Econ 70701--Public Economics I
University of Notre Dame
MW: 11:00-12:15, 600 Hesburgh Library

Dan Hungerman
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Office Hours: open door
(Regularly on Tues, 3:15-5:00)

Purpose
The purpose of this course is to inform students of the current state of academic literature in theoretical & empirical public economics, and to present students with an opportunity to begin contributing to that literature.

Course Materials
The course will rely heavily on journal papers. Additional supplemental materials include:

A. Auerbach and M. Feldstein, Handbook of Public Economics: Volumes 1 & 2 & 3 & 4 (Amsterdam: North Holland, 1985, 1987, 2002, 2002).

J. Gruber, Public Finance and Public Policy (New York: Worth Publishers, 2005)

G. Myles, Public Economics (New York: Cambridge University Press, 1995).

Committee on Ways and Means, Green Book – 2000 edition

Class
Class time will be a mix of lectures by me and discussion of papers led by students. As the course progresses I expect there to be more of the latter.

Grades
Grades will be based on class participation (25%) homework assignments (25%), a take-home midterm (25%), and a final project (25%). Attendance of seminars is expected.

I reserve the right to significantly alter a students' grade (including giving a grade of Failure) in response to serious episodes of low class attendance or poor class participation.

No Class:
I may cancel one class for travel reasons during the semester, but I will be sure to tell you about this in advance.

Names:
I am very bad at learning names. Bear with me.

Reading List
Note—this list favors more recent papers, but this should *not* be taken as a dismissal of older work. Students should be mindful of important papers in given research literatures.

Part 1: Optimal Taxation
Gruber, chapters 18 and 20

Myles, Chapter 4 (Commodity taxation)

Myles, Chapter 5 (Income taxation)

Ramsey, F. P. (1927) "A Contribution to the Theory of Taxation," *Economic Journal* 37, 47-61

Mirrlees, J.A. (1971) "An Exploration in the Theory of Optimum Income Taxation," *The Review of Economic Studies*, 38(2), 175-208

Atkinson, A. and J. Stiglitz (1976) "The Design of Tax Structure: Direct vs. Indirect Taxation," *Journal of Public Economics* 6, 55-75

M. Golosov and A. Tsyvinski, (2007) "Optimal Taxation with Endogenous Insurance Markets", *Quarterly Journal of Economics*, 122(2), 487-534

M. Golosov, A. Tsyvinski, and I Werning (2006) "New Dynamic Public Finance: A User's Guide" working paper available at "http://nber15.nber.org/~confer/2006/si2006/pet/golosov.pdf

E. Saez, (2001) "Using Elasticities to Derive Optimal Income Tax Rates" *Review of Economic Studies*, 68, 205-22

Part 2: Taxes and Labor Supply & Earnings
Gruber, chapter 21

MacCurdy, D. Green, and H. Paarsh (1990) "Assessing Empirical Approaches for Analyzing Taxes and Labor Supply", *Journal of Human Resources*, 25, 415-490.

Hausman, J. (1985) "Taxes and Labor Supply," *Handbook of Public Economics*

Friedberg, L. (2000) "The Labor Supply Effects of the Social Security Earnings Test," *Review of Economics and Statistics* 82, 48-63.

Liebman, J. and Saez, E. "Earnings Responses to Increases in Payroll Taxes," working paper available at http://www.nber.org/confer/2006/pef06/liebman.pdf

Heckman, J., L. Lochner and C. Taber (1998) "Tax Policy and Human Capital Accumulation," *American Economic Review* 88, 293-97

Looney, W. A. and M. Singhal, "The Effect of Anticipated Tax Changes on Intertemporal Labor Supply and the Realization of Taxable Income," working paper available at http://www.federalreserve.gov/pubs/feds/2005/200544/200544pap.pdf

Raj Chettyy John N. Friedmanz Tore Olsenx Luigi Pistaferri "The Effect of Adjustment Costs and Institutional Constraints on Labor Supply Elasticities: Evidence from Denmark" working paper available at: http://www.econ.berkeley.edu/~chetty/papers/denmark_adjcost.pdf

Saez, E. (2009) "Do Taxpayers Bunch at Kink Points?" Working paper available at http://www.econ.berkeley.edu/users/saez/bunch.pdf

Part 3: Taxation and Savings

Gruber, Chapter 22

Bermheim, "Taxation and Saving" *Handbook of Public Economics*

Thaler, R. and Benartzi, S. (2004) "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving," *Journal of Political Economy* 112, 164-187.

