

University of Wisconsin-Madison
Department of Economics

Jane Cooley
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Economics 742
Topics in Public Economics
Part I
346 Birge
TR 11:00AM-12:15PM

Contact Information:

Office: 7440 Social Science
E-mail: jcooley@ssc.wisc.edu
Office Hours: Wed, 2-3pm, or by appointment

Course Description:

This is Part I of a 2-part course on topics in public economics, co-taught with Chris Taber. Our focus in this half will be topics in local public finance, social interactions, charitable giving and the provision of public goods.

Reading List

The reading list is preliminary; expect it to evolve according to time constraints and student interests. The plan is to focus our discussions on articles denote by “”. The other articles provide additional reading on the topic if you are interested.*

I. Local Public Goods

*Tiebout, C. (1956) "A Pure Theory of Local Expenditures," *Journal of Political Economy*, 416-424.

Bewley, T. (1981) "A Critique of Tiebout's Theory of Local Public Expenditure", *Econometrica*, 49:713-40.

*Rhode, P. and K. S. Strumpf (2003) "Assessing the Importance of Tiebout Sorting: Local Heterogeneity from 1850 to 1990," *American Economic Review*, 93(5): 1648-1677, December.

II. Intergovernmental Fiscal Relations

*Oates, Wallace E. (1999), "An Essay on Fiscal Federalism," *Journal of Economic Literature* 37(3): 1120-1149.

Knight, Brian, "Endogenous Federal Grants and Crowd-Out of State Government Spending: Theory and Evidence from the Federal Highway Program," *American Economic Review*, 92, 2002: 71-92

Nechyba, T., (1997) "Local Property and State Income Taxes: The Role of Interjurisdictional Competition and Collusion," *Journal of Political Economy* 105(2): 351-84.

*Gordon, Nora, "Do Federal Grants Boost School Spending? Evidence from Title I," *Journal of Public Economics*, 88, 2004: 1771-1792

Hines, James and Richard Thaler, "Anomalies: The Flypaper Effect," *Journal of Public Economics*, 1995.

III. Social Interactions

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

*Brock, W. A. and Durlauf, S. N. (2001a), 'Discrete choice with social interactions', *The Review of Economic Studies* 68(2): 235–260.

Brock, W. A. and S.N. Durlauf (2001b) "Interactions-Based Models," in *Handbook of Econometrics*, vol. 5, J. Heckman and E. Leamer eds., Amsterdam: North-Holland.

Blume, L., W. Brock, S. Durlauf and Y. Ioannides "Identification of Social Interactions," in *Handbook of Social Economics*, J. Benhabib, A. Bisin, and M. Jackson, eds., Amsterdam: North Holland, forthcoming.

*Katz, Lawrence E., Jeffrey R. Kling and Jeffrey B. Liebman (2001) "Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment", *Quarterly Journal of Economics* 116 (May 2001), 607-54.

Graham, B. S. (2008) "Identifying Social Interactions through Conditional Variance Restrictions," *Econometrica*, 76(3).

Austen-Smith, D. and R. G. Fryer (2005) "An Economic Analysis of 'Acting White'," *The Quarterly Journal of Economics* (May).

Fryer, R. G. (2006) "A Model of Social Interactions and Endogenous Poverty Traps," *NBER Working Papers* 12364.

Akerlof, G. and R. Kranton (2000) "Economics and Identity," *Quarterly Journal of Economics* CXV(3), August 2000, pp. 715-733.

Akerlof, G. and R. Kranton (2002) "Identity and Schooling: Some Lessons for the Economics of Education," *Journal of Economic Literature*, 40(4): 1167-1201

Arcidiacono, P., G. Foster, N. Goodpaster and J. Kinsler (2010) "Estimating Spillovers Using Panel Data, with an Application to the Classroom," working paper.

Epple, D., R. Romano and H. Sieg (2003), " Peer Effects, Financial Aid, and Selection of Students into Colleges and Universities: An Empirical Analysis," *Journal of Applied Econometrics*, 18(5): 501-525.

