ECON 520 Public Economics
Fall 2021
Instructor: Dr. Anita Alves Pena

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Class Meetings: TR 9:30-10:45pm, Clark 361
Office Hours: TR before class (approximately 8:30-9:30am), or knock, or make appointment (Zoom works great too) (office hours starting in Week 2)
Textbook: J. Hindriks and G. D. Myles: Intermediate Public Economics, second edition, 2013 (H&M)
Course website: login at http://canvas.colostate.edu (will be up by Week 2)

Intended Learning Outcomes of the Public Economics Field:
Public economics is an area of applied microeconomics that is concerned with government behavior. The field is concerned with analysis of the welfare foundations of public expenditure and taxation, including economic policy analysis especially cost-benefit analysis (CBA). On the expenditure side, topics include theory of public expenditure, state and local public goods, redistribution and welfare, education, social insurance, and health care policy. On the tax side, topics include optimal tax theory, incidence (equity and distribution of tax burden), and efficiency (effects of taxes on resource allocation). In this class, we will review classic and recent literature in public economics and will expand the analytics of public expenditure and government tax policy to the beginnings of independent research.

Prerequisites:
First-year graduate microeconomics and econometrics, or equivalent. I will assume that you are already familiar with at least first-semester level theory and tools from these sequences and therefore can read, understand, and discuss academic literature within economics.

Contact Hours and Expectations for Work Outside of Instructional Time:
There will generally be several assigned required readings (journal articles) per week which may take one to two hours (or longer) each depending on your particular background and reading speed. This is in addition to book chapter readings which provide overview, and is in addition to the preparation of any written assignments. *The quality of class discussions depends on your preparation so please keep this in mind even if nothing is physically due.* This is a three-credit course and therefore there is a six hour per week (at least) expectation for work outside of instructional time (equivalent to the federal credit hour definition of two hours of outside work for each contact hour). In some weeks, you may do more since this is a graduate class and you are preparing yourself to be a professional in economics.

Other Expectations:
That you will be respectful of me and your classmates and will take the course seriously. It is my intent that students from all diverse backgrounds and perspectives be well served by this course, that students' learning needs be addressed both in and out of class, and that the diversity that students bring to this class be viewed as a resource, strength and benefit. Your suggestions are encouraged and appreciated.

Grading:
Please note due dates (due at start of class unless otherwise noted) for assignments on the schedule below.

Class Participation (10%) and Paper Reflections (20%)
Attendance, participation, and preparation (e.g., reading and critically thinking about what you read) for class is expected. Note that a relatively large percentage of your final grade therefore is in this category since the quality of class discussion really does depend on your comments, reflections, and questions. To ensure that this happens and to help develop this type of skill, a 1-2 page reflection of select readings will be due on some papers in the early part of the semester.

Instructions: For these reflections, you should (1) briefly summarize the research question, data, design, and (main) result and (2) provide an analytical response to the paper (E.g., Any flaws? Assumptions and design believable? What you still don't understand and why it's confusing? Extensions? Etc.). These reflection papers should not exceed 2 printed pages and (2) should be greater than (1) in terms of length of discussion. I will select the papers for this exercise. They will be due on the day of the class discussion. Note that readings listed with a "[R]" will be the subject of reflections.

Literature Presentations (20%)
Each of you will present two papers to the class from the syllabus below and lead subsequent discussion. Presentations should be of similar format to how papers are presented in a short academic seminar. This means that you should have presentation slides. Preparing these presentations will give you a chance to polish your academic presentation skills and will give you detailed understanding of the papers you present. You should aim for a presentation that is less than 20 minutes to allow plenty of discussion (which *you* will lead). I will randomly assign the presentations early in the semester. Note that readings listed with a "[P]" in front will be presented by a student. That student will also lead the class discussion of the paper. I will add/subtract presentations (from existing readings) if there are changes in the class during the registration period.

