

Public Sector Economics
ECON 5330
Spring 2017
6:00-8:50 PM Monday
CBA, Room 330

Instructor: Nathan Ashby, Ph.D.
Office: CBA 222
Office Hours: Monday 2:30-5:30 PM or by appointment
Email: njashby@utep.edu
Phone: 915-747-7791

Required Readings:

Listed under outline. Will be provided on Blackboard

Prerequisites: ECON 5302 or instructor consent

Course Description: Public Sector Economics analyzes the theoretical justification for the public sector including topics such as the provision role of the public sector, the provision of public goods, externalities, regulation, taxation, and expenditure behavior. The current fiscal environment of federal, state, and local governments is analyzed as well.

Course Objective and Expectations: This course will teach you how to public sector decision making using economic techniques. You are expected to *carefully* read the required readings and understand these as much as is possible. You are expected to be able think critically in analyzing real-world issues as will be demonstrated through five short writing assignments, a paper discussion, and a final exam.

Grades: The class grade will be determined by the following three components:

Final Exam (50%)
Five Short Papers (40%)
Paper Discussion (10%)

Papers

You will be required to write five original papers throughout the course of the semester with an abstract, references, developed thesis statement and support for your argument(s). Each paper will need to be four to five pages long, double spaced in Times New Roman 12 point font. It is expected that you apply the ideas discussed in class to possible thesis topics or a paper that might interest you. I will drop the lowest score. The due dates for these papers are as follows:

February 8	On Sections 1-4
March 1	On Sections 5-8
March 22	On Sections 9-12
April 12	On Sections 13-16
April 26	On Sections 17-19

Final Exam:

There will be one take home final exam. The final exam will be entirely written. I will hand out the final exam at the end of the final class, **May 3**. You will have until **Friday, May 5, at 5:00 PM** to deliver the exam to my office.

Paper Discussion

You will be expected to choose any paper published in the year 2012 or after that interests you that was published in *Journal of Public Economics*. Alternatively, you could choose any article published in *American Economic Review*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Econometrica*, *Review of Economics Studies*, *Economic Journal*, *European Economic Review*, *Journal of Economic Perspectives*, *Journal of Urban Economics*, or *Review of Economics and Statistics* as long as the article has a JEL code beginning with H listed. You will need to prepare a ten to fifteen minute discussion in which you briefly summarize the paper, discuss the findings, and shortcomings of the paper. You may also want to provide a few ideas on how the paper could be extended for future research. These presentations will take place on the last day of class. Before your presentation you will need to hand in to me a one-page outline of the points that you will make during your presentation.

Grading Scale:

A	87.5-100
B	75-87.5
C	62.5-75
D	50-62.5
F	<50

Course Outline:

Course Outline and Readings List

All readings with an asterisk are required and can be found within the two required texts or by download through Blackboard. All readings without an asterisk are not required but are the sources from which I will take much of my material or may be useful references for topics that you wish to investigate in more depth for this class or in future research. I also provide a lot of sources for the curious mind that wants to dig a little deeper. Please don't get overwhelmed by the length of the readings list.

Section 1: The Public Sector

No Readings.

Section 2: Principles for Analyzing Government/Economic Role of the State

Holcombe, *Public Sector Economics*, Chapter 2

*Rand, Ayn. 1964. "Man's Rights." Chapter 12 in *The Virtues of Selfishness*. New York: Signet Books.

*Akerlof, G. A. (1970) "The Market for "Lemons": Quality Uncertainty and the Market Mechanism," *Quarterly Journal of Economics* 84(3): 488 – 500.

* Rothschild, M. and Stiglitz, J. (1976) "Equilibrium in Competitive Insurance Markets," *Quarterly Journal of Economics* 90(4): 629 – 649.

*Hayek, F.A. (1945). *The Use of Knowledge in Society*. *American Economic Review* 35(4), 519-530.

Buchanan, James M. 1987. "The Constitution of Economic Policy," *American Economic Review*, 77 (3): 243-250. <http://www.jstor.org>

*Holcombe, R.G. 1994. "An Economic Theory of Rights." Chapter 2 in *The Economic Foundations of Government*. New York: New York University Press.

