

Woodrow Wilson School

Fall 2016

Elizabeth C. Bogan

WWS 307

Public Economics

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Office Hours:

Monday: 4:30-5:30 p.m.

Tuesdays: 4:40-5:10 p.m.

Wednesdays: 3:40-4:10 p.m.

Thursdays: 4:40-5:30 p.m.

Fridays: 1:00-2:00 p.m.

Additional hours available by appointment

Woodrow Wilson School
WWS307 – Public Economics

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This course is intended to increase the student's analytical skills in evaluating public policies in terms of economic efficiency and equity. The first two weeks are devoted to the efficiency criteria of welfare economics. We will examine the conditions that lead to efficient markets and those that lead to market failure and suggest public policy responses. We will also discuss some of the efficiency problems in the delivery of public goods and services. The remainder of the course examines existing and proposed public policies in a number of areas, including education, health care, poverty, business and financial markets, and the environment, where public policy may be able to increase efficiency as well as equity.

Course Requirements and Grading

The text is: Gruber, Jonathan, Public Finance and Public Policy 5th edition, but fourth edition is OK
Worth Publishers, 2016 (More emphasis will be placed on the packet readings)

This text does not cover regulation of financial and operating businesses. For regulation of businesses we will use a few chapters in

Viscusi, Vernon and Harrington, Economics of Regulation and Antitrust, 5th edition. But this is an expensive book and the packet and class notes cover the needed areas
These books will be on reserve in the Woodrow Wilson Library.

There are two required packets, which you will need to purchase from Pequod, at the U-Store
The packets have problem sets and newspaper and academic journal articles and are different every year.

As a source of current events, you are asked to read some articles in the Economist. Several articles will be assigned from The Economist each week and you will be tested on the assigned articles. (The Economist is free online to all Princeton students.)

There will be several questions to prepare and/or problem sets due for each of the precepts during the semester. If you cannot attend a precept, then you are responsible to hand in the written problems and brief answers to all the discussion questions.

There will be a policy proposal (1,000 word maximum, which is about 4 pages with 1" margins, 12 pt Times New Roman font, plus relevant graphs + references page) in which you recommend a public policy toward education, health care, crime, income redistribution, regulation of business, financial regulation or the environment. State your proposed policy and the main efficiency theory behind it. Then briefly explain why your policy improves efficiency. This policy paper is a special exercise in applying **economic efficiency theory**. This policy proposal is due on **Monday, Jan. 16, 2017**, the day **before** Dean's date. (Two or three people may do one policy paper together or you may do it individually.) You could suggest creating a new policy or eliminating an existing public policy.

There will also be a mid-term examination and a final examination.

The course requirements are weighted as follows in determining the final grade:

Precept participation and problem sets	20%
Mid-term Exam	30%
Final Exam	40%
Policy Proposal	10%

Teaching Assistant: Mauricio Matsumoto email: mmsm@exchange.princeton.edu

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David Sluskey's Calculus Refresher (Packet pp.12-15)

Thursday September 15 and full Week 1

Problem Set 1 (Packet pp. 16-18) due in first precept Wednesday, September 21 (Graded P/F)

Pareto optimality and efficiency criteria

Equity and efficiency - welfare economics: What makes people happy?

Individual and/or societal perspectives

Rosen, Harvey S., Public Finance, Chapter 4, "Tools of Normative Analysis," pp. 38-55. (Packet pp. 19-27)

{ You may also need to read the Gruber text, 3rd or 4th edition, pp. 26-37 if you are weak on indifference curves }

IMF "Economic Issues #16" pp. 3 and 10 (Packet p. 28)

"Happiness is a Warm Vote," The Economist, April 17, 1999, p. 82 (Packet p. 29)

"Chasing the Dream," The Economist, August 9, 2003, p. 62 (Packet p. 30)

Text: Gruber, Section 6.3, The Economics of Smoking, 3rd edition, pp 165-172 or 4th edition pp. 165-174

Stevenson and Wolfers, "The Paradox of Declining Female Happiness," NBER Working Paper 14969, May 2009 (Packet pp. 31-34)

Bertrand, Marianne, "Work on Women's Work is Never Done – Career, Family, and the Well-Being of College Educated Women," American Economic Review: Papers and Proceedings 2013, (103(3)) (Packet p. 35)

"The Ties that Lead to Prosperity," Business Week, Dec. 15, 1997, pp. 153-155 (Packet pp. 36-38)

When markets fail to be efficient (externalities, information failures, monopoly, pure public goods, the problem of moral hazard)

Government responses: ownership, regulation, insurance

Text: Gruber, Jonathan, Chapter 5, Externalities, 3d and 4th editions pp 121-137, { The rest of the chapter relates environmental economics, which we study at the end of the course }; Chapter 7 Public Goods

Week 2 Problem Set 2 (Packet pp. 39-42) Due in precept, Wednesday, Sept. 28th

The Problem with Price Controls (Packet pp. 43-44)

Economic theory of public choice - efficiency failures of governmental allocation. (rent seeking, separation of costs and benefits, free riders, costs of litigation, special interest effects, weak demand articulation)

Text Gruber, Jonathan, Section 9.4 3rd edition pp. 249-258 4th edition pp. 251-259 (The rest of chapter 9 is optional, but interesting especially if you care about voting theory and the difficulty of demand articulation)

A quick look at the econometrics of policy analysis

Text: Gruber, Jonathan, “Empirical Tools of Public Finance,” Public Finance and Public Policy Section 3.3, 3rd edition pp. 71-85 4th edition pp. 71-84

Week 3 Problem Set 3 (Packet pp. 45-46) Due in precept Wednesday, October 5

Education and human capital Education production functions

Text: Gruber Chapter 11 Education

Reyes, Jessica Wolpaw, “Lead Policy and Academic Performance: Insights from Massachusetts,” NBER Working Paper No. 18327, August 2012 (Packet p. 47)

