
Spring semester 2021 (SS 21)**Dates: Friday, 8.15 – 18.00 (block)****Classroom: Pérolles 21, tba****Credits: 4.5 ECTS**

1. Content

This seminar integrates recent contributions in public economic theory with methods for causal inference in applied econometrics. Students will learn to critically evaluate existing empirical studies in public economics and to plan their own research project. We will discuss how researchers can employ important empirical tools such as instrumental variables, differences-in-differences, regression discontinuity designs, and synthetic control methods to investigate selected topics in public economics.

Basic knowledge of econometrics becomes more and more important for anybody who wishes to work for the government, NGO's, or private firms. Econometric methods now belong to the standard toolkit of policy evaluation in the public sector or market research in private firms.

The course sequence “Econometric methods and applications I & II” offered by Prof. Martin Huber is a natural companion and a precondition (either I or II) to this seminar. However, our course will focus on problems in public economics and the implied empirical challenges. Econometric concepts are primarily introduced to understand important economic issues and not for the sake of statistical modeling per se.

Part I covers selected topics in public economics. Students will do a short presentation about one of the topics (approx. 25 minutes). They should discuss the main research questions addressed in the previous literature, challenges in identifying causal effects, common identification strategies, main results and open issues. Section 5 below presents the topics and one exemplary paper for each topic. Students must discuss additional recent research on the topic.

Part II is about students' own research proposals. Students will present their research proposals (approx. 15 minutes). The written research proposals (approx. 4-5 pages) should include the following aspects: (i) Statement and motivation of research question; (ii) literature review and discussion of planned contribution; (iii) theoretical expectations and hypotheses; (iv) empirical strategy; (v) data.

The seminar is organized in blocks and will be held jointly with Prof. Simon Lüchinger and his parallel class “Advanced Public Economics” from the University of Lucerne.

2. Program

Date	Subject
26.2.	Introduction and assignment of topics (8.15 – 12.00)
23.4.	Presentation of topics in Public Economics
21.5.	Presentation of research proposals
28.5.	Presentation of research proposals

3. Teaching assistance

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4. Main texts

Angrist, Joshua D. and Jörn-Steffen Pischke (2009). *Mostly harmless econometrics. An empiricist's companion*. Princeton: Princeton University Press.

Tresch, Richard W. (2008). *Public Sector Economics*. Palgrave MacMillan, New York.

Hindriks, Jean and Gareth D. Myles (2006). *Intermediate public economics*. Cambridge: MIT Press.

5. Topics

a. Taxes and subsidies: Effects of tax incentives

Agrawal, Ajay, Carlos Rosell, and Timothy Simcoe (2020). Tax credits and small firm R&D spending. *American Economic Journal: Economic Policy* 12(2): 1-21.

b. Tax and subsidy incidence: VAT taxes

Benzarti, Youssef, and Dorian Carloni (2019). Who really benefits from consumption tax cuts? Evidence from a large VAT reform in France. *American Economic Journal: Economic Policy* 11(1): 38-63.

c. Tax and subsidy incidence: Corporate taxes

Fuest, Clemens, Andreas Peichl, and Sebastian Siegloch (2018). Do higher corporate taxes reduce wages? Micro evidence from Germany. *American Economic Review* 108(2): 393-418.

d. Tax and subsidy incidence: Payroll taxes

Saez, Emmanuel, Benjamin Schoefer, and David Seim (2019). Payroll taxes, firm behavior, and rent sharing: Evidence from a young Workers' tax cut in Sweden. *American Economic Review* 109(5): 1717-1763.

e. Tax and subsidy incidence: Subsidies

Pless, Jacquelyn and Arthur A. van Benthem (2019). Pass-through as a test for market power: An application to solar subsidies. *American Economic Journal: Applied Economics* 11(4): 367-401.

f. Excise taxes: Effects of a carbon tax

Andersson, Julius J. (2019). Carbon taxes and CO2 emissions: Sweden as a case study. *American Economic Journal: Economic Policy* 11(4): 1-30.

g. Taxes and residential sorting

Schmidheiny, Kurt and Michaela Slotwinski (2018). Tax-induced mobility: Evidence from a foreigners' tax scheme in Switzerland. *Journal of Public Economics* 167: 293-324.

h. Taxes and capitalization

Basten, Christoph, Maximilian von Ehrlich, and Andrea Lassmann (2017). Income taxes, sorting and the costs of housing: Evidence from municipal boundaries in Switzerland. *Economic Journal* 127(601): 653-687.

i. Social insurance: Unemployment insurance and job matching

Nekoei, Arash and Andrea Weber (2017). Does extending unemployment benefits improve job quality? *American Economic Review* 107(2): 527-561.

j. Social insurance: Unemployment insurance and the importance of caseworkers

Schmieder, Johannes F. and Simon Trenkle (2020). Disincentive effects of unemployment benefits and the role of caseworkers. *Journal of Public Economics* 182: 104096.

k. Social insurance: Unemployment insurance and job search

Baker, Scott R. and Andrey Fradkin (2017). The impact of unemployment insurance on job search: Evidence from Google search data. *Review of Economics and Statistics* 99(5): 756-768.

l. Social insurance: Disability insurance and work incentives

Deuchert, Eva and Beatrix Eugster (2019). Income and substitution effects of a disability insurance reform. *Journal of Public Economics* 170: 1-14.

m. Public health insurance: Long term-effects of access in childhood

Brown, David W., Amanda E. Kowalski, and Ithai Z. Lurie (2020). Long-term impacts of childhood Medicaid expansions on outcomes in adulthood. *Review of Economic Studies* 87(2): 792-821.

n. Price controls: Rent control and housing supply

Diamond, Rebecca, Tim McQuade, and Franklin Qian (2019). The effects of rent control expansion on tenants, landlords, and inequality: Evidence from San Francisco. *American Economic Review* 109(9): 3365-3394.

o. Price controls: Effects of minimum wages

Cengiz, Doruk, Arindrajit Dube, Attila Lindner, and Ben Zipperer (2019). The effect of minimum wages on low-wage jobs. *Quarterly Journal of Economics* 134(3): 1405-1454.

p. Family policy: Child care and child outcomes

Margherita Fort, Andrea Ichino, and Giulio Zanella (2019). Cognitive and noncognitive costs of day care at age 0-2 for children in advantaged families. *Journal of Political Economy* 128(1): 158-205.

q. Family policy: Parental leave and labor market and child outcomes

Dahl, Gordon B. Katrine V. Løken, Magne Mogstad, and Kari Veia Salvanes (2016). What is the case for paid maternity leave? *Review of Economics and Statistics* 98(4): 655-670.

r. Cost-benefit analysis: Water quality regulation

David A. Keiser and Joseph S. Shapiro (2019). Consequences of the Clean Water Act and the demand for water quality. *Quarterly Journal of Economics* 134(1): 349-396.

s. Culture and preferences

Eugster, Beatrix, Rafael Lalive, Andreas Steinhauer, and Josef Zweimüller (2017). Culture, work attitudes, and job search: evidence from the Swiss language border. *Journal of the European Economic Association* 15(5): 1056-1100.

t. Selection into state bureaucracy

Colonnelli, Emanuele, Mounu Prem, and Edoardo Teso (2020). Patronage and selection in public sector organizations. *American Economic Review* 110 (10): 3071-3099.