Economics 310: Public Finance Seminar Fall 2006

Mount Holyoke College

Professor: Melanie Guldi
Office: 117 Skinner
Office Hours: Tues. 2-4pm & by appt.
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Meeting Times:
M,W: 11am-12:15pm SKNR 212
4th hour on F: 11am-11:50am SKNR 212

Course Website: http://www.mtholyoke.edu/courses/mguldi/310_F06/310_F06.html

Prerequisites: Economics 211, 212

Course objective: This is a seminar course for the Economics major. The goal of this course is to give students the opportunity to develop an understanding of the recent empirical research in the field of Public Finance and its application to Public Policy.

Text: Public Finance and Public Policy, by Jonathan Gruber. ISBN: 0716786559
The text will be used in addition to other readings outlined below.

Research Project: Each student will complete a project involving a Research Proposal, a Research Progress Report, a Research Paper, and an In-class Presentation. Students are encouraged to work on a topic that interests them. Almost any topic related to Public Finance is acceptable. Students can choose whether to work individually or as part of a group. Prior to turning in the Research Proposal, each student should meet with me to discuss the project. If students have chosen to work on a group project, then all students should come to the same meeting.

If this is the first time tackling such a project, you may be unsure of where to start. One book that has been a good source for me in the past is The Economist's Handbook: A Research and Writing Guide by Thomas L. Wyrick.

The Research Proposal should be 2-3 pages long (12 point font, double spaced). It should outline what you intend to do with this project and provide a preliminary list of references.

The Research Progress Report should be 4-5 pages long. It should include the project outline (revised if necessary) as well as a discussion of the relevant literature you have read to date. If you have additional material (e.g. preliminary results), you can submit it at this time.

The Research Paper should be approximately 20 pages long and should be similar in style to the academic research papers read during the course. A hard copy of the paper should be turned into me by 5:00pm on December 13, 2006. The final grade will drop by 20% per day if turned in after the deadline. In addition, an electronic version of the paper (either pdf or word format) should be emailed to me as no later than 5:00pm on the same day. There should be no difference between the hard copy version and the electronic version. If you are working on the project as a group, only one copy need be submitted.

Format: All documents submitted should use 12 point font, be double spaced and have standard margins (at least one inch on all sides).

As discussed in the Mt. Holyoke Student Handbook, plagiarism is not acceptable. If you are unsure of what plagiarism is, see sources such as the MLA Handbook for Writers of Research Papers (6th edition) by Joseph Gibaldi.

Exams: Exams will be given in class on October 18 and December 6. If you miss an exam, you will be given a zero on the exam unless you have an excused absence for reasons such as religious holiday or a documented medical emergency. If you require special accommodation to take the exams, please meet with me so that we can make arrangements.

Grading:

Proposal (Sept. 27):	10%
Midterm I (Oct. 18):	20%
Progress Report (Nov. 15):	10%
Midterm II (Dec. 6):	20%
Final Paper (Dec. 13):	25%
Paper Presentation (TBD):	15%

Other: Attendance and class participation are required. Students are expected to come to class prepared to discuss assigned readings. Fourth hour on Friday will be scheduled as needed. (4th hour will definitely meet on November 3rd, November 17th and December 8th).

Reading List: This is a list of readings for the course. You should be prepared to discuss the book chapters listed as well as the citations marked with a *. During the semester, additional readings may be assigned.

I. Introduction

Chapter1, 2

Empirical Methodology, Econometrics Review

Chapter 3

*Meyer, Bruce, "Natural and Quasi-Experiments in Economics," *Journal of Business and Economic Statistics*, 13(2), April 1995.

Bound, John, David A. Jaeger, Regina M. Baker, "Problems with Instrumental Variables Estimation When the Correlation Between the Instruments and the Endogeneous Explanatory Variable is Weak," *Journal* *of the American Statistical Association*, Vol. 90, No. 430. (Jun., 1995), pp. 443-450.

Research Papers (reading and writing)

In-Class Handout(s)

Thomas L. Wyrick. The Economist's Handbook: A Research and Writing Guide.

II. Externalities

Chapters 5-6

Coase, Ronald. "The Problem of Social Cost" *Journal of Law and Economics*, 1960.

