

Economics 550
Government Finance: Expenditures
SAMPLE SYLLABUS

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Exams: There will be two exams of equal weight.

Exam 1: February 13th in lecture

Exam 2: Exam Period

Readings: There is no textbook for this course. Readings are available electronically through the course website.

Grading:¹

Over 12 Students		12 or Fewer Students	
Problem Sets	20%	Problem Sets	15%
Midterm Exam	25%	Midterm Exam	25%
Participation	10%	Project	15%
Final Exam ²	45%	Participation	10%
		Final Exam	35%

Problem Sets:

- You may work on problem sets in groups of up to 3 people (including you). Groups should turn in 1 problem set with all participants' names listed on the first page. All group members will receive the same grade on the problem set.
- Electronic (e.g. emailed) problem sets will **not** be accepted.
- **No late problem sets will be accepted.** Problem Sets are due at the start of lecture. If you cannot turn in a problem set on time due to serious illness or a documented family emergency the other assignments will be weighted up to compensate.

¹If the final course enrollment is 12 or fewer students, the class will have a hybrid lecture seminar format.

Readings (Preliminary)

Redistribution and the Size of Government

A. Downs (1957), "An Economic Theory of Political Action in a Democracy," *Journal of Political Economy* 65(2).

A. Meltzer and S. Richard (1981), "A Rational Theory of the Size of Government," *Journal of Political Economy* 89.

Alesina, A. and E. La Ferrara (2005), "Preferences for Redistribution in the Land of Opportunities" *Journal of Public Economics* 89, pp. 897-931.

Kuzimieko, I., M. Norton, E. Saez, and S. Stantcheva (2013) "How Elastic are Preferences for Redistribution? Evidence from Randomized Survey Experiments" NBER Working Paper 18865.

Pikety, T., and E. Saez (2003) "Income Inequality in the United States, 1913-1998" *Quarterly Journal of Economics*, 118(1), 1-39. (Longer updated version published in A.B. Atkinson and T. Piketty eds., Oxford University Press, 2007) (Tables and Figures Updated to 2008 in Excel format, July 2010)

Saez, E. and M. Veall (2005), "The Evolution of High Incomes in Northern America: Lessons from Canadian Evidence" *American Economic Review*, 95(3), pp. 831-849.

Local Public Goods

C. Tiebout (1956), "A Pure Theory of Local Expenditures," *Journal of Political Economy* 64(5).

P. Rhode and K. Strumpf (2003), "Assessing the Importance of Tiebout," *American Economic Review* 93(5).

J. Roback (1982), "Wages, Rents, and the Quality of Life." *Journal of Political Economy* 90, pp. 1257-78.

K. Chay and M. Greenstone (2005), "Does Air Quality Matter? Evidence from the Housing Market," *Journal of Political Economy*, *Journal of Political Economy* 113(2).

E. Moretti (2004) "Estimating the Social Return to Higher Education: Evidence from Longitudinal and Repeated Cross-Sectional Data" *Journal of Econometrics* 121.

In-Kind vs. Cash vs. Mandated Transfers

D. Hammermesh and J. Johannes (1986), "Food Stamps as Money and Income." *Journal of Political Economy*, pp. 205-213.

H. Hoynes and D. Schanzenbach (2009), "Consumption Responses to In-Kind Transfers: Evidence from the Introduction of the Food Stamp Program," *American Economic Journal: Applied Economics* 1, pp. 109-139.

L. Summers, "Some Simple Economics of Mandated Benefits," *American Economic Review*, 79(2), May 1989, 177-183.

P. Fishback and S. Kantor, "Did Workers Pay for the Passage of Workers's Compensation Laws?" *Quarterly Journal of Economics* 110 (August 1995), 713-742.

J. Gruber (1994), "The Incidence of Mandated Maternity Benefits," *American Economic Review* 84(3), pp. 622-641.

K. Baicker, and A. Chandra (2006), "The Labor Market Effects of Rising Health Insurance Premiums," *Journal of Labor Economics* 24, pp. 609-634.

Social Insurance

G. Akerlof (1970), "The Market for Lemons," Quarterly Journal of Economics 84(3).

M. Rothschild and J. Stiglitz, "Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information", Quarterly Journal of Economics, 90(4): 629-650, 1976.

A. Finkelstein and J. Poterba, "Adverse Selection in Insurance Markets: Policyholder Evidence from the U.K. Annuity Market," *Journal of Political Economy*, 112, February 2004, 183-208.

D. Cutler and S. Reber, "Paying for Health Insurance: The Tradeoff Between Competition and Adverse Selection", Quarterly Journal of Economics, May 1998, 433-466.

