

ECON 5353 Public Finance II (Fall 2022)

Instructor:

Professor Cynthia Rogers

E-mail: crogers@ou.edu

Office hours: by apt.

Course:

Meeting time: MW 1:30-2:45 pm

Format: synchronous/in-person

Location: 326 Cate Center 1

Description:

This course surveys a range of issues associated with evaluating the role of government in the market economy and a range of causes and consequences of government policies. Our particular focus will be the numerous strands of literature related to fiscal decentralization-how revenue and spending decisions should be made in the presence of multi-levels of government. We will discuss basic methodological and practical issues associated with doing economics research in general and as well as those associated with the decentralization literature. **The primary goal of this course is to develop the skills needed to effectively research and publish in the area of Public Economics.** Students will be expected to actively engage in discussions of assigned articles and to develop and present their own, original research by the end of the semester.

Grading and Course Requirements:

The course is designed to give students exposure to the field of public economics and to gain skills needed to be a successful professional economist. The course components are as follows:

Participation, homework questions, article presentations	15%
Midterm Exam (around week 8)	20%
Student Research: written paper	25%
Student Research Conference: presenter and discussant	15%
Final Exam (Dec 16, 8 -10 am)	25%

Participation, homework questions, and article presentations are important requirements of the course.

1. This is a graduate seminar class and active engagement in discussion is expected.
2. Reading assignments with discussion questions will be assigned for articles we will discuss in class. These should be answered BEFORE class. Bring your written answers to class to facilitate the discussion. You can enhance your answers during class based on discussions. The assignments will be collected as a group at the end of the semester and go towards your participation, homework, and article presentation score.
3. Students will present and lead 15-20 minute presentations of 2 papers throughout the course. One will be with a partner and the other solo. Students will prepare a handout and powerpoint slides as needed. Presenters should be prepared to answer questions about the articles from both myself and from other students. Students can select articles from the course reading list or choose articles of interest to them with my permission. This is excellent practice on how to give presentations.

Exams:

An in class exam will be given around the middle of the term covering key course concepts and articles. Questions will be drawn from homework questions and class discussions. Final Exam (Dec 16 from 8 to 10 am) will be based on material after the midterm and student presentations.

Research Paper:

Your research paper, presentation of your research, and discussion of peer research in our class mini research conference at the end of the term will combine for 40% of your grade. The paper must relate to the field of Public Economics, broadly defined. You have 2 options:

1. Default option: Conduct and present your own original empirical research.
2. Alternative option: Select a branch of literature within the field of public economics and compose a critical review of the literature. This alternative is for Master's Students or Ph.D. students who are already formally matched up with a faculty member to write a dissertation in a field other than Public Economic. In the case of a Ph.D. student working with an advisor on Dissertation related work already, the student's project must connect with the field of Public Economics (potentially in a very loose manner) but may mainly be in the your primary area (Development, IO, Trade/Finance, Labor, Macro, etc.). The goal will be to find extensions to your primary work that connects to public economics field.

Extension of previously completed research is possible conditional on you outlining a specific plan of how you would significantly extend/improve/enhance previous work. Generally trying to do a single paper for two different classes is discouraged. In certain circumstance, however, it is possible to find a paper that connects two field. If you seek to pursue such an option, then you will need to get approval of instructors from BOTH classes AND complete a paper that constitutes twice the depth, analysis as a paper for one course would (double counting is not allowed per graduate college rules).

Collaboration is allowed for an original research paper (option 1 above) if students identify a project of mutual interest and are able to demonstrate independent contribution to the development and execution of the research. Co-authored papers would be expected to be more thorough and more complete than solo research projects. Collaborations must be approved by me in advance. Last minute collaborations will not be approved.

Length: There is no required length. My assessment of your original research project, will consideration the time and effort put into obtaining the data and/or generating your empirical results. In some cases, a large amount of time may have gone into data collection and empirical analysis, such that a short, clear write-up of what you have done will be sufficient. In certain cases, with my approval, it will be acceptable to finish the semester with only preliminary empirical analyses along with a detailed explanation of what addition data/models would be needed to finish. If you have questions about your particular project, do not hesitate to ask.