*Chay, Kenneth Y. and Michael Greenstone, "Air Quality, Infant Mortality, and the Clean Air Act of 1970", *NBER Working Paper* No. 10053, October 2003.

Jin , Ginger Zhe and Phillip Leslie. (2003). "The Effect of Information on Product Quality: Evidence from Restaurant Hygiene Grade Cards," *Quarterly Journal of Economics*, (May 2003), pp. 409-451.

Public Goods, emphasis on Education-Finance and Reform
Chapters 7, 11

*Nordhaus, William. (2005). "Life After Kyoto: Alternative Approaches to Global Warming," NBER Working Paper No. 11889. accessible via: http://papers.nber.org/papers/w11889.pdf

Crowd Out

Baicker, Katherine and Nora Gordon, "The effect of state education finance reform on total local resources," *Journal of Public Economics*, 90 (2006), pp. 1519-1535.

School Choice; Vouchers

*Ladd, Helen F., "School Vouchers: A Critical View," *The Journal of Economic Perspectives*, Vol. 16, No. 4. (Autumn, 2002), pp. 3-24.

Epple, Dennis and Richard E. Romano, "Competition between Private and Public Schools, Vouchers, and Peer-Group Effects," *American Economic Review*, Vol. 88, No. 1. (March 1998), pp. 33-62.

*Hoxby, Caroline M., editor The Economics of School Choice. 2003, University of Chicago Press, Chicago. **(read: Introduction)**

*Betts, Julian R. and Tom Loveless, editors, Getting Choice Right: *Ensuring Equity and Efficiency in Education Policy*. 2005, Brookings Institution Press, Washington D.C. **(read: chapters 1 & 2)**

*Hsieh, Chang-Tai and Miguel Urquiola, "The effects of generalized school choice on achievement and stratification: Evidence from Chile's voucher program," *Journal of Public Economics* 90 (2006) pp. 1477-1503.

*Stinebrickner, Ralph and Todd R. Stinebrickner, "What can be learned about peer effects using college roommates? Evidence from new survey data and students from disadvantaged backgrounds," *Journal of Public Economics,* 90 (2006), pp. 1435-1454.

III. Social Insurance and Redistribution

Introduction

Chapter 12

Social Security

Chapter 13

*Coile, Courtney and Jonathan Gruber. (2000). "Social Security and Retirement". NBER Working Paper #7830. accessible via: http://papers.nber.org/papers/w7830.pdf

Medicaid and the Uninsured

Chapter 15-16

*Cutler, David M. and Jonathan Gruber. (1996) "Does Public Insurance Crowd Out Private Insurance." *Quarterly Journal of Economics*, Vol. 111, No. 2 (May, 1996), pp. 391-430.

*Currie, Janet and Jonathan Gruber. (1996). "Saving Babies: The Efficacy and Cost of Recent Changes in the Medicaid Eligibility of Pregnant Women" *Journal of Political Economy,* Vol. 104, No. 6. (Dec., 1996), pp. 1263-1296.

Poverty and Income Inequality, Welfare

Chapter 17

*Deaton, Angus. (1997). The Analysis of Household Surveys: A Microeconomic Approach to Development Policy. Johns Hopkins University Press, Baltimore, Maryland. **(Chapter 3)**

*Piketty, Thomas and Saez, Emmanuel. (2003). "Income inequality in the United States, 1913-1998." Quarterly Journal of Economics, 118:1–39

Solon, Gary. (1992). Intergenerational income mobility in the United States. American Economic Review, 82(3):393–408.

Bjorklund, Anders; Mikael Lindahl and Erik Plug. (2006)."The Origins of Intergenerational Associations: Lessons from Swedish Adoption Data," *Quarterly Journal of Economics, (*August 2006), pp. 999-1028.

*DeNavas-Walt, Carmen, Bernadette D. Proctor and Cheryl Hill Lee. U.S. Census Bureau, Current Population Reports, P60-231, *Income, Poverty, and Health Insurance Coverage in the United States: 2005*, U.S. Government Printing Office, Washington, DC, 2006. (accessible via http://www.census.gov/prod/2006pubs/p60-231.pdf) (SKIM)

McClelland, Peter D. (1990). The American Search for Economic Justice. Basil Blackwell, Inc., Cambridge, MA.

