

Winter Semester 2023/2024

Module: Applied Empirical Economics
(Modules 10144508 V, 10144526 Ü, 10144511+10144511b S)

**Course Title: Empirical Public Economics
(Old PO: Selected Topics in Social Policy)***Lectures and Seminar:*

Prof. Dr. Natalia Danzer (natalia.danzer@fu-berlin.de)

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Tutorial and Seminar:

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Time

Meetings are on Thursdays

Lectures: 10:00 – 12:00

Tutorials/Seminar meetings: 16:00 – 18:00 (*selected dates – check timetable*)

Seminar meetings: 16:00-18:00 and / or 18:00 – 20:00 (*selected dates – check timetable*)

Location: HS 106, Garystr. 21, School of Business and Economics, FU Berlin

Credits: 12 ECTS in new study program (*in old study program: 6 ECTS and exam, see below*)

Course language: The course language is English.

Course Description

This course covers basic topics in public economics from an empirical point of view. We will focus on empirical studies on the distributional, fiscal and behavioral effects of the tax and transfer system and public policy. Topics include the effect of income taxation, the design of transfer programs, such as unemployment insurance, of the pension system, of education or family policies. Further, it is the aim of the course to provide an overview about the institutions of a welfare state and the current discussion about reforming or changing welfare states in particular in the context of the demographic change. The leading example will be public policies in Germany and the current political debate in Germany. When discussing the relevant literature, we will focus not only on the policy content, but also on the empirical strategy and evaluation methods. To this end, we will introduce, develop, discuss and apply different microeconomic techniques to assess the impact and effectiveness of public policies. Students will learn to read, understand and critically assess empirical research in the area of public economics, and will gain hands-on experience in their own empirical projects.

Structure: This course consists of two parts, a lecture and a seminar. In the first part, students will be introduced to the topics and methods covered in the course. Students will learn how to apply various empirical methods in several computer based exercises in tutorials. In the second part, the seminar, students will work on a small, own empirical research project and write a term paper on their project.

In this project, you need to apply an empirical method that we discussed in class. We distribute topics based on empirical papers, which serve as a starting point for your empirical project. You are expected to work in teams of two or three persons in the main part of the empirical project. We will provide feedback on the suitability of your topic and relevant data sets. The research projects are accompanied by seminar meetings in which students present their progress in class. In a final block meeting, students will present their final term papers.

Prerequisites: In this course, we will provide an introduction how to use empirical methods to causally answer important policy and economic questions. The prerequisites are intermediate microeconomic and macroeconomic theory and principles in econometrics. Experience with Stata or R would be helpful.

Requirements: There are three requirements to pass this course. First, students have to prepare the relevant papers for the lecture (see below) and to participate in the discussion during the class and seminar meetings. This is a prerequisite to write the term paper. Second, students have to hand in two problem sets. The problem sets are mandatory and a prerequisite to write the term paper. **The problem sets will be graded, and students will get Bonus points for the final grade.** The problem set will comprise theoretical and computer exercises to equip students with the relevant knowledge and skills for an own term paper and require you to summarize and to discuss relevant journal articles. The final grade for the **new 12 ECTS course** “Empirical Public Economics” is based on the presentation of the term paper (40%) and the written term paper itself (60%). Students will also provide short written referee reports to each other before the final presentation and act as discussants.

Old study program version (6 ECTS): For students interested in the 6LP version of this course, the finale grade is based on a 2 hour exam (the Bonus points also count towards the exam grade). These students do not have to participate in the seminar part of the course.

Software: The preferred empirical software is Stata. Freie Universität Berlin currently has a campus licence. Students can download Stata SE licences on their private computers via ZEDAT (<https://www.zedat.fu-berlin.de/Benutzerservice/Stata>). Stata is also installed on the computers in the PC pool.