Style: All papers should follow the detailed style guidelines of the *Journal of Public Economics*. Although content and accuracy are the most important aspects of a paper, the quality of the writing itself is a non-trivial component of what makes a good paper. If you will need help with editing, please look into your options early on.

Tentative Deadlines:

- 1) On September 21 you will identify your research question and provide motivation about why it is important and novel. If you are doing a survey of research, then you need to identify why the survey is original (e.g., not a rehash of existing surveys).
- 2) On October 10th you will identify 5 key related papers and explain why they are important and how you build on them.
- 3) On October 24th you will submit an overview of your methodological approach to answering your research question. This will describe your model (empirical or theoretical), and the analytical approach. Any already completed data collection should be documented. These need to be on time and of a good quality. Think of these as a detailed abstract which is the requirement for submission to many conferences.

- 4) On Nov 14 and 16 we will hold a mini conference. Students will create powerpoint slides of their research project, question, motivation, related papers, approach, and results completed to date. Students will have 20 minutes to present. A peer will be assigned to discuss/critique your project. This is how many conferences are conducted. The benefit of doing this with work in progress is that you will get valuable feedback in time to incorporate suggestions into your final project. Think of this as a brown bag type of presentation which usually involves research in progress but not yet completed.
- 5) The final paper is due Friday Dec 2 (11 59 pm). Late papers will be penalized.

****To keep everyone on track, students will present progress on each of the deadline dates.**

Research presentation and discussant: we will have a mini conference on Nov 14 and 16 so students can present their research (10%) and act as a discussant (5%). Students will prepare a 20-minute summary of their work. Discussants will have 5-10 minutes to critique the work.

Academic Integrity

Students must review OU Code of Student Conduct and understand the various aspects associated with upholding academic integrity. *Academic integrity demands careful documentation of sources, direct quotes, and appropriate paraphrasing.*

(Preliminary) Course Topics (Materials and links will be posted on Canvas):

1. Introduction to Public Economics and overview of trends in the field
2. Overview of Fiscal decentralization and related literature
3. Decentralization Hypothesis, causes and consequences
4. Tiebout Hypothesis
5. Fiscal competition and jurisdictional interdependence
6. Student Presentations
7. Hot topics: TBA

See appendix for other university policies which are supposed to be published on syllabus.

I. COURSE RESOURCES & REFERENCES

I.1 Graduate Level Public Economics References

- Atkinson, Anthony B., Stiglitz, Joseph E., *Lectures on Public Economics*, (McGraw-Hill, New York, New York) 1980.
- Auerbach, A. and M. Feldstein, eds. *Handbook of Public Economics* 4 Volumes (Amsterdam: North Holland, 1954, 1987, 2002, and 2002).
- Auerbach, A., Chetty, R. M. Feldstein, and E. Saez, eds. *Handbook of Public Economics*, Volume 5 (Amsterdam: North Holland, 1954, 1987, 2002, and 2015).
- Kaplow, L. *The Theory of Taxation and Public Economics*. Princeton University Press, 2008.
- Mirrlees, J. *Reforming the Tax System for the 21st Century The Mirrlees Review*, Oxford University Press, (2 volumes) 2009 and 2010.
- Piketty, Thomas, *Capital in the 21st Century*, Cambridge: Harvard University Press, 2014

I.2 Methodology and Economics

- Hausman, Daniel M. "Economic Methodology in a Nutshell," *Journal of Economic Perspectives*, Volume 3, Number 2 (Spring 1989), Pages 115-127. (web)

- Klein and Romero (2007) "Model Building versus Theorizing: The Paucity of Theory in the Journal of Economic Theory," *Econ Journal Watch* 4(2), 241-271. (web)
- McCloskey, D. N. "The Rhetoric of Economics," *Journal of Economic Literature*, Volume XXI (June 1983), pp. 481-517. (web)
- Wyrick, Thomas L. The Economist's Handbook: A Research and Writing Guide," West Publishing Co, NY (1994). Chapter 10 "Theory in Economic Research" pp. 171-190.