Holcombe, R.G. 1994. "The Distinction Between Clubs and Government." Chapter 5 in *The Economic Foundations of Government*. New York: New York University Press.

Section 3: Public Goods

3.1: Theory of Public Goods

* Samuelson, P.A. 1954. "The Pure Theory of Public Expenditure," *Review of Economics and Statistics*, 36 (4): 387-387.

*Samuelson, P.A. 1955. "Diagrammatic Exposition of a Theory of Public Expenditure," *Review of Economics and Statistics*, 37(4): 350-356.

*Wicksell, Knut. (1958). *A New Principle of Just Taxation*. In R.A. Musgrave and A.T. Peacock (eds.), *Classics in the Theory of Public Finance*, (pp. 73-118).

Lindahl, E. 1958. "Just Taxation – A Positive Solution," in Musgrave and Peacock, eds., *Classics in the Theory of Public Finance*, Macmillan, pp. 168-176.

Musgrave, Richard A. 1939. "The Voluntary Exchange Theory of Public Economy," *Quarterly Journal of Economics*, 53 (2): 213-237. <http://www.jstor.org>

3.2: Public Goods and Private Crowd Out

*Hungerman, D. (2005) "Are Church and State Substitutes? Evidence from the 1996 Welfare Reform," *Journal of Public Economics* 89(11-12): 2245 – 2267.

Andreoni, J. and Payne, A. (2003) "Do Government Grants to Private Charities Crowd Out Giving or Fundraising?" *American Economic Review* 93(3): 792 – 812.

Roberts, Russell (1984). "A Positive Model of Private Charity and Public Transfers." *Journal of Political Economy* 92(1): 136-48.

Section 4: Externalities, Property Rights, and Efficiency

*Demsetz, Harold (1967). "Toward a Theory of Property Rights." *American Economic Review*, 57(2):347-359.

Coase, R. 1960. "The Problem of Social Cost." *Journal of Law and Economics*, 1-44.

*Hardin, Garren. 1968. "The Tragedy of the Commons," *Science*, December.

Wiggins, S. and G. Libecap. 1985. "Oil Field Unitization: Contractual Failure in the Presence of Imperfect Information," *American Economic Review*, 75(3): 368-85.

Weitzman, M. (1974) "Prices versus Quantities," *Review of Economic Studies* 41(4): 477-491.

Chay, K. and Greenstone, M. (2003) "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession," *Quarterly Journal of Economics* 118(3): 1121 – 1167

Moretti, E. (2004) "Workers' Education, Spillovers, and Productivity: Evidence from Plant-Level Production Functions," *American Economic Review* 94(3): 656 – 690.

Section 5: An Introduction to Taxation

5.1: Excess Burden

*Hausman, J.A. 1981. "Exact Consumer's Surplus and Deadweight Loss," *American Economic Review*, 71 (4): 662-676. <http://www.jstor.org>

*Willig, Robert, "Consumer's Surplus Without Apology," *American Economic Review* 66:4 (1976): 589-597. <http://jstor.org>

Hines, Jr., J.R. 1999. "Three Sides of Harberger Triangles," *Journal of Economic Perspectives*, 13 (2): 167-188.

Rosen, Harvey S., "The Measurement of Excess Burden with Explicit Utility Functions," *Journal of Political Economy* 86:2 (1978), S121-S135. <http://jstor.org>

Tresch (2002), Chapter 13, 401-429.

5.2: Welfare Costs of Taxation

*Browning, Edgar K. 1976. The Marginal Costs of Public Funds. *Journal of Political Economy* 84(2): 283-298.

Browning, Edgar K. 1984. On the Marginal Costs of Taxation. *American Economic Review* 77(1): 11-23.

Fullerton, D. 1991. "Reconciling Recent Estimates of the Marginal Welfare Cost of Taxation," *American Economic Review*, 81(3): 302-07.

Section 6: Optimal Taxation

*Mankiw, Gregory, M. Weinzierl and D. Yagan. 2009. "Optimal Taxation in Theory and Practice," NBER Working Paper No. 15071. <http://www.nber.org/papers/w15071>.

