



UNIVERSITY OF TORONTO
FACULTY OF LAW

THE JAMES HAUSMAN TAX LAW AND POLICY WORKSHOP SERIES
presents

Darien Shanske
UC Davis School of Law

***Local Democracy and Financial Knowledge:
The Case for a Local Government Finance Commission***

**Wednesday, March 18, 2015
12:30 - 2:00
Solarium (room FA2), Falconer Hall
84 Queen's Park**

The financial crisis of 2008 demonstrated that local governments often do not currently have the expertise to use debt wisely, much less the expertise to reform their use of pensions or to design tax systems that can raise more money with less economic distortion. Yet local governments must do all of these things and more, as higher levels of government continue to devolve responsibilities. This is not to say that there is not useful expertise that could help local governments, just that there is not generally an institution for aggregating this knowledge and making it available to local decisionmakers in a manner consistent with the norms and goals, both political and economic, of local democracy. There are examples of such mediating institutions, such as North Carolina's Local Government Commission, but their role – and the reasons for their success – have not yet been adequately theorized. In short, I will argue that a new state-level institution can succeed in improving local government financing in a manner consistent with preserving local autonomy if its expertise is used in the first instance to design default rules that are both simple and (mostly) correct. Beyond the default rules there is a place for a more fact-intensive engagement, but in most cases the default rules should provide a workable options or set of options with which a local government can achieve its goals. Here is an example of such a rule: Local governments should be permitted to issue only longterm, fixed-rate debt unless an expert commission approves an exception. This rule preserves the autonomy to choose what to finance, so long as the financing tool is safe. If there is an unusual situation, then experts can work with a local government to approve an alternative. Because, as I will argue, there are many such effective channeling rules possible, along with experts to serve as a backstop, creating such a state-level expert entity is a reform that can aid local government finance broadly. Put another way, the success of North Carolina's Local Government Commission can and should be replicated.

Professor Darien Shanske holds a J.D. from Stanford Law School, a Ph.D. from UC Berkeley in Rhetoric, an M.A. from McGill University in Philosophy, and a B.A. from Columbia University. Before law school, Professor Shanske worked as a financial consultant to California local governments; after law school, he worked as an attorney in the public finance department of Sidley Austin in San Francisco. Professor Shanske then clerked for Judge Pierre N. Leval of the United States Court of Appeals for the Second Circuit. Professor Shanske's academic interests include taxation, particularly state and local taxation, local government law, public finance, and political theory, particularly jurisprudence. Some of his current projects are on the local property tax, the state and local fiscal relationship, the fiscal constitution of California, and the role of reciprocity in Aristotle.

A light lunch will be provided.

For more workshop information, please contact Nadia Gulezko at n.gulezko@utoronto.ca