I.3 References on Empirical Methods

General

- Angrist, J. and Steve Pischke. *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press, 2009.
- Cameron, A. Colin and Pravin K. Trivedi. *Microeconometrics: Methods and Applications*, (NY: Cambridge University Press, 2005) Sections of Chapter 1, 2, and 3.
- Kennedy, Peter E. "Sinning in the Basement: What are the Rules? The Ten Commandments of Applied Econometrics," *Journal of Econometric Surveys*, Volume 16, No. 4 (2002): 569-589.

Replication and Researcher Errors

- Dewar, William G., Jerry G. Thursby, and Richard G. Anderson. "Replication in Empirical Economics: The Journal of Money, Credit and Banking Project," *American Economic Review* Volume 76 (September 1986) pp. 587- 603.

Measurement Issues

- Tornqvist, Pentti Vartia and Yrjo O. Vartia. "How Should Relative Changes Be Measured?" *The American Statistician*, Volume 39, Number 1 (February 1985) pp. 43-45.
- McGuirk, Anya and Paul Discoll. "The Hot Air in R2 and Consistent Measures of Explained Variation." *American Journal of Agricultural Economics*, Volume 77, Number 2 (May 1995) pp. 319-28.

Aggregation Problems and Ecological Inference Problems

- Stoker, Thomas M. "Empirical Approaches to the Problem of Aggregation Over Individuals," *Journal of Economic Literature*, Volume XXXI (December 1993) pp. 1827-1847
- Moulton, Brent R. "An Illustration of a Pitfall in Estimating the Effects of Aggregate Variables on Micro Units," *The Review of Economics and Statistics*, Vo. 72, No. 2 (1990):334-338.

Instrumental Variables

- Angrist, J. and A. Krueger, "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments," *Journal of Economic Perspectives*, 15 (4), 2001, 69-87

Difference-in-Difference

- Bertrand, M. E. Duflo et S. Mullainathan, "How Much Should we Trust Differences-in-Differences Estimates?," *Quarterly Journal of Economics*, Vol. 119, No. 1, 2004, pp. 249-275.

Non Random Sampling Issues and Matching Estimators

- Angrist, Joshua D. and Alan B. Krueger. "Empirical Strategies in Labor Economics," Working Paper #410 Princeton University: Industrial Relations Section (June 1998). Prepared for the *Handbook of Labor Economics* Volume 3.
- LaLonde, Robert J. "Evaluating the Econometric Evaluations of Training Programs with Experimental Data," *American Economic Review*, Volume 76(4), (September 1986) pp. 604-620.

- Heckman, James J., Hidehiko Ichimura and Petra Todd. "Matching As An Econometric Evaluation Estimator," in *Review of Economic Studies*, Volume 65 (1998) pp. 261-294
- Salzberg, Alan J. "Removable Selection Bias in Quasi-Experiments," *The American Statistician*, Volume 53, Number 2 (May 1999) pp. 103-107.
- Rosenbaum, Paul R. and Donald B. Rubin. "Constructing a Control Group Using Multivariate Matched Sampling Methods That Incorporate the Propensity Score," *The American Statistician*, Volume 39, Number 1, (December 1989) pp. 33-38.
- Rubin, Donald B. "Bias Reduction Using Mahalanobis-Metric Matching," *Biometrics*, Volume 36 (June 1980) pp. 293-298.