Week	Date	Lecture	Tutorial	Home work	Seminar
1	Do., 19.10.2023	10:00-12:00 Organisation/ Introduction Basic Empirics: OLS and Extensions			
2	Do., 26.10.2023	10:00-12:00 No lecture but tutorial OLS + STATA	16:00-18:00 Diff in Diff	HW 1	18:00 – 19:30 Introductory seminar meeting and presentation of term paper topics 16:30 – 18:00 How to write a term paper, how to present and how to discuss
3	Do., 02.11.2023	10:00-12:00 Consumption Behavior/ Taxation			Deadline for submitting 3 priorities for seminar papers topics via E-Mail: ls-danzer@wiwiss.fu-berlin.de (apply in teams of two/three or individually).
4	Do., 09.11.2023	16:00-18:00 Consumption Taxation - Tax Salience	10:00-12:00 Discussion Homework 1		
5	Do., 16.11.2023	16:00-18:00 Income Taxation: Labor supply behavior	10:00-12:00 IV		
6	Do., 23.11.2023	10:00-12:00 Income Taxation: Labor supply behavior	16:00-18:00 RDD	HW 2	
7	Do., 30.11.2023	10:00-12:00 Income Taxation: Joint versus individual taxation			16:00 – 20:00 Optional individual feedback meetings (register in advance, via e-mail to ls-danzer@wiwiss.fu-berlin.de)
8	Do., 07.12.2023	10:00-12:00 Tax incidence			16:00 – 20:00 Interim presentations (outline of project, approach, difficulties, open questions)
9	Do., 14.12.2023	10:00-12:00 Unemployment Insurance	16:00-18:00 Discussion Homework 2		
10	Do., 21.12.2023	10:00-12:00 Unemployment Insurance			16:00 – 18:00 Optional individual feedback meetings (register in advance, via e-mail to ls-danzer@wiwiss.fu-berlin.de)
		23.12.23. – 6.1.24 Christmas break			
11	Do., 11.01.2024	10:00-12:00 Pension system/ Demographic change – Employment			16:00 – 18:00 Optional individual feedback meetings (register in advance, via e-mail to ls-danzer@wiwiss.fu-berlin.de)
12	Do., 18.01.2024	10:00-12:00 Pension system/ Demographic change Savings			

13	Do., 25.01.2024	10:00-12:00	Minimum wage				Jan 28, 2024 (Sunday): Deadline Submission of final presentation (and draft paper) to discussants
14	Do., 01.02.2024	10:00-12:00	Minimum wage / Demand for electricity				Feb 01 and 02, 2024 BLOCK SEMINAR Presentation of term Paper, Replication and Discussion of Paper; Extension Ideas; Discussion of work of others; Feedback 01.02.24: 16:00 – 20:00 02.02.24: 9:00 – 18.00
15	Do., 08.02.2024	10:00-12:00	Environmental economics				
16	Do., 14.02.2024	10:00-12:00	Q & A	16:00-18:00	Q & A		
							March 11, 2024: Submission of Term paper via – email to ls-danzer@wiwiss.fu-berlin.de

Readings (preliminary)

The **required papers** for each week are listed below and are marked with an **asterisk**. The additional papers are optional.

Topic 1: Empirical methods: Review of basic econometrics

- Wooldridge, Jeffrey M., **Introductory econometrics: a modern approach**, international student edition. 4th ed., Mason, Ohio: Thomson, 2009.
- Cameron, Colin and Trivedi Pravin, **Microeconometrics: Methods and Applications**, Cambridge University Press, New York 2005.

Topic 2: Consumption Behavior and Taxation (DID, Staggered DID, Panel)

- *Adda, J. and F. Cornaglia (2010), **The effect of bans and taxes on passive smoking**, *American Economic Journal: Applied Economics*, 2(1), pp. 1-32.
- Crawford, I., Keen, M. and S. Smith (2010), **Value Added Tax and Excises**, in: Dimensions of Tax Design: The Mirrlees Review.
- Evans, W. and J. Ringel (1999). **Can Higher Cigarette Taxes Improve Birth Outcomes?**, *Journal of Public Economics*, 72(1), pp. 135-154.
- Maurice Bailey and John Kendall, 2021. "**Difference-in-Differences with Staggered Treatment Timing**," *Journal of Economics and Econometrics*, Economics and Econometrics Society, vol. 64(3), pages 69-102.
- Brantly Callaway and Pedro H.C. Sant'Anna, **Difference-in-Differences with multiple time periods**, *Journal of Econometrics*, Volume 225, Issue 2, 2021, Pages 200-230,

Topic 3: Salience and Taxation (DID)

- *Chetty, R., Adam Looney and Kory Kroft (2009), **Salience and Taxation: Theory and Evidence**, *American Economic Review*, 99(4), pp. 1145-1177.