*Slemrod, J. 1990. "Optimal Taxation and Optimal Tax Systems," *Journal of Economic Perspectives*, 4 (1): 157-178. <http://www.jstor.org>

Smith, P. 1991. "Lessons from the British Poll Tax Disaster," *National Tax Journal*, 44 (4): 421-436.

Atkinson, A. and N. Stern. "Pigou, Taxation, and Public Goods," *Review of Economic Studies*, 41 (1): 119-128. <http://www.jstor.org>

- Diamond, P. and J. Mirrlees. 1971. "Optimal Taxation and Public Production I: Production Efficiency," *American Economic Review*, 61 (1): 8-27. <http://www.jstor.org>
- Diamond, P. and J. Mirrlees. 1971. "Optimal Taxation and Public Production II: Tax Rules," *American Economic Review*, 61 (3): 261-278. <http://www.jstor.org>
- Diamond, P. 1975. "A Many-Person Ramsey Tax Rule," *Journal of Public Economics*, 4: 335-342.
- Ramsey, Frank P. 1927. "A Contribution to the Theory of Taxation," *Economic Journal*, March. <http://www.jstor.org>
- Sandmo, A. 1975. "Optimal Taxation in the Presence of Externalities," *Swedish Journal of Economics*, pp.86-98.
- Stern, Nicholas H. 1976. "On the Specification of Models of Optimum Income Taxation," *Journal of Public Economics* 6 (1): 123-162.
- Stern, Nicholas. 1987. "The Theory of Optimal Commodity and Income Taxation: An Introduction," in D. Newbery and N. Stern, eds., *The Theory of Taxation in Developing Countries*, Oxford: Oxford University Press: pp.22-59.
- Tresch (2002), Chapter 13, 429-444; Chapter 14, 461-482.

Section 7: Tax Incidence

- Atkinson, A.B. 1994. "The Distribution of the Tax Burden," in J.M. Quigley and E. Smolensky, eds., *Modern Public Finance*, Cambridge: Harvard University Press: pp. 13-49.
- Congressional Budget Office. 1996. *The Incidence of the Corporate Income Tax*, Washington, D.C.
- Slemrod, J. and J. Bakija. 2008. *Taxing Ourselves: A Citizen's Guide to the Great Debate Over Taxes, Fourth Edition*, Cambridge: MIT Press, Chapter 3.
- 7.1. Partial Equilibrium
- Fullerton, D. and G.E. Metcalf. 2002. "Tax Incidence," NBER working paper 8829.
- Goolsbee, A. 2000. "In a World Without Borders: The Impact of Taxes on Internet Commerce," *Quarterly Journal of Economics*, 115 (2): 561-576.
- Kotlikoff, L. and L.H. Summers. 1987. "Tax Incidence," in A. Auerbach and M. Feldstein, eds., *Handbook of Public Economics, Volume 2*, Amsterdam: North Holland: pp.1043-1092.

7.2. General Equilibrium

- *Harberger, A.C. 1962. "The Incidence of the Corporation Income Tax," *Journal of Political Economy*, 70 (3): 215-240. <http://www.jstor.org>
- Tresch (2002), Chapter 16, 549-571.
- Diamond, P. 1978. "Tax Incidence in a Two-Good Model," *Journal of Public Economics*, 9: 283-299.

Fullerton, D. and G.E. Metcalf. 2002. "Tax Incidence," NBER working paper 8829.

McLure, C. 1975. "General Equilibrium Incidence Analysis," *Journal of Public Economics*, February.

7.3. Lifecycle and Intergenerational Tax Incidence

Auerbach, A.J., J. Gokhale, and L.J. Kotlikoff. 1994. "Generational Accounting: A Meaningful Way to Evaluate Fiscal Policy," *Journal of Economic Perspectives*, 8 (1): 73-94.
Draft, August 27, 2013

Fullerton, D. and D.L. Rogers. 1991. "Lifetime Versus Annual Perspective on Tax Incidence," *National Tax Journal*, 44(3): 277-287.

Barthold, Thomas A. 1993. "How Should We Measure Distribution," *National Tax Journal* 46 (3): 291-299.

Fullerton, D. and D.L. Rogers. 1993. *Who Bears the Lifetime Tax Burden?*, Washington: Brookings Institution. Chapter 1.