Moynihan, Daniel Patrick (1986). Family and Nation. Harcourt Brace Jovanovich, San Diego.

Welfare Reform

*Pear, Robert and Erik Eckholm, "A Decade After Welfare Overhaul, a Shift in Policy and Perception" New York Times, August 21, 2006.

*Blank, Rebecca M. (1997). "Policy Watch: The 1996 Welfare Reform" *Journal of Economic Perspectives*, Vol. 11, No. 1. (Winter, 1997), pp. 169-177.

Rogers, Diane Lim and Alan Weil. (2000). "Welfare Reform and the Role of Tax Policy" *National Tax Journal*, Vol. 53 no. 3 Part 1 (September 2000) pp. 385-402

Hungerman, Daniel M. (2005). "Are church and state substitutes? Evidence from the 1996 welfare reform" *Journal of Public Economics*, 89 pp. 2245–2267

Welfare to Work & Illegitimacy

*Meara, Ellen and Richard G. Frank. (2006). "Welfare Reform, Work Requirements, and Employment Barriers," NBER Working Paper 12480. accessible via: http://www.nber.org/papers/w12480

*Grogger, Jeffrey. (2003). "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income Among Female-Headed Families," The Review of Economics and Statistics, May 2003, 85(2): 394–408.

Dye, Jane Lawler and Harriet B. Presser. (1999). "The State Bonus to Reward a Decrease in 'Illegitimacy': Flawed Methods and Questionable Effects," Vol. 31, No. 3. (May-Jun., 1999), pp. 142-147.

Joyce, Theodore; Robert Kaestner and Sanders Korenman. (2002). "Welfare Reform and Non-marital Fertility in the 1990s: Evidence from Birth Records," NBER Working Paper 9406. accessible via: http://www.nber.org/papers/w9406

Peters, H. Elizabeth; Robert D. Plotnick and Se-Ook Jeong. (2001). "How Will Welfare Reform Affect Childbearing and Family Structure Decisions?" Institute for Research on Poverty (University of Wisconsin-Madison) Discussion Paper no. 1239-01. accessible via: http://www.irp.wisc.edu/publications/dps/pdfs/dp123901.pdf

IV. Taxation in Theory and Practice

Chapters 18-21

*Bernstein, Fred A. "Why Some Homeowners May Not Be Smiling for These Cameras" New York Times, August 20, 2006.

Maag, Elaine. (2005). "Taxes and Marriage for Cohabiting Parents" Published: May 23, 2005 by The Urban-Brookings Tax Policy Center. accessible via: http://www.taxpolicycenter.org/UploadedPDF/1000788_Tax_Fact_5-23-05.pdf

Kotlikoff, Laurence J. and David Rapson. (2005). "Would the FairTax Raise or Lower Marginal and Average Tax Rates," NBER Working Paper 11831. accessible via: http://papers.nber.org/papers/w11831.pdf

*Alan J. Auerbach. (2005). "Who Bears the Corporate Tax? A Review of What We Know." NBER Working Paper 11686. accessible via: http://papers.nber.org/papers/w11686.pdf

*Burman, Leonard E. and David Weiner. (2005). “Suppose They Took the AM Out of the AMT?” Urban-Brookings Tax Policy Center Discussion Paper No. 25 (August 2005). accessible via: http://www.taxpolicycenter.org/UploadedPDF/311212_TPC_DiscussionPaper_25.pdf

IMPORTANT DATES

Sept. 27 Research Proposal due by 5pm

Oct. 18 Midterm I

Nov. 15 Research Progress Report due by 5pm

Dec. 6 Midterm II

Paper Presentations Dec. 11 - Dec. 13 (and Dec. 8 if needed)

Dec. 13 Final Paper due by 5pm

Updates to this syllabus and other course materials will be posted on the course website.

If a learning disability or religious holiday will require any special arrangements, please come to my office hours or schedule an appointment during the first two weeks of the semester so that I can do my best to accommodate your needs.