Mock Referee Report (10%)
You will write a mock referee report based on a new working paper (not yet published in a journal) in public economics. Reports should be two or three single-spaced typewritten pages, and I will provide the paper to review. Reports should briefly summarize and then elaborately critique the paper (i.e. is the question well motivated, is appropriate data used, are identifying assumptions reasonable, is the model appropriate for the question, etc.). I will provide other details in class and/or on Canvas.

Research/Data Proposal (30%)
You will write an original research proposal (not submitted in any other class) corresponding to a topic related to public economics (broadly-defined) which is of interest to you *AND which could be submitted to a federal statistical data center or to another organization as part of a proposal to access proprietary data*. The paper should be 10 pages in length max (double-spaced, one-inch margins) and cover at least five journal articles or working papers as (short) background and motivation for the data use. At least three papers (if not more) should not appear on this syllabus. You should critically review these papers and relate them to a research question of interest that you could pursue in the longer run. It is important to state your research question clearly, to motivate why it is of economic interest and how it relates to existing literature, and to provide *detail* as to how you would approach your question using restricted data (e.g., what the research design would look like, what data would be used, what empirical techniques would be implemented, etc.). Your grade will include an allowance for the preliminary topic statement that you will provide early in the term as assigned below in addition to the final product. I will provide other details in class and/or on Canvas.

Presentation of Research/Data Proposal (10%)
You will present your research proposal topic and literature review to the class near the end of the term. You should have presentation slides. You should aim to motivate class discussion in your presentation. I envision that well-thought out and presented topics may lead to dissertation chapters or masters' theses later. I will assign the presentation slots.

Reading List:
This schedule is subject to change and will be revised later in the semester if necessary. Most papers on the reading list will be available on Canvas. You are expected to complete the following reading whether or not we focus on specifics in class. Additional (optional) suggested readings are provided at the end of each chapter in H&M as these lists may be useful for your own research now or later.

Introduction and Review of Tools for Welfare Economics, Week of August 23

- Good chapters to *review for background this week* are H&M Chapters 1-2, 4-5, 13
- Arrow, K. J. (1950), "A Difficulty in the Concept of Social Welfare," *The Journal of Political Economy*, 58(4), 328-346.
- Rawls, J. (1974), "Concepts of Distributional Equity: Some Reasons for the Maximin Criterion," *American Economic Review*, 64(2), 141-146.
- Hines, J. (1999), "Three Sides of the Harberger Triangle," *Journal of Economic Perspectives*, 13(2), 167-186.

Public Goods and Externalities, Week of August 30

- H&M Chapter 6 and 8
- Samuelson, P. (1954), "The Pure Theory of Public Expenditures," *Review of Economics and Statistics*, 36(4), 387-389. We will simultaneously discuss Samuelson's (also short) 1955 and 1958 articles:
    - Samuelson, P. (1955), "Diagrammatic Exposition of a Theory of Public Expenditure," *Review of Economics and Statistics*, 37(4), 350-356.
    - Samuelson, P. (1958), "Aspects of Public Expenditure Theories," *Review of Economics and Statistics*, 40(4), 332-338.
- Bergstrom, T., L. Blume and H. Varian (1986), "On the Private Provision of Public Goods," *Journal of Public Economics*, 29, 25-49.
    - Andrews. R. J. (2006), "Bergstrom et al 1986: A correction," *Journal of Public Economics* 90(4-5) (2006), 957-958
- Andreoni, J. (1988), "Privately Provided Public Goods in a Large Economy: The Limits of Altruism," *Journal of Public Economics*, 35, 57-73.

Clubs, Tax Capitalization, and Local Public Goods, Week of September 6

- H&M Chapter 7
- Tiebout, C. M. (1956), "A Pure Theory of Local Expenditures," *Journal of Political Economy*, 64(5), 416-424.
- Oates, W. E. (1969), "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis," *The Journal of Political Economy*, 77(6), 957-971.
- [R] Linden, L. L. and Rockoff, J. E. (2008), "Estimates of the Impact of Crime Risk on Property Values from Megan's Laws," *American Economic Review*, 93(3), 1103-1127.

