

# PUBLIC ECONOMICS (WMH00801)

Fall 2020

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| <b>Instructors:</b> | Johann Caro-Burnett   | <b>email:</b> <a href="mailto:johanncb[at]hiroshima-u.ac.jp">johanncb[at]hiroshima-u.ac.jp</a> |
| <b>Dates:</b>       | Thursdays, from Oct 8th to Nov 26st   |  |
| <b>Time:</b>        | 8:45-10:15 & 10:30-12:00  |  |
| <b>Location:</b>    | Due to the COVID-19 Pandemic<br>classes will be held online, on<br>Microsoft Teams. |  |

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**This is the tentative syllabus. There may be minor changes to reflect the number of students enrolled. If changes are made, they will be decided by October 8th.**

**Objectives:** Public Economics is the link that connects theoretical economics with the implementation of economic policies. It provides a deeper understanding of how economics relates to specific issues. This course will be divided in two parts: theoretical and applied. On the theory part, we will learn/revise basic microeconomics and game theory. In the second part, we will learn how the economics reasoning applies to specific fields. More specifically, we will map abstract economics models to aspects that are related to economic development, such as health, education, climate change, etc.

**Prerequisites:** There are no prerequisites to this course, however it is strongly suggested to have a solid background on microeconomics, especially for the material covered during the first two weeks.

**Grading:** Grading will be based on:

- 20% (online) Attendance, to be checked by questions on the topics discussed, short quizzes, and mini presentations.
- 30% Midterm, a take-home exam.
- 50% Term paper, and a brief oral presentation of paper.

## Course Outline

### Lecture 1: (Oct 8th, 8:45-10:15) Revision to Microeconomics

Based on lecture notes.

### Lecture 2: (Oct 8th, 10:30-12:00) Coase Theorem, Public Goods and Externalities

Based on lecture notes.

### Lecture 3: (Oct 15th, 8:45-10:15) Introduction to Game Theory I

Based on lecture notes.

### Lecture 4: (Oct 15th, 10:30-12:00) Introduction to Game Theory II

Based on lecture notes.

### Lecture 5: (Oct 22th, 8:45-10:15) Regulation and Economic Policy

Based on lecture notes.

### Lecture 6: (Oct 22th, 10:30-12:00) Midterm

At 10:30, I will hand-in and explain the take-home exam.

### Lecture 7: (Oct 29th, 8:45-10:15) Health

Allcott, H., Boxell, L., Conway, J., Gentzkow, M., Thaler, M., and Yang, D. Y. (2020). Polarization and public health: Partisan differences in social distancing during the Coronavirus pandemic. NBER Working Paper, (w26946).

Bernoeth, K., Clemens, M., Dany-Knedlik, G., and Gebauer, S. (2020). Identifying effective combinations of economic policy measures for the coronavirus recession in Europe. DIW Weekly Report, 10(23), 263-273.

### Lecture 8: (Oct 29th, 10:30-12:00) Education

Bettinger, E. P., Fox, L., Loeb, S., and Taylor, E. S. (2017). Virtual classrooms: How online college courses affect student success. *American Economic Review*, 107(9), 2855-75.

Dizon-Ross, R. (2019). Parents' beliefs about their children's academic ability: Implications for educational investments. *American Economic Review*, 109(8), 2728-65.

### Lecture 9: (Nov 5th, 8:45-10:15) Taxation and Redistribution I

Fuest, C., Peichl, A., and Sieglösch, S. (2018). Do higher corporate taxes reduce wages? Micro evidence from Germany. *American Economic Review*, 108(2), 393-418.

Alstadster, A., Johannesen, N., and Zucman, G. (2018). Who owns the wealth in tax havens? Macro evidence and implications for global inequality. *Journal of Public Economics*, 162, 89-100.

### Lecture 10: (Nov 5th, 10:30-12:00) Taxation and Redistribution II

Bertrand, M., Bombardini, M., Fisman, R., and Trebbi, F. (2020). Tax-exempt lobbying: Corporate philanthropy as a tool for political influence. *American Economic Review*, 110(7), 2065-2102.

Hallsworth, M., List, J. A., Metcalfe, R. D., and Vlaev, I. (2017). The behavioralist as tax collector: Using natural field experiments to enhance tax compliance. *Journal of public economics*, 148, 14-31.

### Lecture 11: (Nov 12th, 8:45-10:15) Natural Resources and Climate Change I

Mendelsohn, R., Dinar, A., and Williams, L. (2006). The distributional impact of climate change on rich and poor countries. *Environment and development economics*, 159-178.

Jaffee, D. M., and Russell, T. (1997). Catastrophe insurance, capital markets, and uninsurable risks. *Journal of Risk and Insurance*, 205-230.

Michel-Kerjan, E. O. (2010). Catastrophe economics: the national flood insurance program. *Journal of economic perspectives*, 24(4), 165-86.

**Lecture 12: (Nov 12th, 10:30-12:00) Natural Resources and Climate Change II**

Martin, R., Muls, M., De Preux, L. B., and Wagner, U. J. (2014). Industry compensation under relocation risk: A firm-level analysis of the EU emissions trading scheme. *American Economic Review*, 104(8), 2482-2508.

Caro-Burnett, J., and Gonzales-Carrasco, L. (2020). Assessing 'not in my Backyard' Environmental Policies: Is Carbon Leakage Worse than we Thought? [climate.laws.and.leakage.pdf](#)

**Lecture 13: (Nov 19th, 8:45-10:15) Political Economy I**

Hoffman, M., Len, G., and Lombardi, M. (2017). Compulsory voting, turnout, and government spending: Evidence from Austria. *Journal of Public Economics*, 145, 103-115.

Pons, V. (2018). Will a five-minute discussion change your mind? A countrywide experiment on voter choice in France. *American Economic Review*, 108(6), 1322-63.

**Lecture 14: (Nov 19th, 10:30-12:00) Political Economy II**

Martin, G. J., and Yurukoglu, A. (2017). Bias in cable news: Persuasion and polarization. *American Economic Review*, 107(9), 2565-99.

Kawai, K., and Watanabe, Y. (2013). Inferring strategic voting. *American Economic Review*, 103(2), 624-62.

**Lecture 15: (Nov 26th, 8:45-10:15) Final Exam**

**Term Paper:** Students have to prepare a research proposal, satisfying the following as minimum requirements (minimum requirements do not guarantee a full grade):

- The document has to be clear, written in English, and has to be logically coherent. A printed version should be handed in to the instructor on November 26th, by 8:45 AM.
- Format:
  - Font: Times New Roman 12pt,
  - Spacing: 1.5,
  - Margins: 2.5cm each side,
  - Length: at least six full pages long.
- Organization: The document should be sub-divided in the following sections:
  - A clear motivation that implicitly answers: Why is your chosen topic interesting? And why is it relevant? (about 2 pages)
  - A literature review of papers (not book chapters) that is comprehensive, relevant, and reflecting the latest research related to your chosen topic, with a minimum of ten published papers; none of which should have been covered during lecture (Readings covered during lecture can be mentioned, but not described as part of the literature review). (about 3 pages)
  - A clear research question and a hypothesis. Additionally, this section should discuss potential policy implications of any findings. (about 1 page)
  - A complete plan of how you would proceed with your research, and what difficulties you may find. Some hints: (i) If you do not have the data, it should be feasible to get it. (ii) If your work is experimental, you should consider power calculations, etc. (about 2 pages)