Course Description

This course is the first in a two-part graduate sequence in Public Economics. We will focus on the role of government intervention in the economy and cover the following topics: externalities, public goods theory, local public finance (with a focus on the economics of education), and social insurance. For each topic, we will focus on theoretical and empirical evidence as well as relevant empirical research methods.

Course Requirements

Students are expected to read the assigned papers and participate in class discussions. Additionally, students are expected to attend both the (generally) Thursday Labor/Public/Development seminar (3:30 – 5:00pm) and the Monday 708 talk (12:30 – 1:30pm).

The grade for the course will be based on:

1) One research proposal – 30%. The proposal should include a clearly defined question, motivation as to why the question is economically important, a brief review of the literature, a discussion of the relevant economic theory, and an overview of the data that will be used to analyze the question and methodological approach.

   A) Students will submit two to three potential questions, each with a short paragraph of motivation by September 10.
   B) A discussion of the relevant literature and theory will be due October 8.
   C) The data and methodology section should be submitted by November 15.
   D) The full proposal is due December 10

2) Proposal presentations – 10%. Students will be expected to make a 30 minute presentation of their proposal and serve as a discussant for a classmate’s proposal on December 3, December 8, or December 11. To ensure that discussants have sufficient time to prepare useful feedback, slides should be distributed to the discussant at least a week in advance.
3) One data-intensive problem sets/replication exercise – 10%.

4) A presentations on one required article – 10%. These readings are marked D. Students should email me their top three choices by the second class.

5) Three to four short reaction papers (1 – 2 pages) responding to either Thursday L/P/D seminar or Monday 708 talk – 10%. These papers should go beyond summarizing the talk – they can discuss strengths, weaknesses, and potential extensions of the paper presented.

6) A take-home final – 30%. The final will be distributed on December 10 in class and is due at midnight on December 12.

General References


Saez, E., Graduate Public Economics. Available at: [http://elsa.berkeley.edu/~saez/course/course.html](http://elsa.berkeley.edu/~saez/course/course.html)

Econometrics References


Course Outline and Reading List

1. **Externalities and Random Assignment** [4 lectures]


3. Local Public Finance [6 lectures]

3.1 Tiebout Model and Fiscal Federalism


3.2 School Choice, Sorting, and IV


### 3.3 Capitalization


### 3.4 The Regression Discontinuity Design and Extensions


### 4. Public Provision of Private Goods [3 lectures]

#### 4.1 Capital Market Imperfections and Higher Education


4.2 The Regression Kink Design


5. Social Insurance [7 lectures]

5.1 Rationale for Government Involvement


5.2 Unemployment Insurance


5.3 Social Security


5.4 Disability Insurance


6. Student Presentations [3 lectures]