Heckman, James J. and LaFontaine, Paul A., “The Declining American High School Graduation Rate: Evidence, Sources, and Consequences,” NBER Reporter, 2008 Number 1 (Packet pp. 48-49)

Collins, Courtney A. and Gan, Li, “Does Sorting Students Improve Scores? An Analysis of Class Composition,” NBER Working Paper No. 18848, February 2013 (Packet p. 50)

“Tracking the Gifted Boosts High-Achieving Minorities,” www.nber.org/digest, August 9, 2016 (Packet p. 51)

“The Rise and Fall of the College Graduate Wage Premium,” NBER Digest, January 2008 (Packet p. 52)

Chetty, Raj, Friedman, John N. and Rockoff, Jonah E., “The Long Term Impacts of Teachers: Teacher Value-Added and Student Outcomes in Adulthood,” NBER Working Paper No 17699, December 2011, revised January 2012 (Packet pp. 53-60)

Carrell, Scott E., Fullerton, Richard L., and West, James E., “Does Your Cohort Matter? Measuring Peer Effects in College Achievement,” Papers.nber.org/papers/W1432 (Packet p. 61)

Babcock and Marks, “The Falling Time Cost of College: Evidence from Half a Century of Time Use Data,” NBER Working Paper, No 15954 (Abstract) April 2010 (Packet p. 62)

Currie, Janet, “Children’s Program Meeting,” NBER Working Paper, No 17104, May 2012 (Packet p. 63)

“The Cash Street Kids,” The Economist, August 28, 1993, pp. 23-24. (Packet pp. 64-65)

Belkin, Douglas, “School Crisis Rattles Missouri,” The Wall Street Journal, March 11, 2010 (Packet pp. 66-67)

“Schooling Spending Differences are not the Source of Income Inequality,” NBER Website, July 11, 2005 (Packet p. 68)

“The Underworked American,” The Economist, June 13, 2009 (Packet p. 69)

Cortes, Kalena, Goodman, Joshua and Nomi, Takako, “Doubling Up: The Long-Run impacts of Remedial Algebra on High School Graduation and College Enrollment,” NBER Education Program Meeting, May 11, 2012, (Packet p. 70)

Monopoly Public Education with Teacher’s Unions versus Choice with Vouchers and Charter Schools

Hoxby, Caroline M, “Achievement in Charter Schools and Regular Public Schools in the United States” NBER, December 2004 (Packet pp. 71-80)

Dobbie and Fryer, “Are High Quality Schools Enough to Increase Achievement Among the Poor? Evidence from the Harlem Children’s Zone,” American Economic Journal: Applied Economics 3, (July 2011) pp. 158-187 (Packet pp. 81-87)

Dobbie and Fryer, “Getting Beneath the Veil of Effective Schools: Evidence from New York City,” NBER Working Paper 17632, December 2011 (Packet pp. 88-91)

Abdulkadiroglu, Angrist, Dynarski, Kane, and Pathak, “Accountability and Flexibility in Public Schools: Evidence from Boston’s Charters and Pilots,” NBER Working Paper, No 15549, December 2009, (Abstract and excerpts) (Packet pp. 92-96)

Chabrier, Cohodes, and Oreopoulos, “What Can We Learn from Charter School Lotteries?” NBER Working Paper No. 22390, July 2016. (Packet p. 97)

Optional:

Chubb, John and Terry Moe, Politics, Markets and America’s Schools, Chapter 6, pp. 185-229 and Appendix D, pp. 259-277. (WWS Library)

Bush’s Program: No Child Left Behind – Universal Testing

Nesvisky, Matt, “The Small Cost of Accountability,” NBER Digest, September 2002 (Packet p. 98)

Rouse, Cecilia Elena, Hannaway, Jane, Goldhaber, Dan and Figlio, David, “Feeling the Florida Heat? How Low-Performing Schools Respond to Voucher and Accountability Pressure,” American Economic Journal: Economic Policy 3013, 5(2) (Packet pp. 99-103)

Early childhood education

“Canada’s Universal Childcare Hurt Children and Families,” NBER Digest, June 2006 (Packet p. 104)

Kottelenberg, Michael J., and Lehrer, Steven F., “New Evidence on the Impacts of Access to and Attending Universal Childcare in Canada,” NBER Working Paper No 18785, February 2013 (Packet pp. 105-107)

Duncan, Greg J. and Magnuson, Katherine, “Investing in Preschool Programs,” Journal of Economic Perspectives, Vol. 27, Number 2, Spring 2013 – pp. 109-132. (Packet pp. 108-127)

Bassok, Daphna, Fitzpatrick, Maria and Loeb, Susanna, “The Impact of Universal Preschool on the Childcare Sector,” The NBER Digest, June 2013. (Packet p. 128)

Cascio, Elizabeth U. and Schanzenbach, Diane Whitmore, “The Impacts of Expanding Access to High-Quality Preschool Education,” NBER Working Paper Abstract (Packet p. 129)

Reference:

Blau, David, and Currie, Janet “Preschool Day Care and Afterschool Care: Who’s Minding the Kids,” NBER Working Paper 10670, August 2004

Race and Education

Krueger, Alan B., “Would Smaller Classes Help Close the Black-White Achievement Gap?” Working Paper #451, March 2001, Princeton University (Packet p. 130)

Chay, Guryan, and Mazumder, “Birth Cohort and the Black-White Achievement Gap: The Roles of Access and Health Soon After Birth,” NBER Working Paper No. 15078 Abstract, June 2009 (Packet p.131)

Gender and Education

“Girls are getting as good as boys in maths, and are better at reading,” economist.com, June 2, 2008 (Packet pp. 132-133)

Week 4 Problem Set 4 (Packet pp. 134-136) Due Wednesday, October 12

Health Care Economics Problems in equity and efficiency

Text Gruber Chapter 12 Social Insurance: The New Function of Government

Text Gruber Chapter 15 Health Insurance I: Health Economics and Private Health Insurance

Medical Care is Only One Input to Health (others include: genetics, life style choices like drinking and smoking, diet, exercise, sleep, occupational and environmental hazards, relationships with family and friends, religion, etc.)