Natural and Quasi-Experiments

- *Pomeranz, Dina. "Impact Evaluation Methods in Public Finance: A brief Introduction to Randomized Evaluations and Comparison with Other Methods," Harvard University and NBER, May 2015. https://www.hbs.edu/ris/Publication%20Files/150610-Impact-Evaluation-Methods-final_0bda595b-bed9-43f0-a942-2e59d723ba62.pdf
- Meyer, B. "Natural and Quasi-Experiments in Economics," *Journal of Business and Economic Statistics*, 13(2), April 1995, 151-161. (web)
- Reed, W. Robert and Cynthia Rogers. "A Study of Quasi-Experimental Control Group Methods For Estimating Policy Impacts," *Regional Science and Urban Economics*, 33(3): 3-25, 2003.

Synthetic Control Group and Regression Discontinuity Designs

- *Abadie, A. and Matias Cattaneo, and Rocio Titiunik, "Summer Institute 2021 Methods Lectures: Causal Inference Using Synthetic Controls and Regression Discontinuity Designs, NBER. July 30, 2021 <https://www.nber.org/lecture/summer-institute-2021-methods-lectures-causal-inference-using-synthetic-controls-and-regression>

I.4 Writing & Publishing Strategies in Economics

Economics Writing and Publishing Guides

- (Various authors) Averett, S; Moffitt, R.; Anderson P.M.; Grossbard, S. "How to Get Published in an Economics Journal." *Newsletter of the Committee on the Status of Women in the Economics Profession*: <https://www.aeaweb.org/content/file?id=568>
- Thomson, William. "The Young Person's Guide to Writing Economic Theory," *Journal of Economic Literature*, Volume XXXVII (March 1999), pp. 157-183.
- Choi, Kwan. "How to Publish in Top Journals," Online publication, March, 7, 2002. Available at Review of International Economics website: www.roie.org.**
- Greenlaw, Steven A., *Doing Economics: A Guide to Understanding and Carrying Out Economic Research*, (Houghton Mifflin Co., Boston/New York) 2006. Especially Chapter 3: Surveying the Literature on a Topic in Economics and Chapter 8: Locating (and Collecting) Economic Data.

General Writing Guides

- Strunk, W. Jr., and E.B. White. *The Elements of Style*, 4th edition. (MacMillan Publishing Co., Inc: NY) 1999. This little book is a great guide for clear, concise writing!
- Cook, Claire Kehrwald. *Line by Line: How To Improve Your Own Writing*. (Houghton Mifflin Company, Boston) 1985. This book, not as concise as Strunk and White, is very helpful.

II Overview of Research in Public Economics

II.1 Overview of Public Economics Research

- Dreze, Jacques, (1995), "Forty Years of Public Economics: A Personal Perspective," *Journal of Economic Perspectives*.
- Feldstein, Martin. "The Transformation of public economics research: 1970-2000," *Journal of Public Economics* 86 (2002) 319-326.
<https://www.sciencedirect.com/science/article/pii/S0047272701001906>
- Agrawal, David, Davies, Ronald, LaLumia, Sara, Riedel, Nadine and Kimberley Scharf, "A snapshot of public finance research from immediately prior to the pandemic: IIPF 2020," *International Tax and Public Finance* (2021) 28:1276-1297.
<https://link.springer.com/article/10.1007/s10797-021-09693-y>
- Martinez-Vazquez, Jorge, "Perspectives on the Last Quarter Century of Research in Public Economics," *Revista de Economia Aplicada* Vol XXVI, (76) 9-33, 2018
https://www.researchgate.net/profile/Jorge-Martinez-Vazquez/publication/332783423_Fiscal_Decentralization_and_Public_RD_Policy_A_Country_Panel_Analysis/links/5cd049c792851c4eab866036/Fiscal-Decentralization-and-Public-R-D-Policy-A-Country-Panel-Analysis.pdf