Poterba, J. S. Venti, and D. Wise (1995) "Do 401(k) Contributions Crowd Out Other Personal Saving?" *Journal of Public Economics* 58, 1-32

Part 4: Taxation and Behavioral Responses

Chetty, R., W. A. Looney, "Salience and Taxation: Theory and Evidence," NBER working paper 13330

Slemrod, J. M. Blumenthal, and C. Christian (2001) "Taxpayer Response to an Increased Probability of Audit: Evidence from a Controlled Experiment in Minnesota," *Journal of Public Economics* 79, 455-483

Dickert-Conlin, S. and A Chandra (1999) "Taxes and the Timing of Birth" *Journal of Political Economy* 107 161-177

Part 5: Taxation and Charitable Contributions

Auten, J. H. Sieg and C. Glotfelter (2002) "Charitable Giving, Income and Taxes: An Analysis of Panel Data," *American Economic Review* 92, 371-382.

Randolph, W. (1995) "Dynamic Income, Progressive Taxes, and the Timing of Charitable Contributions," *Journal of Political Economy* 103, 709-738.

Andreoni, J. (2006) Philanthropy

Part 6: Crowd-out of Charitable Activity: Theory

Bergstrom, T., L. Blume and H. Varian (1986) "On the Private Provision of Public Goods," *Journal of Public Economics* 29, 25-49

Andreoni, James (1989) "Giving with Impure Altruism: Applications to Charity and Ricardian Equivalence" *Journal of Political Economy* 97, 1447-1458

Ribar, David C., and Mark O. Wilhelm (2002) "Altruistic and Joy-of-Giving Motivations in Charitable Behavior," *Journal of Political Economy* 110, 425-457

Part 7: Crowd-out of Charitable Activity: Evidence

Payne, A. (1998) "Does the Government Crowd-out Private Donations? New Evidence from a Sample of Non-Profit Firms," *Journal of Public Economics* 69, 323-345

Hungerman, D. (2007) "Crowd Out and Diversity," *Journal of Public Economics* 93 (2009), 729-740

Yoruk, Baris, "How responsive are donors to requests to give?" Working paper available at http://fmwww.bc.edu/ec-p/wp653.pdf

Part 8: Government Regulation and outcomes: Birth control

Ananat, Elizabeth Oltmans, and Hungerman, Daniel (2006) "The Power of the Pill for the Next Generation," Working paper

Bailey, Martha J. (2006). "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply," *Quarterly Journal of Economics* 121(1), 289-320.

Goldin Claudia and Katz, Lawrence (2002) "The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions," *Journal of Political Economy* 110 (4), 730-770.

Part 9: Government Regulation and outcomes: Abortion

Gruber, Jonathan, Phillip B. Levine, and Douglas Staiger. (1999). "Abortion Legalization and Child Living Circumstances: Who is the 'Marginal Child?'" *Quarterly Journal of Economics* 114(1), 263-292.

Donohue III, John J., and Steven D. Levitt. (2001). "The Impact of Legalized Abortion on Crime," *Quarterly Journal of Economics* 116(2), 379-420.

Joyce, T. (2004) "Did Legalized Abortion Lower Crime?" *Journal of Human Resources* 39, 1-28.

Foote, C. and C. Goetz (2008) "The Impact of Legalized Abortion on Crime: Comment," *Quarterly Journal of Economics*. (123):1 (February)

Part 10 Diversity

Alesina, A., R. Baqir, and W. Easterly (1999) "Public Goods and Ethnic Divisions," *Quarterly Journal of Economics*, November, 1243-1284.

Alesina, A., and La Ferrara, E. (2000) "Participation in Heterogeneous Communities," *Quarterly Journal of Economics*, August, 847-904.

Vigdor, J. (2004) "Community Composition and Collective Action: Analyzing Initial Mail Response to the 2000 Census," *Review of Economics and Statistics*, 86, 303-312.

Luttmer, E. (2001) "Group Loyalty and the Taste for Redistribution," *Journal of Political Economy*, 109, 500-528.