Fullerton, D. and D.L. Rogers. 1991. "Lifetime Versus Annual Perspective on Tax Incidence," *National Tax Journal*, 44(3): 277-287.

Metcalf, Gilbert E. 1993. "The Lifetime Incidence of State and Local Taxes: Measuring Changes During the 1980s," NBER Working Paper No. 4252. <http://papers.nber.org/papers/w4252.pdf>

Pechman, J.A. 1986. *Who Paid the Taxes, 1966-1985*, Washington: Brookings Institution. Chapter 3 and 4.

*Poterba, James M. 1989. "Reexaminations of Tax Incidence," *American Economic Review*, 79 (2): 325-330. <http://www.jstor.org>

Tresch (2002), Chapter 17, 606-621.

7.4. Applied Incidence Studies

Ebel, Robert D. 1990. *A Fiscal Agenda for Nevada*. Reno, NV: University of Nevada Press.

Feldstein, M. 1988. "Imputing Corporate Tax Liabilities to Individual Taxpayers," *National Tax Journal*, 41 (1): 37-59.

Gade, M., and L. Adkins, 1990. "Tax Exporting and State Revenue Tax Structures", *National Tax Journal* 43: 39-42.

Joint Committee on Taxation. 1993. *Methodology and Issues in Measuring Changes in the Distribution of Tax Burdens*, June 14, Washington: U.S. Government Printing Office.

McLure, C.E., 1967. "The Interstate Exporting of State and Local Taxes: Estimates for 1962", *National Tax Journal*, 20 (1): 49-77.

Musgrave, R.A. and D. Daicoff. 1958. "Who Pays the Michigan Taxes?" *Michigan Tax Study Staff Papers*, Lansing: Secretary of Finance, 131-183.

Musgrave, R.A., J.J. Carroll, L.D. Cook and L.Frane. 1951. "Distribution of Payments by Income Groups: A Case Study for 1948," *National Tax Journal*, 4 (1): 1-53.

Pechman, J.A. and B.A. Okner. 1971. *Who Bears the Tax Burden?*, Washington: Draft, August 27, 2013, Brookings Institution.

Pollock, S.H., 1991. "Mechanisms for Exporting the State Sales Tax Burden in the Absence of Federal Deductibility" *National Tax Journal* 44: 297-310.

Tresch (2002), Chapter 17.

7.5. Open Economy Tax Incidence

Eijfinger, Sylvester C.W. and Wolf Wagner. 2001. "Taxation if Capital is not Perfectly Mobile: Tax Competition Versus Tax Exportation," Center for Economic Policy Research Discussion Paper No. 3084. www.cepr.org

Gravelle, Jane G. and Smetters, Kent A. (2006) "Does the Open Economy Assumption Really Mean That Labor Bears the Burden of a Capital Income Tax?," *Advances in Economic Analysis & Policy*: Vol. 6 : Iss. 1, Article 3. Available at: <http://www.bepress.com/bejeap/advances/vol6/iss1/art3>

Razin, A. and E. Sadka. 2004. "Capital Income Taxation in the Globalized World," NBER Working Paper 10630.

Section 8: Taxes and Labor Supply

*Duncan, Denvil and Klara Sabirianova Peter. 2009. "Does Labor Supply Respond to a Flat Tax? Evidence from the Russian Tax Reform," IZA Discussion Paper No. 4257.

*Eissa, Nada. 1995. "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment," NBER Working Paper No. 5023. <http://papers.nber.org/papers/W5023>

*Eissa, Nada. 1996. "Labor Supply and the Economic Recovery Tax Act of 1981," in *Empirical Foundations of Household Taxation*, M. Feldstein and J. Poterba eds., Chicago: University of Chicago Press: 5-38. Draft, August 27, 2013

Feldstein, M. 1995. "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy*, 103 (3): 551-572.

Giertz, Seth. 2004. "Recent Literature on Taxable Income Elasticities," CBO Technical Paper 16 (December). Washington D.C.: Congressional Budget Office.

Hausman, Jerry A. 1985. "Taxes and Labor Supply," in *Handbook of Public Economics, Volume 1*, Alan Auerbach and Martin Feldstein, eds., Amsterdam: North Holland: 213-265.