THURSDAY, SEPTEMBER 9: Linden and Rockoff paper reflection due before class, please submit on Canvas

Fiscal Federalism and Intergovernmental Relations, Week of September 13

- H&M Chapters 19-20
- Fisher, R. (1982), "Income and Grant Effects on Local Expenditures: The Flypaper Effect and Other Difficulties," *Journal of Urban Economics*, 12, 324-345.
    - Inman, R. P. (2009). "Flypaper effect," In *The New Palgrave Dictionary of Economics* (pp. 1-6). Palgrave Macmillan, London.
- Knight, B. (2002), "Endogenous federal grants and crowd-out of state government spending:

Theory and evidence from the federal highway aid program," *American Economic Review*, 71-92.
- [R] Eliason, P., and Lutz, B. (2018), "Can fiscal rules constrain the size of government? An analysis of the "crown jewel" of tax and expenditure limitations," *Journal of Public Economics*, 166, 115-144.

THURSDAY, SEPTEMBER 16: Eliason and Lutz paper reflection due before class, please submit on Canvas

Education Policy (and Examples of Academic Debates), Week of September 20
- Feldstein, M. S. (1975), "Wealth Neutrality and Local Choice in Public Education," *American Economic Review*, 65(1), 75-89.
- Hoxby, C. M. (2000), "Does Competition among Public Schools Benefit Students and Taxpayers?" *American Economic Review*, 90(5), 1209-1238. Class also will discuss comment and reply below:
    - Rothstein, J. (2007), "Does Competition Among Public Schools Benefit Students and Taxpayers? Comment." *American Economic Review*, 97(5), 2026-2037.
    - Hoxby, C. M. (2007), "Does Competition Among Public Schools Benefit Students and Taxpayers? Reply." *American Economic Review*, 97(5), 2038-2055.
- Behrman, J. R. and M. J. Rosenzweig (2002), "Does Increasing Women's Schooling Raise the Schooling of the Next Generation?" *American Economic Review*, 92(1), 323-334. Class also will discuss comment and reply below:
    - Antonovics, K. L. and A. S. Goldberger (2005), "Does Increasing Women's Schooling Raise the Schooling of the Next Generation? Comment." *American Economic Review*, 95(5), 1738-1744.
    - Behrman, J. R. and M. J. Rosenzweig (2005), "Does Increasing Women's Schooling Raise the Schooling of the Next Generation? Reply." *American Economic Review*, 95(5), 1745-1751.

Education Policy (cont.), Week of September 27
- [P] Jackson, C. K., Johnson, R. C., & Persico, C. (2015), "The effects of school spending on educational and economic outcomes: Evidence from school finance reforms," *The Quarterly Journal of Economics*, 131(1), 157-218.
- [P] Deming, D. J., Cohodes, S., Jennings, J., & Jencks, C. (2016), "School accountability, postsecondary attainment, and earnings," *Review of Economics and Statistics*, 98(5), 848-862.
- [P] Abdulkadiroğlu, A., Pathak, P. A., & Walters, C. R. (2018), "Free to choose: Can school choice reduce student achievement?," *American Economic Journal: Applied Economics*, 10(1), 175-206.

