

## **Economics 2601 -- Public Economics II Winter 2010**

University of Toronto  
Department of Economics

syllabus available at [http://www.economics.utoronto.ca/bleah/classes/ec622/2010/online\\_syllabus\\_econ2600.html](http://www.economics.utoronto.ca/bleah/classes/ec622/2010/online_syllabus_econ2600.html)

---

### **Contents**

[Course Description and Objectives](#)

[Contact and Office Hours](#)

[Plagiarism](#)

[Course Logistics](#)

[Readings](#)

[Course Content](#)

[Evaluation](#)

[Handouts](#)

---

### **Course Description and Objectives**

This course is the second in a two-part graduate sequence in Public Economics. You are not required to take both semesters of the course.

This semester covers empirical micro methods, public goods, political economy and institutions.

For masters students: You should be able to read and understand the main point and the main estimation strategy of an economics paper. You should also become familiar with the intuition behind policy evaluation, and with new research in public economics and political economy.

For PhD students: You should be able to apply empirical techniques to research questions you develop. You should also become familiar with and be able to apply the tools of policy evaluation, be conversant with new research in public economics and political economy, and be able to read, understand, critique and formulate improvements for published papers.

---

### **Contact and Office Hours**

Prof. Leah Brooks  
Max Gluskin House, Room 326  
leah.brooks@utoronto.ca  
Office Hours: Wednesdays 9:30-11:30  
No office hours Wed. Feb. 23 (winter break)

---

## Plagiarism

Don't plagiarize.

I will report students to the Dean for the first instance of plagiarism.

If you're confused about what this might mean, come and see me. If you are looking for example about what constitutes plagiarism, I recommend an entertaining article on Slate.com [here](#). Copying a few lines of an article while modifying a few words counts as plagiarism. Using phrases from an article on a slide for your presentation without quotes is plagiarism. Using direct text from any source without quotation is plagiarism.

We will talk more in class about plagiarism and your presentation, but using words from the paper you're presenting without quotation is also plagiarism.

---

## Course Logistics

Mondays, 11-1 am  
GE 100

---

## Readings

### *Required Readings*

Almost all required readings are available through links from this website. I will hand out those which are not readily available online.

Readings listed under the supplemental heading are for reference as desired; they are not required reading for this course.

### *Reference Readings*

I list these texts in the event you would like background information on basic public economics topics.

- Atkinson and Stiglitz, *Lectures on Public Economics*, 1980.
- Handbook of Public Economics, vols. 1-4 [\[link\]](#). A good place to start for an overview on a topic of interest.
- Jean Hindriks and Gareth D. Myles, *Intermediate Public Economics*
- John Leach, *A Course in Public Economics*
- Bernard Salanie, *The Economics of Taxation*
- Bernard Salanie, *Microeconomics of Market Failures*
- Robin Boadway and Neil Bruce, *Welfare Economics*

---

## Course Content

Dates and content are subject to change.

## A. Introduction: Why Government?

### *Class 1*

*Monday, January 10*

- discuss syllabus and course requirements
- intro on how much governments spend, and how much they have spent over time
- basics of public goods and public goods problems

#### Supplemental

- Paul Samuelson, “The Pure Theory of Public Expenditure,” *Review of Economics and Statistics*, 36(4): 350-356, 1954. [\[link\]](#)
- North, Douglass, and Barry Weingast. “Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England.” *Journal of Economic History*, 49 (4) 1989: 803-32. [\[link\]](#)

### *Class 2*

*Monday, January 17*

- Hand out instructions for replication assignment
- Mancur Olson, *The Logic of Collective Action*, 1965, and reprinted 1971, Introduction and Part 1 (a-f).
- Skip section C
- Libecap, Gary and Zeynep Hansen. “Small Farms, Externalities, and the Dust Bowl of the 1930s,” *Journal of Political Economy*, 2004. [\[link\]](#) [\[presentation -- no one\]](#)
- For next class, bring two examples (and why): one policy you think is amenable to experimentation and one that is not

#### Supplemental

- Daron Acemoglu, Simon Johnson and James Robinson, “Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution.” November 2002, *Quarterly Journal of Economics*, volume 117, pp. 1231-1294. [\[link\]](#)

## B. Evaluation (or, Can you tell if your policy is having the intended effect?)

### 1. Econometrics Review & Experiments

#### *Class 3*

*Monday, January 24*

- Lee, David S. and Thomas Lemieux, “Regression Discontinuity Designs in Economics,” NBER Working Paper 14723, February 2009. [\[link\]](#)
- Black, Sandra, Paul Devereux and Kjell Salvanes, “The More the Merrier? The Effect of Family Size and Birth Order on Children's Education,” *Quarterly Journal of Economics*, May 2005. [\[link\]](#) [\[alternate link\]](#)
- ignore bits about twins and instrumental variables

