EC230A
PUBLIC ECONOMICS

EC230A is the second quarter of a three quarter sequence in Public Economics. The winter quarter covers the theory of taxation, empirical tax, labor supply, income transfer programs, and health care. The spring quarter will cover social insurance (retirement, social security, unemployment compensation, and disability programs), local public goods, and topics in education. The spring course will be co-taught by Ann Stevens and Scott Carrell.

The emphasis in 230A will be on learning techniques that can be applied to produce original research and to critically analyze existing research in the field of public economics. The course will emphasize empirical research and will contain a discussion of relevant econometric techniques used in public economics.

Students are strongly encouraged to attend the Applied Micro Brown Bag, which will meet on Wed/Thur (alternating) from 12:10-1:00 during winter quarter. Come spring quarter you should also attend the Public/Labor Seminar on Thursday at 3:30.

**Class Meetings:** Tuesday and Thursday, WELLMN 127, 2:10-4:00

**Office Hours:** Tuesday 1pm-2pm, Thursday 11-12 and by appointment (hwoynes@ucdavis.edu)
Course Requirements:

- **Paper Summaries (3)** 15%
- **Empirical Problem sets** 30%
- **Referee report** 10%
- **Research proposal** 15%
- **Final Exam** 30%

**Paper Summaries:** Over the course of the term, each student has to complete 3 summaries of a paper discussed in class. These summaries are handed in at the beginning of class. The assignment should include a summary of the paper, its conclusions, and answers to the problems listed below. Keep the summaries to around one page.

**Empirical problem sets:** There will be 2-3 problem sets. We will use STATA and estimate models similar to those in papers we have discussed in class. You can work on problem sets together; however, I expect each of you to submit your own solutions. Please present your answers in a clear, concise, preferably typed fashion. In your solution packet, make sure you include Stata do and log files. (Do NOT include pages and pages of “undigested” Stata log files.) Place the .do files in an appendix and make clear reference to regression output and figures in your written answers.

**Referee Report:** The referee report is a critique of an unpublished empirical paper. You are free to choose the paper you write on. The only papers that are off limits are those we discuss in class. You may choose a paper from the reading list that we are not discussing in class or you can search for unpublished papers on the NBER and SSRN working paper web sites. This report should be no longer than 5 pages and typically is 2-3 single spaced pages. In general, the purpose of a referee report is to assist a journal editor in deciding whether to pursue publication of a paper, and if so, which revisions to request. Your report should therefore detail—in your own words—the paper’s contribution to the literature, key weakness(es), and thoughts on/recommendations for future improvement. Said differently, it should be a critical assessment of the paper, not simply a summary.

**Research proposal:** The goal of this exercise is to help you move toward developing a research project. Ideally, this paper would be a short review of the relevant literature (or a particular paper) with ideas about your own project. Depending on how far along you are, this may also include some empirical analysis. I am happy to meet with you to discuss this.

I make heavy use of lecture notes. Ultimately, all of my materials are posted on my website (http://www.econ.ucdavis.edu/faculty/hoynes/). This year, I am substantially revising my course so my lecture notes will most likely be “just in time” inventory.
Course Outline

I will require no more than 3, and typically only 1 or 2 articles per lecture. I expect you to carefully read these required papers and to be prepared to discuss them in class. The required readings are in bold.

Most of the readings can be obtained from JSTOR (www.jstor.org) or NBER (www.nber.org) or directly through UCD online journal access.

Questions to think about when reading empirical papers:

What question does it ask?
What data is used? What are the key variables?
What empirical model is used? What is the key parameter to be identified?
What is the variation in the treatment? Do you believe this variation?
What are the results and their interpretation? Is there an alternative interpretation?
How does the paper contribute to the literature?

General References:


I. Theory of Taxation and Public Expenditures

I.A Tax Incidence: Theory and Empirical Applications (TWO LECTURES)

Basic theory of partial equilibrium analysis:

Empirical application of tax incidence:


Theory of asset price approach (paper not required):

Empirical implementation of asset price approach:

Theory of Mandated benefits:

Empirical application of mandated benefits:


I.B Deadweight Loss and Optimal Commodity Taxation (TWO lectures)

Main theory reading:


“Structural” vs “reduced form” methods:


Empirical application:

Theory of optimal commodity taxation:

I.C. Public Goods and Externalities (TWO LECTURES)

Main theory reading:


Empirical papers on crowdout and PG:


Empirical papers on externalities, indirect market-based methods:

More applications


II. Income Taxation, Labor Supply

II.A Theory of Labor Supply (ONE-TWO LECTURES)

Main theory reading:

Key early theory paper:

Extension – high incomes:
2001, 205-229.

Additional theory (do not assign but discuss):

Theory of Intensive vs Extensive margins:

II.B Empirical Taxes and Labor Supply (ONE-TWO LECTURES)

Basic theory (lecture notes), Structural vs reduced form (lecture notes)

Empirical papers:


Other papers (not covered):


Peter Kuhn, Fernando Lozano "The Expanding Workweek? Understanding Trends in Long Work Hours Among


II.C Taxes and Low Income Population (ONE LECTURE)

Empirical papers:


Empirical incidence analysis:


II.D Taxes and the High Income Population (ONE LECTURE)

Empirical papers:


Saez and Slemrod review article for JEL


II.E Tax Salience (ONE LECTURE)

Empirical papers:


III. Theory and Practice of Income Support Programs

III.A Theory of Income Redistribution (ONE LECTURE)

Basic theory reading:


Empirical analysis of benefits of redistribution:


III.B Incentive effects of cash welfare programs (ONE LECTURE)


**III.C Welfare Reform (TWO LECTURES)**


**III.D In-kind Public Assistance Programs (ONE LECTURE)**


**IV. Health Care**


**IV.B Public Health Care (ONE-TWO LECTURES)**


J. Currie and J. Gruber. “Health Insurance Eligibility, Utilization of Medical Care, and Child Health” QJE, 1996.

A. Finkelstein and R. McKnight, “What Did Medicare Do (And Was It Worth It)?” NBER Working Paper No. 11609

V.B Information and Retirement Savings (IF TIME ALLOWS)