TUESDAY, OCTOBER 5: deadline to submit a one-page description of your research/data proposal topic for approval (should include research question, economic motivation, and a list of papers and data sources that will be reviewed), please submit on Canvas

Social Insurance Policy, Week of October 4
- H&M Chapters 14, 22-23
- Samuelson, P. (1958), "An Exact Consumption-Loan Model of Interest with or without the Social Contrivance of Money," *Journal of Political Economy*, 66(6), 467-482.
- Feldstein, M. (1985), "The Optimal Level of Social Security Benefits," *Quarterly Journal of Economics*, 100(2), 303-320.
    - Feldstein, M. (1974), "Social Security, Induced Retirement, and Aggregate Capital Accumulation," *Journal of Political Economy*, 82(5), 905-926.
    - Feldstein, M. S. (1982), "Social security and private saving: reply," *Journal of Political*

        Economy, 90(3), 630-642.
    - Feldstein, M., & Liebman, J. B. (2002), "Social security," *Handbook of Public Economics*, 4, 2245-2324.
- [P] Deshpande, M. (2016), "Does welfare inhibit success? The long-term effects of removing low-income youth from the disability rolls," *American Economic Review*, 106(11), 3300-3330.

Social Insurance Policy (cont.), Week of October 11
- [P] Hastings, J., and Shapiro, J. M. (2018), "How Are SNAP Benefits Spent? Evidence from a Retail Panel," *American Economic Review*. 108(12), 3493-3540.
- [P] Chetty, R., Hendren, N., and Katz, L. F. (2016), "The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment," *American Economic Review*, 106(4), 855-902.
- [P] Hoynes, H., Schanzenbach, D. W., and Almond, D. (2016), "Long-run impacts of childhood access to the safety net," *American Economic Review*, 106(4), 903-34.

Taxation, Week of October 18
- H&M Chapters 15-17, 21
- Saez, E., Slemrod, J., and Giertz, S. H. (2012), The elasticity of taxable income with respect to marginal tax rates: A critical review. *Journal of Economic Literature,* 50(1), 3-50.

Taxation (cont.), Week of October 25
- [P] Eissa, N., and Hoynes, H. W. (2004), Taxes and the labor market participation of married couples: the earned income tax credit. *Journal of Public Economics*, 88(9-10), 1931-1958.
- [P] Evans, W. N., and Garthwaite, C. L. (2014), Giving mom a break: The impact of higher EITC payments on maternal health. *American Economic Journal: Economic Policy*, 6(2), 258-90.
- [P] Duflo, E., Gale, W., Liebman, J., Orszag, P., and Saez, E, (2006). Saving incentives for low- and middle-income families: Evidence from a field experiment with H&R Block. *The Quarterly Journal of Economics*, 121(4), 1311-1346.

Selected Topics in Economic Policy Analysis, Weeks of November 1, 8 and 15
- H&M Chapter 25
- Dreze, J. and N. Stern (1987), "Chapter 14 The theory of cost-benefit analysis," *Handbook of Public Economics*, Volume 2, 909-989.

TUESDAY, NOVEMBER 16: referee report due, please submit on Canvas

FALL BREAK: Week of November 22

Behavioral Economics, Week of November 29
- H&M Chapter 3
- Rabin, M. (1998), "Psychology and Economics," *Journal of Economic Literature*, 36(1), 11-46.
- DellaVigna, S. (2009), "Psychology and Economics: Evidence from the Field," *Journal of Economic Literature*, 47(2), 315-372.

Research/Data Proposal Presentations, Week of December 6

TUESDAY, DECEMBER 14: RESEARCH/DATA PROPOSAL DUE BY NOON, please submit on Canvas

FINALS WEEK: Please fill out the Course Survey on Canvas (the link will appear toward the end of the term on the left side menu toward the bottom of the page)

All the Other Stuff:

Accommodations:
Students requesting special accommodations should contact Student Disability Center (SDC) at 970-491-6385. Accommodations will not be granted without pre-approval from SDC. If this applies to you, please make arrangements immediately. *Virtual access accommodations* are now also being handled by this office.

Department's Statement on Copyright:
Please do not share material from this course in online, print or other media. Course material is the property of the instructor who developed the course. Materials authored by third parties, which may be used in the course, are also subject to copyright protections. Posting course materials on external sites (commercial or not) violates both copyright law and the CSU Student Conduct Code. Students who share course content without the instructor's express permission, including with online sites that post materials to sell to other students, could face disciplinary or legal action.