#### Supplemental

- Jeffrey B. Liebman, Lawrence F. Katz, and Jeffrey R. Kling, August 2004, “ Beyond Treatment Effects: Estimating the Relationship Between Neighborhood Poverty and Individual Outcomes in the MTO Experiment,” [\[link\]](#)
- Ernst Fehr, Michael Kosfeld, Markus Heinrichs, Paul Zak and Urs Fischbacher, “Oxytocin Increases Trust in Humans,” *Nature*, 435, 2 June 2005, 673-676, [\[link\]](#)
- Bertrand et al, "Does Corruption Produce Unsafe Drivers?", NBER working paper 12274. [\[link\]](#)

## 2. Instrumental Variables & Intro to the Rest

### *Class 4*

*Monday, January 31*

- One-page replication proposal due
- Introduction to IV
- Miguel et al, “Economic Shocks and Civil Conflict: An Instrumental Variables Approach,” *Journal of Political Economy*, 112(4), 2004, 725-753. [\[link\]](#) [\[presentation by Daniela Scur\]](#)
- John Bound, David Jaeger, Regina Baker, “Problems with Instrumental Variables Estimation When the Correlation Between the Instruments and the Endogenous Variable is Weak,” *Journal of the American Statistical Association*, June 1995, 90(430). [\[link\]](#)

### Supplemental

- Brooks, Leah, “Volunteering to Be Taxed: Business Improvement Districts and the Extra-Governmental Provision of Safety” *Journal of Public Economics*, 2008. [\[link\]](#)
- Card, David. “Using Geographic Variation in College Proximity to Estimate the Return to Schooling,” NBER working paper #W4483, 1995 [\[link\]](#)
- Moretti and Lochner, “The Effect of Education on Criminal Activity”, *American Economic Review*, 2004 94(1). [\[link\]](#)
- Joshua D. Angrist; Alan B. Krueger, “Does Compulsory School Attendance Affect Schooling and Earnings?”, *Quarterly Journal of Economics*, 106(4), Nov., 1991, pp. 979-1014. [\[link\]](#)

## 3. Differences-in-differences

### *Class 5*

*Monday, February 7*

- Milligan, Kevin, “Subsidizing the Stork: New Evidence on Tax Incentives and Fertility,” *Review of Economics and Statistics* Vol. 87, No. 3 (August, 2005), pp. 539-555. [\[link\]](#) [\[alternate link\]](#) [\[presentation by Derek Massacar\]](#)
- Bertrand, Marianne et al, “ How Much Should We Trust Differences-in-Differences Estimates? ” *Quarterly Journal of Economics* 119(1), 249-275. [\[link\]](#)

Supplemental Material, Fixed Effects & Regression Discontinuity

- David Figlio, “Names, Expectations, and Black Children's Achievement,” NBER Working Paper 11195, March 2005. [\[link\]](#)
- Tekin and Currie, “Does Child Abuse Lead to Crime?” NBER Working Paper 12171, April 2006. [\[link\]](#)
- McMillen, Daniel P, “The Return of Centralization to Chicago: Using Repeat Sales to Identify Changes in House Price Distance Gradients,” *Regional Science and Urban Economics*, May 2003 33 (3) 237-304. [\[link\]](#)
- Sandra Black, “Do Better Schools Matter? Parental Valuation of Elementary Education,” *Quarterly Journal of Economics*, May 1999. [\[link\]](#)

#### 4. Regression Discontinuity

##### *Class 6*

*Monday, February 14*

- Douglas Almond, “Is the 1918 Influenza Pandemic Over? Long-Term Effects of In Utero Influenza Exposure in the post-1940 Population,” *Journal of Political Economy* 2006 114(4). [\[link\]](#) [\[presentation by Peter Vlachos\]](#)
- skip section VI C2-C5
- Paper on matching, TBA.
- Hand out instructions for next class's paper comparison

##### Supplemental

- Grogger, Jeff, “The Effects of Civil Gang Injunctions on Reported Violent Crime: Evidence from Los Angeles County,” *Journal of Law and Economics*, April 2002. [\[link\]](#)