Arnott, R. and Rowse, J. (1987), 'Peer group effects and educational attainment', *Journal of Public Economics* 32: 287–305.

Sacerdote, B. (2001) "Peer Effects with Random Assignment: Results for Dartmouth Roommates," *Quarterly Journal of Economics*, 116.

IV. Desegregation

*Cooley, J., (2010), "Desegregation and the Achievement Gap: Do Diverse Peers Help", working paper.

Guryan, J. (2004), 'Desegregation and black dropout rates', *American Economic Review* 94(4), 919–943.

Echenique, F. and R. G. Fryer, Jr. (2005) "On the Measurement of Segregation," *NBER Working Papers*, 11258.

Bayer, P., H. Fang and R. McMillan (2005) "Separate When Equal? Racial Inequality and Segregation", *NBER Working Paper* 11507

V. Education Finance

*Card, D. and A. Payne (2002) "School Finance Reform, the Distribution of School Spending, and the Distribution of Student Test Scores," *Journal of Public Economics*, 83(2002): 49-82.

*Hoxby, Caroline (2001). "All School Finance Equalizations Are Not Created Equal," *Quarterly Journal of Economics* 116(4): 1189-1231.

Corcoran, S. P. and W.N. Evans "Equity, Adequacy and the Evolving State Role in Education Finance," in *Handbook of Research in Education Finance and Policy*, *chp 19*.

Gordon, N. E. (2007) "The Changing Federal Role in Education Finance and Governance," in *Handbook of Research in Education Finance and Policy*, chp 17.

Loeb, S. (2001) "Estimating the Effects of School Finance Reform: A framework for a Federalist System," *Journal of Public Economics*, 80: 225-247.

E. Brunner and J. Sonstelie (2003) "School Finance Reform and Voluntary Fiscal Federalism," *Journal of Public Economics*, 87(9-10): 2157-2185.

Baicker, K and N. Gordon (2006) "The effect of state education finance reform on total local resources," *Journal of Public Economics*, 90: 1519-1535.

VI. Tiebout Sorting and Competition

*Epple, D. and R. Romano (1998) "Competition between Private and Public Schools: Vouchers and Peer Group Effects," *American Economic Review*.

*Bayer, P., Ferreira, F. and R. McMillan, (2005) "Tiebout Sorting, Social Multipliers and the Demand for School Quality."

Rothstein, J. (2006) "Good Principals or Good Peers? Parental Valuation of School Characteristics, Tiebout Equilibrium, and the Incentive Effects of Competition among Jurisdictions," *American Economic Review* 96(4): 1333-1350.

Bayer, P. and R. McMillan (2005) "Choice and Competition in Local Education Markets," working paper.

Nechyba, T. (2000) "Mobility, Targeting and Private School Vouchers," *American Economic Review* 90(1): 130-46.

Nechyba, T. (2007) "Tiebout choice and education" in *Handbook of Economics of Education*.

Ferreira, M. (2007), "Estimating the Effects of Private School Vouchers in Multi-District Economies," *American Economic Review* 97: 789-817.

VII. Charitable Giving

*James Andreoni and A. Abigail Payne (2003) "Do Government Grants to Private Charities Crowd Out Giving or Fund-Raising?," *American Economic Review*, 93(3): 792-812, June.

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) "Diversity and Crowdout: A theory of Cold-glow Giving," NBER Working paper 13348.

*Hungerman, D. (2005) "Are church and state substitutes? Evidence from the 1996 welfare reform," *Journal of Public Economics*, 89(11-12): 2245-2267, December.

Auten, Gerald, Holger Sieg, and Charles T. Clotfelter (2002) "Charitable Giving, Income and Taxes: An Analysis of Panel Data." *American Economic Review* 92 (March): 371-382.

VIII. Public Goods—Theory

*Bergstrom, T., L. Blume and H. Varian (1986), "On the private provision of public goods," *Journal of Public Economics*, 29: 25-49.

Samuelson, P "The Pure Theory of Public Expenditure," *Review of Economics and Statistics* 36 (1954), 387-389.

*Myles, chp 9.

Cornes and Sandler, chp 6-10.