Preston and Ho, “Is a Poorly Functioning Health Care System to Blame for Low Life Expectancy in the U.S.?” NBER Bulletin on Aging and Health, 2009, No 4, pp. 3-4 (Packet pp. 137-138)

Currie and Schmieder, “Fetal Exposure to Toxic Releases and Infant Health,” NBER Working Paper No. 14352 abstract, September 2008 (Packet p. 139)

Currie, Neidell and Schmieder, “Air Pollution and Infant Health: Lessons from New Jersey,” NBER Working Paper No. 14196 abstract, July 2008 (Packet p. 139)

Fogel, Robert, “Secular Trends in Physiological Capital: Implications for Equality in Health Care,” NBER Working Paper No. 9771, June 2003 (Packet pp.140-145)

Reinberg, Steven, “Almost 10 Percent of U.S. Medical Costs Tied to Obesity,” BusinessWeek, July 27, 2009 (Packet pp. 146-147)

Currie, DellaVigna, Moretti, and Pathania “The Effect of Fast Food Restaurants on Obesity,” NBER Working Paper No. 14721, February, 2009 (Packet p. 148)

“Economics focus: Waist Banned,” Economist, August 1, 2009 (Packet p. 149)

“Is Obesity Rational?” NBER Bulletin on Aging and Health, 2010 No. 2 (Packet p. 150)

“Keeping Employees Healthy – Trim staff, fat profits,” The Economist, July 30, 2011 (Packet pp. 151-152)

Lordan and Quiggin, “Should We Put a Thin Subsidy on the Policy Table in the Fight against Obesity?,” NBER (Abstract) (Packet p. 153)

Health and Education

Picker, Les “The Interaction of Education and Health,” www.papersnber.org/paper/W12352 (Packet pp. 154-155)

Currie, Janet “Child Health and the Intergenerational Transmission of Human Capital,” www.voxew.org/index.php?q=node/1422 July 19, 2008 (Packet pp. 156-158)

Aizer and Stroud, “Education, Knowledge and the Evolution of Disparities in Health,” NBER Working Paper, No 15840, (Abstract) March 2010 (Packet p. 159)

“The Long Reach of Childhood Health,” NBER Bulletin on Aging and Health, 2010, No. 1 (Packet pp. 160-161)

“Childhood Medicaid Coverage Improves Earnings, Health,” NBER Digest, May 2015 (Packet pp. 162-163)

Demand for Medical services:

1. high income elasticity of demand
2. 3rd party payment

New Drugs and their pricing

Duggan and Morton, “The Effect of Medicare Part D on Pharmaceutical Prices and Utilization,” NBER Working Paper No. 13917 abstract, April 2008 (Packet p. 164)

Blume-Kohout and Sood, “The Impact of Medicare Part D on Pharmaceutical R&D,” NBER Working Paper No. 13857 abstract, March 2008 (Packet p. 164)

Gorman, Linda, “Medicare Part D, Prescription Drug Utilization, and the Health of the Elderly,” NBER Digest, October 2010. (Packet p. 165)

Civan and Maloney, “The Effect of Price on Pharmaceutical R&D” (Packet p. 166)

Productivity in Medical Care - Effects of Subsidizing Medical Care

Cutler, David, “Where Are The Health Care Entrepreneurs? The Failure of Organizational Innovation in Health Care,” NBER Working Paper No 16030, May 2012 (Packet pp. 167-174)

Rosenthal, Elisabeth, “The \$2.7 Trillion Medical Bill,” The New York Times, June 1, 2013 (Packet pp. 175-184)

Curie, Janet; Jones, Lauren E. and Stabile, Mark, “Do Stimulant Medications Improve Educational and Behavioral Outcomes for Children with ADHD?” NBER Working Paper No. 19105, June 2013, p. 26 (Packet p. 185)

Meier, Barry, “Doctors Petition for Limits on Pain Killers,” The New York Times, July 25, 2012 (Packet pp. 186-187)

“Life Expectancy Drops for White Women, Increases for Black Men”
www.npr.org/sections/health-shots/2016/04/20 (Packet pp. 188-190)

“THE DARTMOUTH ATLAS OF HEALTH CARE - End of Life,” The Dartmouth Atlas of Health Care, 2008 (Packet pp. 191-193)

Wright, Sara, “The Effect of WIC on Infant Health,” NBER Digest, April 2010 (Packet p. 194)

Perry, Craig William and Harvey S. Rosen, “The Self-Employed are Less Likely to Have Health Insurance Than Wage Earners, So What?” pp. 30-31, NBER Working Paper No. 8316, June 2001 (Packet p. 195)

Supply of Services:

Managed Care and the Emergence of HMOs

The Integration of doctors, hospitals, and insurance; payment systems Can the inefficiencies be reduced?