*No class*

*Monday, February 21*

#### C. Political Economy, Local

##### 1. Fiscal Federalism (and paper writing)

##### *Class 7*

*Monday, February 28*

- Hand out instructions for final replication assignment
- Knight, Bryan, “Endogenous Federal Grants and Crowd-Out of State Government Spending,” *American Economic Review*, 2002 92(1). [\[link\]](#) [\[presentation by Hidenori Takahashi\]](#)
- Brooks, Leah, Justin Phillips and Maxim Sinitsyn, “The Cabals of a Few or the Confusion of a Multitude: The Institutional Trade-off Between Representation and Governance”, *American Economic Journal: Economic Policy* forthcoming. [\[link\]](#)
- The earlier version of the Brooks/Phillips/Sinitsyn paper: [\[link\]](#)

##### Supplemental

- Weingast, Barry, “Second Generation Fiscal Federalism” *Journal of Urban Economics*, 2009 65 (3), 279-293. [\[link\]](#)

- Hines and Thaler, “The Flypaper Effect,” *Journal of Economic Perspectives*, 1995 9(4). [\[link\]](#)
- Brooks & Phillips, “An Institutional Explanation for the Stickiness of Federal Grants,” *Journal of Law, Economics, and Organization* forthcoming 2010 92(1-2), 388-406. [\[link\]](#)
- Evans, W. N. and Owens, E. G. (2007). "COPS and Crime" *Journal of Public Economics* 91(2): 181-201. [\[link\]](#)

## 2. Property Rights

### *Class 8*

*Monday, March 7*

- Libecap, Gary D., Dean Lueck, and Trevor O'Grady, “The Demarcation of Land and the Role of Coordinating Institutions”, NBER Working Paper 14942, May 2009. [\[link\]](#)
- Murray, Fiona and Scott Stern, 2007. “ Do Formal Intellectual Property Rights Hinder the Free Flow of Scientific Knowledge? An Empirical Test of the anti-Commons Hypothesis.” *Journal of Economic Behavior and Organization* Vol. 63:4, pp. 648-687. [\[link\]](#) [\[presentation by Julie Wilson\]](#)

### Supplemental

- Ihlanfeldt, Keith, “The Effect of Land Use Regulation on Housing and Land Prices,” *Journal of Urban Economics* 2007 61(3), 420-435. [\[link\]](#)
- Evenson, Bengte and William Wheaton, “Local Variation in Land Use Regulations,” *Brookings-Wharton Papers on Urban Affairs* 2003, 221-250. [\[link\]](#)
- Rosenthal, Jean-Laurent, “The Development of Irrigation in Provence, 1700-1860: The French Revolution and Economic Growth,” *Journal of Economic History* 1990 50(3), 615-683. [\[link\]](#)
- Glaeser, Gyourko & Saks, “Why have Housing Prices Gone Up?” Working paper 2004. [\[link\]](#)
- Cunningham, Christopher, “Growth Controls, Real Options and Land Development,” *Review of Economics and Statistics* August 2006. [\[link\]](#)
- Burge and Ihlanfeldt, “Impact Fees and Single-Family Home Construction,” *Journal of Urban Economics* 60(2) September 2006, 284-306. [\[link\]](#)

### *Class 9*

*Monday, March 14*

- Chen, Daniel L. and Susan Yeh, “The Economic Impacts of Eminent Domain”, Working Paper, December 2010. [\[link\]](#)
- Half-class workshop on papers

## D. Political Economy/Public Choice

### 1. Voting and Outcomes

#### *Class 10*

*Monday, March 21*

- Lee, Moretti & Butler, “Do Voters Affect or Elect Policies? Evidence from the U.S. House,” *Quarterly Journal of Economics*, 119(3) 2004, 807-859. [\[link\]](#) [\[presentation by Alfia Karimova\]](#)
- Bombardini & Trebbi, “Votes or Money? Theory and Evidence from the US Congress,” NBER Working Paper 13672 [\[link\]](#)
- we will focus on the empirical aspects of this paper and pay little attention to the theoretical part

#### Supplemental

- Dal Bo, et al, “Political Dynasties”, NBER Working Paper 13122, May 2007. [\[link\]](#)
- Levitt & Snyder, “The Impact of Federal Spending on House Election Outcomes,” *Journal of Political Economy* 39 1995, 958-80. [\[link\]](#)
- Gerber and Lewis, “Beyond the Median: Voter Preferences, District Heterogeneity, and Political Representation”, *Journal of Political Economy* 112 (2004), 1364-1383. [\[link\]](#)

## 2. Tiebout and Sorting

### Class 11

Monday, March 28

- Brief overview of Tiebout model
- Roback, Jennifer, 1982. “Wages, Rents and the Quality of Life” *Journal of Political Economy*, 90(6) 1982. [\[link\]](#) [\[presentation by Adam Lavecchia\]](#)
- Alesina, Baqir, and Hoxby, “Political Jurisdictions in Heterogeneous Communities,” *Journal of Political Economy*, 112(2) 2004: 348-396. [\[link\]](#)