Academic Integrity:
This course will adhere to the CSU Academic Integrity Policy as found on the Student Responsibilities page of the CSU General Catalog and in the Student Conduct Code. At a minimum, violations will result in a grading penalty in this course.

As per university policy, "Any student found responsible for having engaged in academic misconduct will be subject to academic penalty and/or University disciplinary action" (General Catalog, http://catalog.colostate.edu/general-catalog/policies/students-responsibilities/). As such, any academic dishonesty in this course may result in a grade of "F" for the course and may be reported to the Office of Conflict Resolution and Student Conduct Services. Please be aware that the General Catalog specifically identifies the following examples of academic dishonesty: cheating, plagiarism, unauthorized possession or disposition of academic materials, falsification, and facilitation of cases of academic dishonesty. Plagiarism is defined as follows: "Plagiarism – Plagiarism includes the copying of language, structure, images, ideas, or thoughts of another, and representing them as one's own without proper acknowledgment and is related only to work submitted for credit; the failure to cite sources properly; sources must always be appropriately referenced, whether the source is printed, electronic or spoken. Examples include a submission of purchased research papers or homework as one's own work; paraphrasing and/or quoting material without properly documenting the source" (General Catalog, http://catalog.colostate.edu/general-catalog/policies/students-responsibilities/).

Title IX:
CSU's Discrimination, Harassment, Sexual Harassment, Sexual Misconduct, Domestic Violence, Dating Violence, Stalking, and Retaliation policy designates faculty and employees of the University as "Responsible Employees." This designation is consistent with federal law and guidance, and requires faculty to report information regarding students who may have experienced any form of sexual harassment, sexual misconduct, relationship violence, stalking or retaliation. This includes information shared with faculty in person, electronic communications or in class assignments. As "Responsible Employees," faculty may refer students to campus resources (see below), together with informing the Office of Support and Safety Assessment to help ensure student safety and welfare. Information regarding sexual harassment, sexual misconduct, relationship violence, stalking and retaliation is treated with the greatest degree of confidentiality possible while also ensuring student and campus safety.

Any student who may be the victim of sexual harassment, sexual misconduct, relationship violence, stalking or retaliation is encouraged to report to CSU through one or more of the following resources:

- Emergency Response 911

- o Deputy Title IX Coordinator/Office of Support and Safety Assessment (970) 491-1350
- o Colorado State University Police Department (non-emergency) (970) 491-6425

For counseling support and assistance, please see the CSU Health Network, which includes a variety of counseling services that can be accessed at: http://www.health.colostate.edu/. And, the Sexual Assault Victim Assistance Team is a confidential student resource that does not have a reporting requirement and that can be of great help to students who have experienced sexual assault. The web address is http://www.wgac.colostate.edu/need-help-support.

COVID-19:
Important information for students: All students are expected and required to report any COVID-19 symptoms to the university immediately, as well as exposures or positive tests from a non-CSU testing location.

If you suspect you have symptoms, or if you know you have been exposed to a positive person or have tested positive for COVID, you are required to fill out the COVID Reporter (https://covid.colostate.edu/reporter/). If you know or believe you have been exposed, including living with someone known to be COVID positive, or are symptomatic, it is important for the health of yourself and others that you complete the online COVID Reporter. Do not ask your instructor to report for you. If you do not have internet access to fill out the online COVID-19 Reporter, please call (970) 491-4600. You may also report concerns in your academic or living spaces regarding COVID exposures through the COVID Reporter. You will not be penalized in any way for reporting. When you complete the COVID Reporter for any reason, the CSU Public Health office is notified. Once notified, that office will contact you and, depending upon each situation, will conduct contact tracing, initiate any necessary public health requirements and notify you if you need to take any steps.

For the latest information about the University's COVID resources and information, please visit the CSU COVID-19 site: https://covid.colostate.edu/.