Chandra, Amitabh and Skinner, Jonathan S., “Technology Growth and Expenditure Growth in Health Care,” NBER Working Paper No 16953, April 2011 (Packet pp. 196-210)

Garthwaite, Craig L. “The Doctor Might See You Now: The Supply Side of Public Health Insurance Expansions,” Abstract, Journal of Economic Perspectives, Vol. 26, Issue 3, Summer 2012 (Packet p. 211)

Wright, Sara, “Evidence on the Effects of Nurses’ Strikes,” The NBER Digest, July 2010, p. 3 (Packet p. 212)

Fisman, Ray, “The Real Reason Insurers Won’t Cover People with Pre-existing Conditions,” <http://www.dev.slate.com>, March 12, 2012 (Packet pp. 213-216)

Week 5 Problem Set 5 (Packet pp. 217-218) Due Wednesday, October 19

General Suggestions for changing government policy on health care and for improving efficiency

Text Gruber, Chapter 16, Health Insurance II: Medicare, Medicaid, and Health Care Reform

Cartel Pricing in Medicare

Edwards, Haley Sweetland, “Special Deal – The Shadowy Cartel of Doctors that Controls Medicare,” www.washingtonmonthly.com, July-August, 2013 (Packet pp. 219-231)

The Canadian System of National Insurance

“Comparing the U.S. and Canadian Health Care Systems,” NBER Bulletin on Aging and Health, Issue No. 22, Fall 2007 (Packet pp. 232-233)

Challenges for Health-Care Reform

“Is Medicare Advantage More Efficient than Traditional Medicare?,” www.NBER.org/aginghealth/2016no1/w21650.html (Packet p. 234)

Kolstad and Kowalski, “The Impact of Health Insurance Reform in Massachusetts,” NBER Working Paper 16012, November 2010 (Packet p. 235)

Courtemanche, Charles J. and Zapata, Daniela, “Does Universal Coverage Improve Health? The Massachusetts Experience,” NBER Working Paper 17893, March 2012 (packet p. 236)

Optional Readings of Interest if your research question is on healthcare:

Symposium: Constraining Healthcare Costs Journal of Economic Perspectives MAY 16 2011

The (Paper)Work of Medicine: Understanding International Medical Costs (#2)

David M. Cutler and Dan P. Ly

The Pragmatist's Guide to Comparative Effectiveness Research (#3)

Amitabh Chandra, Anupam B. Jena and Jonathan S. Skinner

Patient Cost-Sharing and Healthcare Spending Growth (#4)

Katherine Baicker and Dana Goldman

Reforming Payments to Healthcare Providers: The Key to Slowing Healthcare Cost Growth While Improving Quality? (#5) Mark McClellan

Evaluating the Medical Malpractice System and Options for Reform (#6)

Daniel P. Kessler

Problems with Efficiency in Medical Delivery

Cutler, David, "Where are The Health Care Entrepreneurs? The Failure of Organizational Innovation in Health Care," NBER Working Paper No. 16030, May 2010 (Packet pp. 237-240)

Carreyrou, John, Steward, Christopher S., and Barry, Rob, "Taxpayers Face Big Medicare Tab for Unusual Doctor Billings," Wall Street Journal, June 9, 2014 (Packet pp. 241-244)

Chandra, Amitabh, Holmes, Jonathan and Skinner, Jonathan, "Is This Time Different? The Slowdown in Health Care Spending," NBER Working Paper No. 19700, December 2013 (Packet p. 245)

Cutler, David, Skinner, Jonathan, Stern, Ariel Dora and Wennberg, David, "Physician Beliefs and Patient Preferences: A New Look at Regional Variation in Health Care Spending," NBER Working Paper No. 19320, August 2013 (Packet p. 245)

"Health Care in America Shock Treatment," The Economist, March 7, 2015 (Packet pp. 246-250)

"The looming train wreck is driven predominantly by health care," Diagram of Projected Health Care Costs in Federal Budget (Packet p. 251)

Week 6 –

Tuesday October 25 Lecture 1 – Crime (The first precept after fall break is on crime, but crime will not be covered on the midterm exam.)

"Smoking, Drinking, and Drug Use Respond to Price Changes," NBER Website, May 9, 2005 (Packet pp. 252-253)

Markowitz, Sara and Michael Grossman. "Alcohol Regulation and Violence towards Children," NBER Working Paper No. 6359, January 1998 (Packet p. 254)

Levitt, Steven D., "Understanding Why Crime Fell in the 1990s: Four Factors that Explain the Decline and Six that Do Not," Journal of Economic Perspectives, Winter 2004, pp. 163-190 (Packet pp. 255-282)

Gorman, Linda, "The Impact of Childhood Lead Exposure on Adult Crime," NBER Digest (Packet p. 283)

"What Reduced Crime in New York City?" NBER Digest, January 2003 (Packet p. 284)

"Falling Crime – Where have all the burglars gone?"
www.economist.com/news/briefing/21582041, July 20, 2013 (Packet pp. 285-290)

"Murder Rates Rising Sharply in Many U.S. Cities", www.nytimes.com/2015/09/01/us/murder-rates-rising (Packet pp. 291-296)

Aiser, Anna and Doyle, Joseph J. Jr., "Juvenile Incarceration, Human Capital and Future Crime: Evidence from Randomly-Assigned Judges," NBER Working Paper No. 19102, June 2013 (Packet pp. 297-301)

Kelling, George & Catherine Coles, "Disorder and the Court," The Public Interest, Summer 1994 (Packet pp. 302-306)

"Abortion Legalization Reduces Adolescent Substance Abuse," NBER Digest, March 2003 (Packet p. 307)

Argys, Laura and Naci Mocan, "Who Shall Live and Who Shall Die?" NBER Working Paper, No. 9507, Feb. 2003 (Packet pp. 308-309)

Fryer, Roland, "An Empirical Analysis of Racial Differences in Police Use of Force," NBER Working Paper No 22399, July 2016 (Packet pp 310-318)

Wednesday, October 26, No Precept

The midterm is at 7:30 p.m. on Wednesday, October 26. If you have a Wednesday evening class, please schedule with Professor Bogan to take the exam at 7:30pm on Tuesday evening or a daytime exam on Wednesday or Thursday.

