Government intervention changes opportunities and incentives for firms, families, individuals, service providers, and state and local governments. This course considers the incentive effects of government expenditure programs. Primary emphasis will be in the examination of the effects of public assistance and social expenditure programs on individuals and families. The emphasis 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.

**Class Meetings:** Tuesday and Thursday, 116 Veihmeyer, 9-10:20a

**Office Hours:** Tuesday 3:30-4:30, Thursday 11-12 and by appointment (hwhoynes@ucdavis.edu)

**Course Requirements:**

- **Lead off discussion on one paper** 15%
- **Paper Summaries (3)** 18%
- **Empirical Problem sets** 41%
- **Referee report** 18%
- **Research proposal** 23%

**Lead off Discussion on 1 paper:** Each student leads the discussion of one paper in class. The presentations should last 20-30 minutes. These have to be coordinated with me in advance. Please let me know ASAP which papers/topics you are interested in covering.

**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 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Referee Report: The referee report is a critique of an unpublished empirical paper.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, however, choose one on the reading list that we are not discussing in class. Other places to look for unpublished papers are 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 know those of you who have been taking the Labor and/or Public sequences in Economics have had completed research papers (of some sort) for those courses. I want you to send those to me ASAP. I will then read them and give you input on how to push the project further along this quarter. If you absolutely want to scrap what you have covered in the prior paper that is fine but please let me know.

Attend seminars when you can! Attending seminars is one of the most human capital enhancing activities that we engage in.

I make heavy use of lecture notes. You should download the notes and print them out before class. You can find these and other course materials at: http://www.econ.ucdavis.edu/faculty/hoynes/

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 inside the box. Papers outside the boxes are for your reference, some of which I will mention in the lecture.

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?
0. Empirical Approaches in Public Finance


Cameron and Trivedi, Microeconometrics, 2005, Chapters 2, 25


1. Taxes and Labor Supply

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http://www.ifs.org.uk/staff/bm180899.pdf


1.A. Taxes, Labor Supply and the Low Income Population

| R. Chetty “Teaching the Tax Code: Earnings Responses to an Experiment with EITC Recipients". Mimeo |


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<th>Authors</th>
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1. C Tax Salience


1. D Welfare analysis of Taxation

R. Chetty “Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods,” mimeo

2. Welfare Programs

2. A Theory of Income Redistribution


2. B Incentive effects of cash welfare programs


2.C Welfare Reform


R. Blank, “Declining Caseloads / Increased Work: What Can We Conclude about the Effects of Welfare Reform,”


2.D In-kind Public Assistance Programs


3. Social Insurance

3.A Theory of Social Insurance


3.B Unemployment Insurance

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R. Chetty “Moral Hazard vs. Liquidity and Optimal Unemployment Insurance.” Mimeo, UC Berkeley


J. B. Cullen and J. Gruber, “Spousal Labor Supply as Insurance: Does Unemployment Insurance Crowd Out the
3. C Worker's Compensation

|-------------|---------------------------------------------------------------------------------------------------|


K. Viscusi and M. Moore, “Workers' Compensation: Wage Effects, Benefit Inadequacies, and the Value of Health...
3.D Disability Insurance


3.E Social Security and Labor Supply


82(1), February 2000, pages 48-63.


J. Liebman, “Redistribution in the Current U.S. Social Security Program,” NBER WP 8635


### 3.F Social Security and Savings, Consumption and Wealth

|-------------|-----------------------------------------------------------------------------------------------------------------------------------|


D. Hamermesh, “Consumption During Retirement: The Missing Link in the Life-Cycle Hypothesis,” *Review of...*


4. Health Care


4.B Public Health Care


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

4.B Health Insurance and Labor Markets


5. Savings and Wealth

5.A Targeted Tax Subsidies to Saving


W. Gale and J. Scholz, "IRAs and Household Saving," American Economic Review 84 (December 1994), 1233-


5.B Information and Retirement Savings


