., East, Room 106, or email e-mail-dss@utep.edu.
If you have tested positive for COVID-19, you are encouraged to report your results to covidaction@utep.edu, so that the Dean of Students Office can provide you with support and help with communication with your professors. It is important to follow all instructions that you receive as part of the diagnosis, including isolation and staying at home until a negative test is produced.

If you experience COVID-19 symptoms, please follow the isolation protocol by staying at home and getting tested as soon as possible. If the test is negative but you are still seeking accommodations, please contact the Dean of Students Office for guidance in a timely manner. Your instructor will work with the Dean of Students Office to determine the extent of any such accommodations.

We strongly encourage you to think and act proactively in all matters related to COVID-19 and your academic endeavors. The Center for Disease Control and Prevention recommends that people in areas of substantial or high COVID-19 transmission wear face masks when indoors in groups of people. The best way that Miners can take care of miners is to get the vaccine. If you still need the vaccine, it is widely available in the El Paso area, and will be available at no charge on campus during the first week of classes. For more information about the current rates, testing, and vaccinations, please visit epstrong.org.