## 3. Policy Change

### Class 12

Monday, April 4

- **Final papers due**
- Besley, Timothy, Torsten Persson and Daniel M. Sturm, “Political Competition, Policy and Growth: Theory and Evidence from the United States”, *Review of Economic Studies*, forthcoming. [\[link\]](#)
- Wallis, John Joseph, “Constitutions, Corporations and Corruption: American States and Constitutional Change, 1842 to 1852,” *Journal of Economic History*, March 2005 65(1). [\[link\]](#) [\[presentation -- no one\]](#)

#### Supplemental

- Fleck, Robert K., “Voter Influence and Big Policy Change” *Journal of Political Economy* 2008, 116(1). [\[link\]](#)
- Barry R. Weingast and William J. Marshall, “The Industrial Organization of Congress; or, Why Legislatures, Like Firms, Are Not Organized as Markets” *The Journal of Political Economy*, Vol. 96, No. 1. (Feb., 1988), pp. 132-163. [\[link\]](#)
- Romer, Thomas and Rosenthal, Howard. “Median Voters or Budget Maximizers: Evidence from School Expenditure Referenda.” *Economic*

*Inquiry* 20 (October, 1982): 556-578.

- Theory from Romer and Rosenthal, “Bureaucrats vs. Voters,” *Quarterly Journal of Economics*, 1979, 93.
  - Holcombe, Randall G. “Government Growth in the Twenty-First Century,” *Public Choice*, 124 (2005), 95-114. [\[link\]](#)
- 

## Evaluation

### A. Class Participation (10%)

- I expect you to come to class prepared to discuss the papers we're talking about that day. “Discuss” means that you understand the main ideas of the paper, can critique some aspect of it, and are ready to ask questions about what you didn't understand.

### B. In-class presentations (15%)

- Each student chooses one paper to present.
- A presentation should be no more than 30 minutes (without interruptions), using power point slides, and include ONLY the main points of the paper. Understanding which points are the main ones is a key element of understanding the paper. If you cannot see what to cut, seek help.
- Your presentation should also include a brief critique.
- After you have signed up for the presentation during the first class, it may only be rescheduled if you find a student to trade with you.
- In order to make sure everyone gets the most out of these presentations, I require that you meet with me in office hours the week before the class in which you will present, having read the paper and having some sense of what you're going to say.

### C. Paper Summaries (10%)

- Each class, you will turn in a one-page or less (double-spaced is fine) summary and critique of one of the papers (your choice) we are reading that day in class.
- If you're presenting, summarize the paper you're not presenting. Some students find presenting overwhelming, so be sure to schedule your time so that you get this summary done.
- Summaries are accepted in class only.
- Summaries will be graded from zero to one. To receive one-half, you must present some sense of the main point of the paper. To receive a one, you must include some critique of the paper.
- I will expect you to turn in 9 summaries for the 12 weeks of class; that is, you have three summary-free weeks to be used at your leisure.
- There may be weeks where I give some little assignment that replaces the summary; if so, I will say so in class.

### D. Replication and Extension (65%)

- Broadly, we will follow the terms laid out in Burman et al, *Public Finance Review*, 2010. [\[link\]](#)
- Masters students are expected to replicate a paper as described in Burman et al.
- PhD students are expected to replicate more loosely. This could mean the same topic with a different data source, the same topic with a different country, or the



- same idea with a different empirical strategy.
- If you are replicating a paper that already has code for the existing tables, the replication requirements will be stricter; see assignment for details.
  - If you want to do non-replication empirical work (keeping in mind it needs to get done during the semester) come see me.
  - A one-page proposal telling me which paper you're doing and some thoughts about what you'd fix due in paper form in class **Monday, January 31** (Class 4). This assignment counts for 5% of the final paper grade.
  - Replication paper is due in the last class, **Monday, April 4** (Class 12) by the end of class
  - Paper should be double-spaced with standard margins and font size (MS Word defaults)
  - Papers will be graded out of 100 points, and late papers will be marked down 10 points for each 12 hours they are late. Thus, a paper turned in half an hour after class that would have received a 90 receives an 80. The same paper, received the following morning, receives a 70.

No final exam, no midterm.

---

## Handouts

- presentation instructions [\[link\]](#)
- discussant instructions
- one-page proposal for the proposal instructions [\[link\]](#)
- list of student emails
- citation style [\[link\]](#)
- Data Resources
  - CHASS data centre [web site](#)
  - University of Toronto [Data Library](#)
  - Statistics Canada Research Data [Centres](#); restricted-access census data