

Economics 272C
Public Economics III
Winter 2014

Course Meetings: Monday and Wednesday 11-12:30, SSPB 3266

Web Site: <http://www.socsci.uci.edu/%7Embitler/teaching.html>

Syllabus (Last updated: 1/3/2014): <http://www.socsci.uci.edu/%7Embitler/syllabus-public-2014.pdf>

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Office Hours: Wednesday 3:30-5:30 pm and by appointment

Course Objectives:

This course is part of the sequence in public economics. In this course, we will study the effects of government expenditure programs. We will primarily focus on public assistance programs, the tax system, and social expenditures, paying particular attention to the US and the rest of the OECD. I hope this class will help you become a critical consumer of the existing literature and will teach you about empirical techniques that can be applied to your own original research.

Course requirements

1. Reading and class discussion. I will provide you with a fairly comprehensive reading list, which I will attempt to update as we go through the material. However, in class we will focus on only a couple of papers, which I expect you to read before class so you are prepared to discuss them in class. Class participation will count for 10% of your grade.
2. Paper summaries: Each student will hand in two paper summaries of a paper we will discuss in class. These will be handed in at the beginning of class, and will be limited to one page (typed). In this summary, you should summarize the paper (touching on data, methods, and findings) and

point out any issues with the approach or conclusions. The paper summaries are worth 10% of your grade.

3. Choice: Problem sets or empirical project. You will need to select one of these two things. Either you must complete the 2 problem sets or you must complete the empirical project.

- Problem sets. There will be 2 problem sets. Some questions will involve using STATA or another package to estimate models like those we discuss in class. Some will be standard pencil and paper problem sets. You are free to collaborate on the problem sets, but everyone must turn in their own answers and write the name of their collaborators on the top of their problem set. Answers involving empirical work should include key output and well-commented STATA do or other files for performing the estimation. The problem sets are worth 30% of your grade. Please work in groups no larger than 3.
- Empirical project. You can instead carry out an empirical project on a topic you choose, and complete a progress report on the results of your project. This must be an original research topic on a question of interest to you. Meeting the deadlines is an important part of this exercise, so there will be no extensions.

You may continue a project you began in another course (e.g., graduate labor economics, urban, etc. However, to do so you must also give me the final paper you submitted for that other class.

- Topic. You will need to have the topic approved by me no later than Wednesday January 29.
- Draft of proposed project. This will count for 5% of your grade if you choose the empirical project.

You will need to turn in an outline or sketch of the proposed project no later than Wednesday February 19. This outline or sketch should be no longer than 4 pages.

- Final report. This will count for 15% of your grade if you select this option.

The final report is due the Monday of final's week by 5 pm (March 17), and should be no longer than 20 pages (including text and tables).

- Presentation. This presentation will count for 10% of your grade if you select this option. During the last week of class, you will present your project in a 15–20 minute talk.

4. Referee report. You will choose an unpublished empirical paper to referee that is on a topic we will cover in class. The list of papers to choose from is here:

<http://www.socsci.uci.edu/%7Embitler/list-referee-14.pdf>.

If you don't see any you would like to review, please select another unpublished paper (not one we discuss in class). The referee report can be at most 5 typed pages and will preferably be shorter. The purpose of a referee report is to help the editor of a journal decide if they should reject the paper or request revisions (and if so, what revisions to request). Your report should discuss the paper critically, pointing out what (if anything) it contributes to the literature as well as any important flaws in the approach it takes. It should also include suggestions to improve the paper. The referee report will count for 20% of your grade.

5. Final exam. This will be worth 30% of your grade.

6. S/U option. If you choose to take this class S/U, I will expect you to participate in class and complete each of the following:

- (a) Either one of the two homework assignments or the final exam,
- (b) the referee report, and
- (c) the paper summaries.

Course Materials:

Seminars. You should be attending the workshop in your area as often as possible. This is where many people learn to think critically about other people's research. You should also try to meet with outside

speakers whose work is close to yours (and/or very interesting to you).

Readings. The required readings are mostly journal articles or working papers. I will typically assign one or two articles per class meeting. Your job is read these articles before class and come in ready to discuss them. Most will be available at JSTOR or one of the working paper sites or through the library. The reading list is posted at <http://www.socsci.uci.edu/%7Embitler/reading-public-2014.pdf>

Review of undergraduate public finance: There are a number of undergraduate texts. I recommend Gruber (**Public Finance and Public Policy**) or Rosen (**Public Finance**).

Other useful general references:

Handbook of Public Economics, Volumes 1–4, Alan Auerbach and Martin Feldstein, editors. (Available online.) Volume 5 is coming soon.

Atkinson, A. and J. Stiglitz. *Lectures in Public Economics*. New York: McGraw Hill, 1980.

Laffont, J. *Fundamentals of Public Economics*. Cambridge: MIT Press, 1988.

Salanie, B. *The Economics of Taxation, Second edition*. Cambridge: MIT Press, 2011.

Methods references:

Angrist, J. and S. Pischke. *Mostly Harmless Econometrics*.

What's New in Econometrics? NBER Summer Course, Guido Imbens and Jeffrey Wooldridge.

Course evaluations:

Course evaluations are an opportunity for you to tell me how to make the class better. Please do them. They will be launched during weeks 9–10.

Topics:

Note that this list of topics is preliminary. Keep checking the web page for updates.

- Introduction, methods

- Tax and expenditure incidence
- Taxes and labor supply, effects for low-income and high-income groups
- Income transfer programs: Welfare, Food stamps, other safety-net programs
- Theory of social insurance
- Unemployment insurance
- Worker's compensation
- Disability insurance
- Social Security
- Medicare and Medicaid
- Tax subsidies for health care, retirement, and other savings (if we get here)