Hausman, Jerry A. 1985. "The Econometrics of Non-Linear Budget Sets," *Econometrica*, 53 (6): 1255-1282. <http://www.jstor.org>

Heckman, J.J. 1982. "Comment", in *Behavioral Simulations in Tax Policy Analysis*, Martin Feldstein ed., Chicago: University of Chicago Press: Chicago: 70-82.

Moffitt, R. 1990. "The Econometrics of Kinked Budget Constraints," *Journal of Economic Perspectives*, 4 (2): 119-139. <http://www.jstor.org>

Saez, Emmanuel, Joel Slemrod and Seth Giertz. 2012. "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review," *Journal of Economic Literature* 50 (1): 3-50. Also, NBER Working Paper No. 15012. <http://www.nber.org/papers/w15012>

Section 9: Taxation and Saving

Background: Gruber, Chapter 22

*Shapiro, Matthew D. and Joel Slemrod. 2009. "Did the 2008 Tax Rebates Stimulate Spending?," NBER Working Paper No. 14753. <http://www.nber.org/papers/w14753>

9.1. Household Saving

Auerbach, A.J. and J. Slemrod. 1997. "The Economic Effects of the Tax Reform Act of 1986," *Journal of Economic Literature*, 35 (June): 589-632.

Boskin, M. J. 1978. "Taxation, Saving and the Rate of Interest," *Journal of Political Economy*, 86 (2) part 2: S3-S27.

Bernheim, B.D. 2000. "Taxation and Saving," NBER Working Paper No. 7061, and forthcoming in *Handbook of Public Economics, Volume 3*, A.J. Auerbach and M.

Feldstein, eds., Amsterdam: Elsevier Science Publishers B.V.
<http://www.papers.nber.org/papers/W7061>

*Feldstein, M. 1978. "The Welfare Cost of Capital Income Taxation," *Journal of Political Economy* 86 (April): S29-52.

9.2. Portfolio Composition

Feldstein, M. 1976. "Personal Taxation and Portfolio Composition: An Econometric Analysis," *Econometrica*, 44 (4): 631-650. <http://www.jstor.org>

*Poterba, J.M. 2001. "Taxation, Risk-Taking, and Household Portfolio Behavior," NBER Working Paper No. 8340. <http://papers.nber.org/papers/W8340> Also in *Handbook of Public Economics, Volume 3*, Amsterdam: North Holland.

*Poterba, J.M. and A. Samwick. 2002. "Taxation and Household Portfolio Composition: U.S. Evidence from the 1980s and 1990s," *Journal of Public Economics*, 87: 5-32. Also published as "Taxation and Household Portfolio Composition: U.S. Evidence from the 1980s and 1990s," 1999, NBER Working Paper No. 7392. <http://papers.nber.org/papers/W7392>

9.3. Capital Gains

*Auten, G. and J. Cordes. 1991. "Cutting Capital Gains Taxes," *Journal of Economic Perspectives*, Winter, pp.181-192. <http://www.jstor.org>

*Burman, L.E. *The Labyrinth of Capital Gains Tax Policy*, Washington, D.C.: Brookings. (read chapter 4) <http://brookings.nap.edu/books/0815712707/html/index.html>

Burman, L.E. and William C. Randolph. 1994. "Measuring Permanent Responses to Capital-Gains Tax Changes in Panel Data," *American Economic Review*, 84 (4): 794-809.

Section 10: The Government Budgeting Process

None.

Section 11: Social Security

*Diamond, P. (1977) "A Framework for Social Security Analysis," *Journal of Public Economics* 8(3): 275 – 298.

Manoli, D. S. and Weber, A. (2011) "Nonparametric Evidence on the Effects of Financial Incentives on Retirement Decisions," NBER Working Paper 17320.

* Chetty, R., Friedman, J. N., Leth-Peterson, S., Nielsen, T., and Olsen, T. (2014) "Active vs. Passive Decisions and Crowd-Out in Retirement Savings Accounts: Evidence from Denmark," *Quarterly Journal of Economics* 129(3).