Midterm Exam – Wednesday evening 7:30 p.m.

Sample Midterm and Answers (Packet pp. 319-334)

Week 6 - Lecture 2 Thursday, October 27 (Day after Midterm)

Finish Crime and begin Income Distribution

Over fall break please read the material listed at the beginning of the next packet on income distribution and poverty as you are unlikely to have time to do it for this lecture.

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Fridays: 1:00-2:00 p.m.
Additional hours available by appointment

Packet 2

If you are interested in becoming a corporate lawyer or in the regulation of business, you may wish to purchase

Viscusi, Vernon and Harrington, Economics of Regulation and Antitrust, 3rd or 4th edition.
But it is a big, expensive book, so you may prefer to use it in WWS library or just follow lecture carefully.

There will be a policy proposal (1,000 word maximum, which is about 4 pages with 1" margins, 12 pt Times New Roman font, plus relevant graphs + references page) in which you recommend a public policy toward education, health care, crime, income redistribution, regulation of business, financial regulation or the environment. State your proposed policy and the main efficiency theory behind it. Then briefly explain why your policy improves efficiency. This policy proposal is a special exercise in applying **economic efficiency theory**. This policy proposal is due on **Monday, Jan. 16, 2017**, the day **before** Dean's date. (Two or three people may do one policy paper together or you may do it individually.) You could suggest creating a new policy or eliminating an existing public policy.

Week 7 Problem Set 6 (Packet p. 11) Prepare for November 9
Nothing to be handed in assuming you attend precept

Facts and theories on income distribution in the U.S.

Lorenz curves

Long term trends

Text Gruber, Chapter 17 section 17.1, “Facts on Income Distribution in the United States”

Distribution of annual household income in the United States, U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement (Packet p. 12)

“Cumulative Shares of Adjusted Gross Income Compared to Shares of Federal Income Taxes Paid” IRS Data for 2009 (Packet p. 13)

“Income Inequality,” FRB Cleveland, June 2005 (Packet p. 14)

Figure 3: Ratio of Family Incomes at 95th and 80th Percentiles to Incomes at the 20th Percentile in the United States: 1947-2000 (Packet p. 15)

Sum, Tobar, McLaughlin and Palma, “The Great Divergence Real-Wage Growth of All Workers Versus Finance Workers,” Challenge, May/June 2008, pp. 74-76 (Packet pp. 16-17)

Corak, Miles, “Income Inequality, Equality of Opportunity, and Intergenerational Mobility,” Journal of Economic Perspectives, Vol. 27, Number 3, Summer 2013, pp. 97, 98 (Packet p. 18)

“U.S. Income Inequality: It’s not so Bad,” Inside the Vault, Volume 14, Issue 1, Spring 2010 www.stlouisfed.org/education, (packet pp. 19-23)

Dahl, Gordon B and Lochner, Lance, “The Impact of Family Income on Child Achievement,” NBER Working Paper No. 11279, Abstract, April 2005 (Packet p. 24)

Currie, Janet, “Inequality at Birth: Some Causes and Consequences,” American Economic Review, Papers and Proceedings 2011, pp. 1-22, (Packet pp. 25-30)

Case, Ann, Darren Lubotsky and Christina Paxson, “Economic Status and Health in Childhood: The Origins of the Gradient,” American Economic Review, Vol. 92, No. 2, December 2002, pp. 1303-1331 (Packet pp. 31-33)

Picker, Les, “Abortion and Selection,” NBER Digest, December 2006 (Packet p. 34)

Reasons for the widening distribution of income.

Implications for the future

Murray, Charles, “IQ and Income Inequality in a Sample of Sibling Pairs from Advantaged Family Background,” The American Economic Review, May 2002, pp 339-343 (Packet pp. 35-39)

Freeman, Richard B., “Exhibit 3: Income in Thousands of Dollars and % Change in Income, 1990-2000,” NBER Working Paper 11457, (Packet p. 40)

Willen, Paul, Hendel, Igal and Shapiro, Joel, "Income Distribution," NBER Working Paper No. 10879, Abstract, November 2004 (Packet p. 41)

Sacerdote, Bruce, "The Nature and Nurture of Economic Outcomes," The American Economic Review, May 2002, pp. 344-348 (Packet pp. 42-46)

"Marriage in America—The Frayed Knot," www.economist.com, May 24, 2007 (Packet pp. 47-51)

Altman, Morris, "A High-Wage Path to Economic Growth and Development," Challenge, January-February 1998, pp. 91-103 (Packet pp. 52-54)

Kirkegaard, Jacob Funk, "US High-Skilled Immigration Policy: A Self-Inflicted Wound," www.petersoninstitute.org (Packet pp. 55-57)

The Income Distribution and Federal Tax incidence

Text Gruber Section 19.4 "The Incidence of Taxation in the United States"

"Average Federal Tax Rates by Income Quintile, 1979-2007," Congressional Budget Office – Distribution of Federal Taxes, 2010 (Packet p. 58)

"Individual Income Tax Rates and Shares, 2009," IRS Statistics (Packet p. 59)

African Americans, Mexican Americans, Asian Americans & Income Distribution

Heckman, James J., "The American Family in Black and White: A Post-Racial Strategy for Improving Skills to Promote Equality," NBER Working Paper No. 16841 (Packet pp. 60-67)

Women and Income Distribution

"The Gender Wage Gap," National Economic Trends, www.research.stlouisfed.org, July 2011 (Packet p. 68)

Schwabish, Jonathan, "Income and Wealth – Better Performance, less pay: The gender pay gap in soccer," www.urban.org/urbanwire/better-performance-less-pay-gender, April 7, 2016 (Packet pp. 69-71)