H. Levy and T. DeLeire (2003), "What do People Buy When they Don't Buy Health Insurance and What Does that Say About Why they are Uninsured?," NBER Working Paper 9826.

Unemployment Insurance

M. Baily (1978), "Some Aspects of Optimal Unemployment Insurance," Journal of Public Economics 10, 379-402.

R. Chetty (2008), "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance," Journal of Political Economy 116(2), 173-234.

J. Gruber (1997), "The Consumption Smoothing Benefits of Unemployment Insurance," American Economic Review 87, 192-205.

D. Card, R. Chetty, and A. Weber (2007), "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Finding a Job?," *American Economic Review Papers and Proceedings*.

D. Card and P. Levine (2000), "Extended Benefits and the Duration of UI Spells: Evidence from the New Jersey Extended Benefit Program," *Journal of Public Economics* 78.

L. Katz and B. Meyer (1990), "The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment," *Journal of Public Economics* 41, 45-72.

Disability Insurance

P. Diamond and E. Sheshinski, "Economic Aspects of Optimal Disability Benefits," Journal of Public Economics 57 (1995), 1-24.

D. Parsons, "The Decline of Male Labor Force Participation," *Journal of Political Economy* 88 (February 1980), 117-134.

J. Bound, "The Health and Earnings of Rejected Disability Insurance Applicants," *American Economic Review* 79 (1989), 482-503.

J. Bound, "The Health and Earnings of Rejected Disability Insurance Applicants: Reply," *American Economic Review* 81 (December 1991), 1427-1434.

D. Parsons, "The Health and Earnings of Rejected Disability Insurance Applicants: Comment," *The American Economic Review*, Vol. 81, No. 5 (Dec., 1991), pp. 1419-1426

J. Gruber, "Disability Insurance Benefits and Labor Supply," *Journal of Political Economy*, 108(6), December 2000, 1162-1183.

D. Autor, N. Maestas, K. Mullen and A. Strand (2013) "Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants"

Health

K. Arrow (1963), "Uncertainty and the Welfare Economics of Medical Care," *American Economic Review* 53(5), pp. 941-973.

D. Cutler (2002), "Equality, Efficiency, and Market Fundamentals: The Dynamics of International Medical Care Reform", *Journal of Economic Literature*, pp. 881-906.

Demand for Medical Care

M. Grossman (1972), "On the Concept of Health Capital and the Demand for Health," *Journal of Political Economy* 80(2): 223-255.

W. Manning et al. (1987), "Health Insurance and the Demand for Medical Care: Evidence from a Randomized Experiment", *American Economic Review*, 77(3), pp. 251-177.

A. Finkelstein et al. (2012), "The Oregon Health Insurance Experiment: Evidence from the First Year," *The Quarterly Journal of Economics* 127(3), pp. 1057-1106.

A. Chandra, J. Gruber, and R. McKnight (2010), "Patient Cost-Sharing and Hospitalization Offsets in the Elderly," *American Economic Review*, 100(1), pp. 1-24.

M. Grossman (1972), "The Demand for Health: A Theoretical and Empirical Investigation" New York: Columbia University Press (for NBER).

J. Kolstad and A. Kowalski (2010), "The Impact of Health Care Reform On Hospital and Preventive Care: Evidence from Massachusetts" NBER Working Paper 16012.

Health Care: Supply Responses

R. Ellis and T. McGuire (1986), "Provider Behavior Under Prospective Reimbursement: Cost Sharing and Supply", *Journal of Health Economics*, 5(2), pp. 129-152.

T. McGuire (2000), "Physician agency," in *The Handbook of Health Economics*, Anthony J. Culyer and Joseph P. Newhouse, eds., (Elsevier Science)

D. Cutler (1995), "The Incidence of Adverse Medical Outcomes Under Prospective Payment", *Econometrica*, 63(1), pp. 29-50.

D. Kim (2011), "Medicare Payment Reform and Hospital Costs: Evidence from the Prospective Payment System and the Treatment of Cardiac Disease"

D. Kessler and M. McClellan (1996), "Do Doctors Practice Defensive Medicine?" *Quarterly Journal of Economics*, pp. 353-390.

E. Johnson and M. Rehavi, "Physicians Treating Physicians: Information and Incentives in Childbirth"

J. Clemens and J. Gottlieb, "Do Physicians' Financial Incentives Affect Treatment Patterns and Patient Health?"

A. Finkelstein (2007), "The Aggregate Effects of Health Insurance: Evidence from the Introduction of Medicare," *Quarterly Journal of Economics*, 122(1), pp. 1-37.

M. Bailey and A. Goodman-Bacon (2014) The War on Poverty's Experiment in Public Medicine: Community Health Centers and the Mortality of Older Americans" NBER Working Paper 20653.