Persson, P. (2014) "Social Insurance and the Marriage Market," working paper. Available at: http://web.stanford.edu/~perssonp/Persson_JMP.pdf. on spillovers

Kruger, A. B. and Pischke, J. (1992) "The Effect of Social Security on Labor Supply: A Cohort Analysis of the Notch Generation," *Journal of Labor Economics* 10(4): 412 – 437.

Bernheim, B. D., Skinner, J., and Weinberg, S. (2001) "What Accounts for the Variation in Retirement Wealth among U.S. Households," *American Economic Review* 91(4): 832 – 857.

*Autor, D. H. and Duggan, M. D. (2006) "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding," *Journal of Economic Perspectives* 20(3): 71 – 96.

Barro, R. 1974. "Are Government Bonds Net Wealth?," *Journal Political Economy*, 82 (6): 1095-1117. <http://www.jstor.org>

*Feldstein, M. 1974. "Social Security, Induced Retirement and Aggregate Capital Accumulation," *Journal of Political Economy*, 82 (5): 905-926. <http://www.jstor.org>

*Feldstein, M. 1982. "Social Security and Private Saving: Reply," *Journal of Political Economy*, 90 (3): 630-642. <http://www.jstor.org>

*Feldstein, M. 1996. "Social Security and Saving: New Time Series Evidence," *National Tax Journal*, 49 (2): 151-164.

Leimer, D.R. and S.D. Lesnoy. 1982. "Social Security and Private Saving: New Time-Series Evidence," *Journal of Political Economy*, 90 (3): 606-629.

Section 12: Economics of Education

* Hoxby, C. M. (2000) "Does Competition among Public Schools Benefit Students and Taxpayers?" *American Economic Review* 90(5): 1209 - 1238.

* Urquiola, M. (2005) "Does School Choice Lead to Sorting? Evidence from Tiebout Variation," *American Economic Review* 95(4): 1310 - 1326.

D Hastings, J. S. and Weinstein, J. M. (2008) "Information, School Choice, and Academic Achievement: Evidence from Two Experiments," *Quarterly Journal of Economics* 123(4): 1373 - 1414.

Epple, D. and Romano, R. E. (1998) "Competition between Private and Public Schools, Vouchers, and Peer-Group Effects," *American Economic Review* 88(1): 33 – 62.

Rouse, C. E. (1998) "Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program," *Quarterly Journal of Economics* 113(2): 553 – 602.

Chetty, R., J. Friedman, and J. Rockoff (2014). "Measuring the Impacts of Teachers I: Evaluating Bias in Teacher Value-Added Estimates," *American Economic Review* 104(9): 2593-2632.

Chetty, R., J. Friedman, and J. Rockoff (2014). "Measuring the Impacts of Teachers II: Evaluating Bias in Teacher Value-Added Estimates," *American Economic Review* 104(9): 2633-2679.

Section 13: Clubs, Fiscal Federalism, and the Federal System of Government

*Tiebout, Charles. 1956. A Pure Theory of Local Government Expenditures. *Journal of Political Economy* 64(5), 416-24.

*Oates, W. (1999) "An Essay on Fiscal Federalism," *Journal of Economic Literature* 37(3): 1120 – 1149.

Hines, J. and Thaler, R. (1995) "Anomalies: The Flypaper Effect," *Journal of Economic Perspectives* 9(4): 217 – 226.

Besley, T. and Coate, S. (2003) "Centralized versus Decentralized Provision of Local Public Goods: A Political Economy Analysis," *Journal of Public Economics* 87(12): 2611 – 2637.

Akai, Nobuo and M. Sakata. 2002. "Fiscal Decentralization Contributed to Economic Growth: Evidence from State-Level Cross-Section Data for the United States," *Journal of Urban Economics*, 52: 93-108.

Arzhagi, Mohammad and J. Vernon Henderson. 2005. "Why Countries are Fiscally Decentralizing," *Journal of Public Economics* 89: 1157-1189.

Giertz, Seth H. and Mehmet S. Tosun. 2012. "Migration Elasticities, Fiscal Federalism, and the Ability of States to Redistribute Income." *National Tax Journal*.

Section 14: Taxation and Fiscal Stimulus

*Shapiro, Matthew and Joel Slemrod. 2009. "Did the 2008 Tax Rebates Stimulate Spending?" (with Matthew D. Shapiro), *American Economic Review Papers and Proceedings*, May 2009, 99: 374-379.