Juhn, Chinhui and McCue, Kristin, "Evolution of the Marriage Earnings Gap for Women," American Economic Review: Paper & Proceeding 2016, 106(5): pp. 252-256 (Packet pp. 72-76)

Bailey, Martha J., Hershbein, Brad and Miller Amalia R., "The Opt-In Revolution? Contraception and the Gender Gap in Wages," Abstract, American Economic Journal: Applied Economics, Vol. 4 Issue 3, July 2012 (Packet p. 77)

Hewlett, Sylvia, "Executive Women and the Myth of Having it All," Harvard Business School Publishing Corporation 2002 (Packet pp. 78-84)

Wilde, Bachelder, Ellwood, “The Mommy Track Divides: The Impact of Childbearing on Wages of Women of Differing Skill Levels,” (Abstract), NBER Working Paper No 16582, December 2010 (Packet p. 85)

Picker, Les, “Gender Differences: The Role of Institutions,” papers.nber.org (Packet p.86)

Fitzgerald, Jay, “Do Women Avoid Salary Negotiations?” nber.org/digest/apr13/w18511 (Packet p. 87)

Bertrand, Goldin and Katz, “Dynamics of the Gender Gap For Young Professionals in the Corporate and Financial Sectors,” NBER Working Paper 14681, January 2009 Summary and Conclusions (Packet pp. 88-93)

Goldin, Claudia and Katz, Lawrence, “Gender Differences in Careers, Education and Games / Transitions: Career and Family Life Cycles of the Educational Elite,” American Economic Review, pp 363-369 (Packet pp. 94-100)

“Princeton Economics Seniors by Academic Year” (Packet p. 101)

Herr and Wolfram, “Opt-Out Rates at Motherhood Across High-Education Career Paths: Selection Versus Work Environment,” NBER Working paper No. 14717 abstract, February 2009 (Packet p. 102)

Shang and Weinberg, “Opting for Families: Recent Trends in the Fertility of Highly Educated Women,” NBER Working Paper No. 15074 abstract, June 2009 (Packet p. 102)

Blau, Francine D. and Kahn, Lawrence M., “Female Labor Supply in the United States,” papers.nber.org/W18725 (Packet p. 103)

Matsa and Miller, “A Female Style in Corporate Leadership? Evidence from Quotas*” Abstract, June 22, 2011 (Packet p. 104)

Miller, Claire, “Pay Gap Is Because of Gender, Not Jobs,” The New York Times, April 23, 2014 (packet pp. 105-107)

Week 8 Problem Set 7 (Packet p. 108) Due November 16

Age and the Distribution of Income

Text Gruber Chapter 13 Social Security

Gruber, Milligan and Wise, “Social Security, Retirement, and Youth Employment,” NBER Digest May 2009, based on Working Paper No. 14647 (Packet pp. 109-110)

Rauh, Joshua and Novy-Marz, Robert, “State Pension System Liabilities,” NBER Working Paper #16453 (Packet p. 111)

Wealth Distribution and a Symposium on the top 1% of the Income Distribution

Saez, Emmanuel and Zucman, Gabriel, “Exploding Wealth Inequality in the United States,” VOX CEPR’s Policy Portal, October 28, 2014 (Packet pp. 112-115)

“Capitalism and its Critics: A Modern Marx,” The Economist, May 3, 2014 (Packet pp. 116--117)

Weil, David N., “Capital and Wealth in the Twenty-First Century,” American Economic Review, Vol. 105 No. 5, pp. 34-37. (Packet pp. 118-121)

Mankiw, N. Gregory, “Yes, $r > g$. So What,” American Economic Review, Vol. 105 No. 5, pp. 43-47. (Packet pp. 122-125)

Kaplan, Steven N. and Rauh, Joshua D., “Family, Education, and Sources of Wealth among the Richest Americans, 1982-2012,” American Economic Review: Papers and Proceedings 2013, 103, pp. 158-162 (Packet pp. 126-130)

Mankiw, N. Gregory, “Defending the One Percent,” Journal of Economic Perspectives, Vol. 27, #3 – Summer 2013, pp. 21-34 [excerpts] (Packet pp. 131-136)

Bivens, Josh and Mishel, Lawrence, “The Pay of Corporate Executives and Financial Professionals as Evidence of Rents in Top 1 Percent Incomes,” Journal of Economic Perspectives, Vol. 27, #3 – Summer 2013, pp. 57-78 [excerpts] (Packet pp. 137-138)

Kaplan, Steven N. and Rauh, Joshua, “It’s the Market: The Broad-Based Rise in the Return to Top Talent,” Journal of Economic Perspectives, Vol. 27, #3 – Summer 2013, pp. 35-56 [excerpts] (Packet pp. 139-142)

Bonica, Adam; McCarty, Nolan; Poole, Keith T and Rosenthal, Howard, “Why Hasn’t Democracy Slowed Rising Inequality?” Journal of Economic Perspectives, Vol. 27, #3 – Summer 2013, pp. 103-124 [excerpts] (Packet p. 143)

Poverty and Redistribution

Text Gruber Chapter 2 Section 2.2

Text Gruber Chapter 17 Sections 17.2, 17.3, and 17.5

Text Gruber, Chapter 21 Section 21.3

(If you are weak on income and substitution effects also read section 21.1)

Meyer, Bruce D. and Sullivan, James X., “Winning the War: Poverty from the Great Society to the Great Recession,” NBER Working Paper No 18718, January 2013 (Packet pp. 144-145)

Optional:

Levitt, Steven and Sudhir Venkatesh, “Growing Up in the Projects: The Economic Lives of a Cohort of Men Who Came of Age in Chicago Public Housing” AEA Papers and Proceedings, May 2001

Stier, Haya and Marta Tienda, The Color of Opportunity, The University of Chicago Press 2001, pp. 232-237

Welfare Reform

Outline: 1996 Welfare Reform (Packet p. 146)