II.2 Overview of Fiscal Federalism

- Oates, W.E. (1999) "An Essay on Fiscal Federalism" *Journal of Economic Literature* 37 (1999) 1120-50. (Selections from this lengthy article will be synthesized in lecture.)
- Rogers, C. L. (2005) "Empirical Studies of Fiscal Decentralization: Implications for State Policy Making," working paper, University of Oklahoma, 10/19/2005.
- Rogers, C.L. (2007)) "Wither Decentralization: Implications for linking Research and Practice," SRSA Presidential Address of the 2006 Annual Meetings, *Review of Regional Studies*. 37(2): 109-119.
- Schneider, Aaron. "Decentralization: conceptualization and Measurement," *Studies in Comparative International Development*, Fall 2003, Vol. 38, No. 3, pp. 32-56. This has some good ideas but it isn't tightly written.
- Ebel, Robert D. and Serdar Yilmaz (2002) "On the Measurement and Impact of Fiscal Decentralization," World Bank, Policy Research Working Paper (<http://econ.worldbank.org>.)
- Reingewertz, Yaniv, 2014. "[Fiscal Decentralization - a Survey of the Empirical Literature](#)," [MPRA Paper](#) 59889, University Library of Munich, Germany. https://mpra.ub.uni-muenchen.de/59889/1/MPRA_paper_59889.pdf
- More to come as soon as I learn student interests!

APPENDIX: OTHER UNIVERSITY POLICIES

Land Acknowledgement Statement Provided by OU's Tribal Liaison office

Long before the University of Oklahoma was established, the land on which the University now resides was the traditional home of the "Hasinai" Caddo Nation and "[Kirikirǀi:s](#)" (audio available when opened in Chrome) Wichita & Affiliated Tribes.

We acknowledge this territory once also served as a hunting ground, trade exchange point, and migration route for the Apache, Comanche, Kiowa and Osage nations. Today, 39 tribal nations dwell in the state of Oklahoma as a result of settler and colonial policies that were designed to assimilate Native people. The University of Oklahoma recognizes the historical connection our university has with its indigenous community. We acknowledge, honor and respect the diverse Indigenous peoples connected to this land. We fully recognize, support and advocate for the sovereign rights of all of Oklahoma's 39 tribal nations. This acknowledgement is aligned with our university's core value of creating a diverse and inclusive community. It is an institutional responsibility to recognize and acknowledge the people, culture and history that make up our entire OU Community.

Copyright Syllabus Statement for In-Person or Online Courses (optional)

Sessions of this course may be recorded or live-streamed. These recordings are the intellectual property of the individual faculty member and may not be shared or reproduced without the explicit, written consent of the faculty member. In addition, privacy rights of others such as students, guest lecturers, and providers of copyrighted material displayed in the recording may be of concern. Students may not share any course recordings with individuals not enrolled in the class or upload them to any other online environment.

Religious Observance (required)

It is the policy of the University to excuse the absences of students that result from religious observances and to reschedule examinations and additional required classwork that may fall on religious holidays, without penalty. [\[See Faculty Handbook 3.15.2\]](#)

Reasonable Accommodation Policy (required)

The Accessibility and Disability Resource Center is committed to supporting students with disabilities to ensure that they are able to enjoy equal access to all components of their education. This includes your academics, housing, and community events. If you are experiencing a disability, a mental/medical health condition that has a significant impact on one or more life functions, you can receive accommodations to provide equal access. Possible disabilities include, but are not limited to, learning disabilities, AD(H)D, mental health, and chronic health. Additionally, we support students with temporary medical conditions (broken wrist, shoulder surgery, etc.) and pregnancy. To discuss potential accommodations, please contact the ADRC at 730 College Avenue, (ph.) 405.325.3852, or adrc@ou.edu.