Shapiro, Matthew and Joel Slemrod. 2003. "Did the 2001 Tax Rebate Stimulate Spending? Evidence from Taxpayer Surveys," in J. Poterba (ed.), *Tax Policy and the Economy* 17, MIT Press and the National Bureau of Economic Research, 2003, pp. 83-109.

Section 15: Health Care (if time permits)

Peter Diamond (1992). "Organizing the Health Insurance Market," *Econometrica*, 60, 1233-1254.

John Cochrane (1995). "Time Consistent Health Insurance," *Journal of Political Economy*, 103 (3), 445-473.

F Hendel, Igal and Alessandro Lizzeri (2003). "The Role of Commitment in Dynamic Contracts: Evidence from Life Insurance." *Quarterly Journal of Economics*, Vol. 118, No. 1, 299-327.

Fang, Hanming and Edward Kung (2010). "How Does the Life Settlement Market Affect the Primary Life Insurance Market?" NBER Working Paper 15761.

Fang, Hanming and Edward Kung (2011). "Why Do Life Insurance Policyholders Lapse? Loss of Bequest Motives vs. Liquidity Shocks," NBER Working Paper.

F Fang, Hanming and Alessandro Gavazza (2011). "Dynamic Inefficiency in an Employment-Based Health Insurance System: Theory and Evidence." NBER Working Paper No. 13371; forthcoming, *American Economic Review*. 8.2.3. Demand and Supply of Medical Care, Interacting with Health Insurance

F W. Manning et al. (1987). Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment, *American Economic Review*, 77(3), 251-177.

F Amanda Kowalski (2009). "Censored Quantile Instrumental Variable Estimates of the Price Elasticity of Expenditure on Medical Care." NBER Working Paper 15085.

8.2.4. Health Insurance and Labor Market Outcomes

Madrian, Brigitte C. (1994). Employment-Based Health Insurance and Job Mobility: Is There Evidence of Job Lock?" *Quarterly Journal of Economics*, Vol. 109, No. 1, 27-54.

Dey, M. and C. Flinn (2005). "An Equilibrium Model of Health Insurance Provision and Wage Determination." *Econometrica* 73, 571-627.

Dey, M. and C. Flinn (2008). "Household Search and Health Insurance Coverage." *Journal of Econometrics*, 145 July, 43-63.

Brügemann, Björn and Iouri Manovskii (2011). "Fragility: A Quantitative Analysis of the U.S. Health Insurance System." Working Paper.

Section 16: Regression Discontinuity Design and Extensions (if time permits)

* Lee, D. and Lemieux, T. (2010) "Regression Discontinuity Designs in Economics," *Journal of Economic Literature* 48(2): 281-355.

* Cellini, S. R., Ferreira, F., and Rothstein, J. (2010) "The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design," *Quarterly Journal of Economics* 125(1): 215 - 261.

Imbens, G. W. and Lemieux, T. (2008) "Regression Discontinuity Designs: A Guide to Practice," *Journal of Econometrics* 142(2): 615-635.

McCrary, J. (2008) "Manipulation of the Running Variable in the Regression Discontinuity Design: A Density Test," *Journal of Econometrics* 142(2): 2008.

Urquiola, M. and Verhoogen, E. (2009) "Class-size Caps, Sorting, and the Regression Discontinuity Design," *American Economic Review* 99(1): 179 - 215.

Barreca, A. I., Lindo, J. M., and Waddell, G. R. (2011) "Heaping-Induced Bias in Regression-Discontinuity Designs," NBER working paper 17408.

Section 17: Public Provision of Private Goods (if time permits)

* Cameron, S. V. and Taber, C. (2004) "Borrowing Constraints and the Returns to Schooling," *Journal of Political Economy* 112(1): 132 – 182.

* Dynarski, S. M. (2003) "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion," *American Economic Review* 93(1): 279-288.

D Rothstein, J. and Rouse, C. E. (2011) "Constrained After College: Student Loans and Early-Career Occupational Choices," *Journal of Public Economics* 95(1-2): 149-163.