Blank, Rebecca M., "Evaluating Welfare Reform in the United States," Journal of Economic Literature, Vol. 40, December 2002, pp. 1105-1166 (Packet pp. 147-154)

Entitlements

Chetty, Raj, "Behavioral Economics and Public Policy: A Pragmatic Perspective," American Economic Review: Papers & Proceedings 2015, Vol. 105, No. 5, excerpts from pp. 1-33. (Packet pp. 155-159)

"Disability" Speech by Edward Glaeser, Harvard (Packet pp. 160-161)

Optional:

Currie, Janet, "Cutting the Safety Net, One Strand at a Time," The Economists' Voice, Volume 2, Issue 2, Article 5, 2005

Optional:

The following is a volume of separate papers on all the major means tested programs in the US as of 2000. I list it as a reference because each chapter summarizes the research findings on a program.

Moffitt, Robert A editor, Means Tested Transfer Programs in the United States, Cambridge MA National Bureau of Economic Research, 2003

Optional: Blank, Rebecca, It Takes A Nation, Russell Sage Foundation, Princeton University Press, 1997. This is an excellent book on fighting poverty by an outstanding economist. I recommend you read Chapter 7.

Optional: Blank, Rebecca, "Fighting Poverty: Lessons from Recent U.S. History," Journal of Economic Perspectives, Spring 2000, pp. 3-19

Optional: Jencks, Christopher, Rethinking Social Policy: Race, Poverty and the Underclass, Harvard University Press, pp. 1-23, 204-235 (WWS library)

Week 9 Tuesday, November 22

(No Precept as Thanksgiving Break - Wednesday November 23)

The Role of Business in a Free Economy

"Profit and the Public Good," Economist.com, Jan. 20, 2005 (Packet pp. 162-166)

"Public Policy and Management," knowledge@wharton.upenn.edu (Packet pp. 167-168)

Theory of government regulation of business

Viscusi, Vernon and Harrington, Economics of Regulation and Antitrust, 4th edition, Chapter 1, pp. 1-10, Chapter 3—Introduction to Antitrust and Chapter 10—Introduction to Economic Regulation (This is background material if you need it.)

"Second Circuit Affirms Apple's Liability for Per Se Unlawful E-Book Price-Fixing Conspiracy," Justice News, Department of Justice, Office of Public Affairs, June 30, 2015 (Packet pp. 169-170)

“Antitrust Case, United States District Court for the District of Columbia,” Case 1:16-cv-01493 (Packet pp. 171-175)

“Who Owns the Knowledge Economy?” The Economist, April 8, 2000, p. 17 (Packet p. 176)

Gorman, Linda, “University Innovation and the Professor’s Privilege,” NBER Digest (Packet pp. 177-178)

“Too Much of a Good Thing,” www.economist.com, March 26, 2016 (Packet pp. 179-187)

“Occupational Licensing: A Framework for Policymakers,” The White House, July 2015 (Packet pp. 188-190)

Cramer, Judd and Krueger, Alan B., “Disruptive Change in the Taxi Business: The Case of Uber,” American Economic Review: Papers and Proceedings 2016, pp. 177-182 (Packet pp. 191-196)

The Federal Drug Administration

Expected value and risk aversion

Type 1 and Type 2 errors and costs of banning drugs

Viscusi, Vernon and Harrington, Economics of Regulation and Antitrust, 4th edition, Chapter 22–Premanufacturing Screening: The Case of Pharmaceutical, pp. 793-804 on Type 1 and Type 2 errors.

Frances, David, “Orphan Drugs Cure Rare Diseases,” NBER Digest, May 2002 (Packet p. 197)

Price Control

Golec, Joseph, “Pharmaceutical Stock Reactions to Price Constraint Threats and Firm Level R&D Spending,” NBER Working Paper 11229, Abstract, March 2005 (Packet p. 198)

The Interface of Corporate and Financial Regulation

Sarbanes-Oxley and Corporate Governance

Coates IV, John C., “The Goals and Promise of the Sarbanes-Oxley Act,” Journal of Economic Perspectives, Vol. 21, No. 1, Winter 2007, pp. 91-116 (Packet pp. 199-208)

Week 10 November 29

Problem Set 8 (Packet pp. 209-210) Due Nov. 30 (Because of Thanksgiving break last week, this precept and problem set is on earlier material, i.e., poverty and redistribution.)

Banking and Financial Regulation

Notes on the Financial Industry by Professor. Bogan (Packet p. 211)

Brunnermeier, Markus, “Bubbles, Liquidity, and the Macroeconomy,” NBER Reporter, 2010, No.2 (Packet pp. 212-214)

Jorda, Oscar, Schularick; Moritz HP. and Taylor, Alan M. “When Credit Bites Back: Leverage, Business Cycles, and Crises,” NBER Working Paper 17621, November 2011 (Packet p. 215)

Jagannathan, Ravi; Kapoor, Mudit and Schaumburg, Ernst, “Causes of the Great Recession of 2007-9: The Financial Crisis is the Symptom not the Disease,” NBER Working Paper No 15404, October 2009 (Packet p. 216)

Moyer, Charles, McGuigan, and Kretlow, “Options,” Contemporary Financial Management, 2nd edition, 1984, Appendix 17A, pp. 554-557 (Packet pp. 217-220)

Stout, Lynn A., “Insurance or Gambling? Derivatives,” The Brookings Review, Winter 1996, pp. 39-41 (Packet pp. 221-223) (note date—there were critics before 2007)

Jordon, Jerry, “Specialization in Risk Management,” Economic Commentary, October 15, 1994 (Packet pp. 224-228) (this is the argument that “won” until 2007)

Mian, Sufi, and Trebbi, “Pressure on the U.S. Government to expand subprime credit came from both mortgage lenders and subprime borrowers.” (Packet p. 229)