Poterba, J. (1997) "Demographic Structure and the Political Economy of Public Education," *Journal of Policy Analysis and Management*, 16(1), 48-66.

Levitt, S. (2004) "Testing Theories of Discrimination: Evidence from *Weakest Link*" *The Journal of Law and Economics*, 47, 431-452.

Antonovics, A., P. Arcidiacono, and R. Walsh (2005) "Games and Discrimination: Lessons from *the Weakest Link*," *Journal of Human Resources*, 40, 918-947.

Part 11 Segregation/Urban Conditions

Glaeser, E. and D. Cutler (1997) “Are Ghettos Good or Bad?” *Quarterly Journal of Economics* 112, 827-72

Ananat, E. “The Wrong Side(s) of the Tracks: Estimating the Causal Effects of Racial Segregation on City Outcomes” NBER working paper 13343

Vigdor, J. (2006) “Does Urban Decay Harm the Poor?” working paper accessed at http://trinity.aas.duke.edu/~jvigdor/DUDHTP.pdf

Part 12: Religion: Theory

Azzi, C. and R. Ehrenberg (1975) “Household Allocation of Time and Church Attendance,” *Journal of Political Economy* 96, 1066-1088.

Iannaccone, Laurence (1992) “Sacrifice and Stigma: Reducing Free-Riding in Cults, Communes, and Other Collectives,” *Journal of Political Economy* 100(2): 271-297.

Iannaccone, Laurence (1998) “Introduction to the Economics of Religion,” *Journal of Economic Literature* 36: 1465-1496.

McBride, M. (2005) “Why hasn’t Economic Growth Killed Religion?” Working paper.

Montgomery, J. (2003) “A Formalization and Test of the Religious Economies Model,” *American Sociological Review* 68, 782-809.

Part 13: Religion: Empirical

Barro, R. and McCleary, R. (2003) “Religion and Economic Growth Across Countries,” *American Sociological Review* 68, 760-781.

Barro, R. and McCleary, R. (2005) “Which Countries have State Religions?” *Quarterly Journal of Economics* November, 1331-1370.

Gruber, J. and D. Hungerman (2008) “The Church vs. The Mall: What Happens when Religion Faces Increased Secular Competition?” forthcoming, *Quarterly Journal of Economics*

Finke, R. and Stark, R. (2005) The Churching of America, 1765-2005: Winners and Losers in Our Religious Economy. Rutgers University Press: New Brunswick, New Jersey.

Part 12: Education: Peer Effects

Cooley, J. (2007) “Desegregation and the Achievement Gap: Do Diverse Peers Help?”, working paper

Manski,C.(1993) “ Identification of endogenous social effects: The reflection problem,” *The Review of Economic Studies* 60(3), 531–542.

Part 13: Education: Competition

Rothstein J. (2007), “Does Competition Among Public Schools Benefit Students and Taxpayers? A Comment on Hoxby (2000),” *American Economic Review* 97(5), 2026-2037.

Hoxby, C. (2000). “Does Competition among Public Schools Benefit Students and Taxpayers?” *American Economic Review*, 90(5): 1209–38.

Hoxby, C. (2007), “Does Competition Among Public Schools Benefit Students and Taxpayers? Reply,”

American Economic Review 97(5), 2038-2055.

Part 15: Experimental Research

Bertrand, E. and S. Mullainathan (2004) “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *American Economic Review* 94(4) 991-1013

Doran, K. (2007) “Can We Ban Child Labor Without Harming Household Welfare? An Answer from Schooling Experiments” Working Paper

Fong, Christina M., and Erzo F. P. Luttmer. 2009. "What Determines Giving to Hurricane Katrina Victims? Experimental Evidence on Racial Group Loyalty."*American Economic Journal: Applied Economics*, 1(2): 64–87

Karlan, D. and J. List (2007) “Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment,” *American Economic Review* 97(5), 1751-1773

Karlan, Dean, Alan Gerber and Daniel Bergan (2006) “Does the Media Matter? A Field Experiment Measuring the Effect of Newspapers on Voting Behavior and Political Opinions,” *American Economic Journal: Applied Economics*, Volume 1, Number 2, April 2009 , pp. 35-52(18)