Garratt, R. and Marshall, J. (1994) "Public Finance of Private Goods: The Case of College Education," *Journal of Political Economy* 102(3): 566 – 582.

Hanushek, E. A. (2002) "Publicly Provided Education," *Handbook of Public Economics*, Volume 4.

Carneiro, P. and Heckman, J. J. (2002) "The Evidence on Credit Constraints in PostSecondary Schooling," *Economic Journal* 112(482): 705 – 734.

Scholz, J. K. and Seshadri, A. (2012) "A New Test of Borrowing Constraints in Education," *Review of Economic Studies* 79(2): 511 – 538.

Muralidharan, K. and Sundararaman, V. (2015) "The Aggregate Effect of School Choice: Evidence from a two-stage experiment in India," *Quarterly Journal of Economics* 130(3):1011 – 1066.

Section 18: Behavioral Public economics (if time permits)

Background: Tresch (2008), pp. 475-481.

Baron, J. and E.J. McCaffery. 2006. "Masking Redistribution (or it's Absence)," in *Behavioral Public Finance*, E.J. McCaffery and J. Slemrod, eds., New York: Russell Sage Foundation.

* Chetty, Raj, Adam Looney, and Kory Kroft. 2009. "Salience and Taxation: Theory and Evidence," *American Economic Review* 99(4): 1145-1177. Congdon, William J., Jeffrey

Congdon, W. J., J. R. Kling, and Sendhil Mullainathan. 2011. *Policy and Choice: Public Finance through the Lens of Behavioral Economics*. Washington D.C.: Brookings.

Fang, H. and D. Silverman. 2006. "Distinguishing Between Cognitive Biases: Beliefs vs. Time Discounting in Welfare Program Participation," in *Behavioral Public Finance*, E.J. McCaffery and J. Slemrod, eds., New York: Russell Sage Foundation.

Public Sector Economics
ECON 5330
Spring 2012
Paper Requirements:

These papers should not be summaries of the readings. You are expected to have a thesis and support it with facts from readings from class as well as other sources you may find. All sources must be properly cited using APA citation style, and you will need to email me your papers in addition to turning in a hard copy. You should include an introduction with a clear thesis, a brief summary of the issue, a critical analysis of the issue, and a conclusion summarizing your paper. The hard copies and emailed versions of the papers are due at the beginning of class on the due dates listed above. A paper will be docked 10 percentage points for every day it is late. If you feel you have a legitimate reason why you cannot meet a given deadline, let me know, and we can discuss a possible extension. You will be graded in the following areas:

1. *Introduction and Strength and Clarity of Thesis Statement* (15 percent): Introduction should provide a good discussion of the paper topic and the thesis should be clearly stated and make sense.
2. *Punctuation, grammar, and structure* (15 percent): The paper shall be double spaced with 12 point Times New Roman Font, 1 inch margins on the top and bottom, and 1.25 inch margins on the left and right. For every five errors, I will take off five percent not to exceed 15 percent of the total paper.
3. *References* (15 percent): There is no minimum amount of sources that you need to include, but you should make sure you are properly giving credit for your ideas. You should use APA citation style throughout the body of your paper when giving credit to your sources and on your works cited page.
4. *Strength and correctness of arguments, depth of critical analysis, and strength of writing* (20 percent): This is the only area that will be somewhat subjective. If I love the paper, you'll get a better score. This does not mean that I have to agree with your arguments, but that the paper is interesting to read and that the arguments are well-developed.
5. *Originality* (20 percent): You will be required to turn the paper in using Turnitin software. I will be able to easily determine the originality of your paper. Where it is obvious that there is very little originality in your paper, you will be required to rewrite the paper. If the text appears to be original with limited dependence on quotations, you will not be docked any points. If your paper is original, but you depend too much on quotations from other authors, you will receive partial credit. I will turn in obvious cases of plagiarism to the dean of students.
6. *Length* (15 percent): For every page under the minimum requirement, I will take ten percent point off of your total score. In other words, you will have no points

taken off if your paper is at least four pages. If your paper is less than four pages, you will have ten percent deducted. Note that the title page and the works cited page will not count towards the total page count. At my discretion, I will take away points for papers that are much longer than five pages.