Bernanke, Ben S., “Testimony – Semiannual Monetary Policy Report to the Congress,” Federal Reserve.gov, July 21, 2009 (Packet pp. 230-234)

“Financial Regulations: Not All the Same Page,” The Economist, July 1, 2010 (Packet pp. 235-240)

Acharya, Cooley, Richardson, Sylla, and Walter, “A Critical Assessment of Dodd-Frank Wall Street Reform and Consumer Protection Act,” www.voxec.org, August 2, 2011 (Packet pp. 241-243)

“Dodd-Frank and executive pay – Insuring the bosses’ wallets,” The Economist, July 19, 2011 (Packet p. 244)

“The Dodd-Frank Act Too big not to fail Flaws in the confused bloated law passed in the aftermath of American’s financial crisis become even more apparent,” The Economist, February 18, 2012 (Packet pp. 245-249)

Stout, Lynn A., “Regulate OTC Derivatives by Deregulating Them,” Regulation, Fall 2009 (Packet pp. 250-253)

Bogan, Connor, and Bogan, “Can an ETF collapse?” September 2010, revised August 2011 (Packet pp. 254-256)

Martens, Pam and Martens, Russ, “As Madoff Airs on TV, Two Anonymous Whistleblowers are Pounding on the SEC’s Door Again,” <http://wallstreetonparade.com>, February 4, 2016 (Packet pp. 257-259)

Massoudi, Arash; Braithwaite, Tom and Foley, Stephen “Bond Market Sell-Off Causes Stress in \$2tn ETF Industry,” Financial Times, June 21, 2013 (Packet pp. 260-261)

Week 11 Problem Set 9 (Packet p. 262-263) Due December 7

**Sustainability
Environmental Regulation
Internalizing externalities
Emissions, Bubbles, Tradable emission allowances**

Text Gruber Chapter 5, section 5.4, Chapter 6 Externalities in Action, sections 6.1 and 6.2

Solow, Robert, "Sustainability: An Economist's Perspective," presented at Woods Hole Oceanographic Institution, June 14, 1991 (Packet pp. 264-268) [This is a classic in economics.]

Currie and Walkers, "Traffic Congestion and Infant Health: Evidence from E-Z Pass," NBER Working Paper, No. 15413, (Abstract), October 2009. (Packet p. 269)

Carpenter, Postolek and Warman, "Public-Place Smoking Laws and Exposure to Environmental Tobacco Smoke in Public Places," NBER Working Paper, No. 15849, (Abstract) March 2010 (Packet p. 270)

For your reference perhaps the best text on environmental economics is:

Tietenberg, Tom, Environmental and Natural Resource Economics, 8th Edition. (WWS Library) Chapter 2, Valuing the Environment: Concepts; Chapter 4, Property Rights, Externalities and Environmental Problems; Chapter 15, Economics of Pollution Control: An Overview; Chapter 19, Water Pollution; Chapter 21, Environmental Justice.

"The Truth about the Environment," The Economist, 8/4/01 (Packet pp. 271-273)

"Is Trade Good or Bad for the Environment?" NBER Digest, November 2002, pp. 2-3 (Packet pp. 274-275)

Davis, Matthew, "Does the U.S. Outsource Polluting Industries?" The NBER Digest, February 2005 (Packet pp. 276-277)

Optional:

Cropper, Maureen L. and Oates, Wallace E., "Environmental Economics: A Survey," Journal of Economic Literature, June 1992, Vol. 30, No. 2, pp. 675-740

**Cost-benefit analysis with present value consideration
Wetlands and Endangered Species
What is private property?**

Text Gruber Chapter 8 Cost-Benefit Analysis (optional)

**Global Warming (Climate Change)
Tradable Emission Allowances or Fees in Climate Change Policy**

McKibbin, Warwick and Peter Wilcoxon, "The Role of Economics in Climate Change Policy," Journal of Economic Perspectives, Spring 2002, pp. 107-129 (Packet pp. 278-288)

Borenstein, Severin, “The Private and Public Economics of Renewable Electricity Generation,” Abstract, Journal of Economic Perspectives, Vol. 26, Winter, 2012 (Packet p. 289)

Davis, Lucas W., “Prospects for Nuclear Power,” Journal of Economic Perspective Vol. 26, Number 1 – Winter 2012, pp. 49-66 (Packet p. 290)

Nordhaus, William D., “A Review of the Stern Review on the Economics of Climate Change,” Journal of Economic Literature, Vol. XLV (September 2007) pp. 686-702 (Packet pp. 291-294)

Ghosh and Gray, “Did We Rush to Copenhagen? Is Cap and Trade the Answer?” Challenge, January-February 2010, pp. 23-24. (Packet p. 295)

Metcalf, Gilbert, “Tax Policies for low-carbon energy,” VOXeu.org June 27, 2009 (Packet pp. 296-299)

Nordhaus, William D., “Carbon Taxes to Move Toward Fiscal Sustainability,” The Economist’s Voice, www.bepress.com, September 2010 (Packet pp. 300-303)

“Environmental Economics – Taxing the bad stuff,” The Economist, June 2, 2011 (Packet p. 304)

Problems with Environmental Regulation

Week 12 Problem Set 10 (Packet pp. 305-308) Due December 14
(Some students may find this problem set takes longer than some of the earlier assignments.)

Finish Economics and the Environment
Public Policy and Economic Growth—A Broad Overview of the Issues

Emphasis on the efficiency of markets versus government correction of market failure with an explicit industrial policy

Optional:

Dertouzos, Lester and Solow, Made in America, MIT Commission on Industrial Policy, Chapters 1,2,10 and pp. 166-167.

Final Exam Sample (Packet pp. 309-320)