Title IX Resources and Reporting Requirement (required)

Anyone who has been impacted by gender-based violence, including dating violence, domestic violence, stalking, harassment, and sexual assault, deserves access to resources so that they are supported personally and academically. The University of Oklahoma is committed to offering resources to those impacted, including: speaking with someone confidentially about your options, medical attention, counseling, reporting, academic support, and safety plans. If you would like to speak with someone confidentially, please contact [OU Advocates](#) (available 24/7 at 405-615-0013) or another confidential resource (see "[Can I make an anonymous report?](#)"). You may also choose to report gender-based violence and discrimination through other means, including by contacting the [Institutional Equity Office](#) (ieo@ou.edu, 405-325-3546) or police (911). Because the University of Oklahoma is committed to the safety of you and other students, I, as well as other faculty, Graduate Assistants, and Teaching Assistants, are mandatory reporters. This means that we are obligated to report gender-based violence that has been disclosed to us to the Institutional Equity Office. This includes disclosures that occur in:

class discussion, writing assignments, discussion boards, emails and during Student/Office Hours. For more information, please visit the [Institutional Equity Office](#).

Adjustments for Pregnancy/Childbirth Related Issues (required)

Should you need modifications or adjustments to your course requirements because of documented pregnancy-related or childbirth-related issues, please contact your professor or the Accessibility and Disability Resource Center at 405/325-3852 as soon as possible. Also, see the Institutional Equity Office [FAQ on Pregnant and Parenting Students' Rights](#) for answers to commonly asked questions.

Final Exam Preparation Period (required)

Pre-finals week will be defined as the seven calendar days before the first day of finals. Faculty may cover new course material throughout this week. For specific provisions of the policy please refer to OU's [Final Exam Preparation Period policy](#).

Emergency Protocol (required)

During an emergency, there are official university [procedures](#) that will maximize your safety.

Severe Weather: If you receive an OU Alert to seek refuge or hear a tornado siren that signals severe weather.

1. Look for severe weather refuge location maps located inside most OU buildings near the entrances
2. Seek refuge inside a building. Do not leave one building to seek shelter in another building that you deem safer. If outside, get into the nearest building.
3. Go to the building's severe weather refuge location. If you do not know where that is, go to the lowest level possible and seek refuge in an innermost room. Avoid outside doors and windows.
4. Get in, Get Down, Cover Up
5. Wait for official notice to resume normal activities.

Additional [Weather Safety Information](#) is available through the Department of Campus Safety.

Armed Subject/Campus Intruder (required)

If you receive an OU Alert to shelter-in-place due to an active shooter or armed intruder situation or you hear what you perceive to be gunshots:

1. *Avoid:* If you believe you can get out of the area WITHOUT encountering the armed individual, move quickly towards the nearest building exit, move away from the building, and call 911.
2. *Deny:* If you cannot flee, move to an area that can be locked or barricaded, turn off lights, silence devices, spread out, and formulate a plan of attack if the shooter enters the room.
3. *Defend:* As a last resort fight to defend yourself.

For more information, visit [OU's Emergency Preparedness site](#).
[Shots Fired on Campus Procedure – Video](#)

Fire Alarm/General Emergency (required)

If you receive an OU Alert that there is danger inside or near the building, or the fire alarm inside the building activates: 1. *LEAVE* the building; Do not use the elevators; 2. *KNOW* at least two building exits; 3. *ASSIST* those that may need help; 4. *PROCEED* to the emergency assembly area; 5. *ONCE safely outside, NOTIFY first responders of anyone that may still be inside building due to mobility issues*; 6. *WAIT* for official notice before re-entering the building. [OU Fire Safety on Campus](#)

Mental Health Support Services (required)

If you are experiencing any mental health issues that are impacting your academic performance, counseling is available at the University Counseling Center (UCC). The Center is located on the

second floor of the Goddard Health Center, at 620 Elm Rm. 201, Norman, OK 73019. To schedule an appointment call (405) 325-2911. For more information, please visit [University Counseling Center](#).

Dead Week and Pre-Finals Week Policies (optional)

During pre-finals week, all normal class activities will continue; however, no assignment, test, or examination accounting for more than 3% of the course grade may be assigned, unless it is assigned in advance of pre-finals week and worth less than 10%, or scheduled at least 30 days prior if worth more than 10%. No activity or field trip may be scheduled that conflicts with another class. See [Final Exam Policies](#).