Topic 4: Income Taxation: Labor supply behavior I (DiD)

- *Eissa, N. (1995), **Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment**, NBER Working Paper No. 5023.

Topic 5: Income Taxation: Labor supply behavior I (DiD, IV)

- *Blundell, R., A. Duncan, and C. Meghir (1998), **Estimating Labor Supply Responses Using Tax Reforms**, *Econometrica*, 68, pp. 827-861.

Topic 6: Income Taxation: Joint versus individual taxation (DiD)

- Alesina, A., Ichino A. and L. Karabarbounis (2011), **Gender-Based Taxation and the Division of Family Chores**, *American Economic Journal: Economic Policy*, 3(2), pp. 1-40. (or NBER working paper 13638)
- Crossley, T. and S. Jeon (2007), **Joint Taxation and the Labour Supply of Married Women: Evidence from the Canadian Tax Reform of 1988**, *Fiscal Studies*, 28, pp. 343–365.
- *LaLumia, S. (2008), **The Effects of Joint Taxation of Married Couples on Labor Supply and Non-wage Income**, *Journal of Public Economics*, 92(7), pp. 1698-1719.
- *Steiner V. and K. Wrohlich (2004), **Household Taxation, Income Splitting and Labor Supply Incentives - A Microsimulation Study for Germany**, *CESifo Economic Studies*, 50 (3), pp. 541-568.

Topic 7: Tax incidence (RDD)

- *Matsaganis, M., Saez E. and P. Tsakloglou (2012), **Earnings Determination and Taxes: Evidence from a Cohort Based Payroll Tax Reform in Greece**, *Quarterly Journal of Economics*, 127(1), pp. 493-533.
- Gruber, J. (1997), **The Incidence of Payroll Taxation: Evidence from Chile**, *Journal of Labor Economics*, 15 (3), pp. 72-101.

Topic 8: Unemployment insurance 8 (DiD, RDD)

- *Hunt, J. (1995), **The Effect of Unemployment Compensation on Unemployment Duration in Germany**, *Journal of Labor Economics*, 13(1), pp. 88-120.
- *Lalive, R., van Ours, J., and J. Zweimüller (2006), **How Changes in Financial Incentives Affect the Duration of Unemployment**, *Review of Economic Studies*, 73(4), pp. 1009 - 1038.
- Lalive R. (2008), **How do Extended Benefits affect Unemployment Duration? A Regression Discontinuity Approach**. *Journal of Econometrics*, 142(2), pp. 785-806.
- *Bender, S., J. Schmieder, T. von Wachter (2012), **The Effects of Extended Unemployment Insurance Over the Business Cycle: Evidence from Regression Discontinuity Estimates Over 20 Years**, *Quarterly Journal of Economics*, 127(2), pp. 701-752.

- Landais, C. (2015), **Assessing the Welfare Effects of Unemployment Benefits Using the Regression Kink Design**, *American Economic Journal: Economic Policy*, 7(4), pp. 243-78.

Topic 9: Demographic Change and Pension system – Employment I (DiD, RDD, IV)

- *Lee, Ronald. 2003. "**The Demographic Transition: Three Centuries of Fundamental Change.**" *Journal of Economic Perspectives*, 17 (4): 167-190.
- Mastrobouni, G. (2009), **Labor Supply Effects of the Recent Social Security Benefit Cuts: Empirical Estimates Using Cohort Discontinuities**, *Journal of Public Economics*, 93(11-12), pp. 1224-1233.
- Manoli, D., Mullen, K. J. and Wagner, M. (2015), **Policy Variation, Labor Supply Elasticities, and a Structural Model of Retirement**, *Economic Inquiry*, 53, pp. 1702–1717.
- *Straubli, S. and J. Zweimüller (2013), **Does Raising the Early Retirement Age Increase Employment of Older Workers?**, *Journal of Public Economics*, 108, pp. 17-32.
- Kostol, R. and M. Mogstad (2014), **How Financial Incentives Induce Disability Insurance Recipients to Return to Work**, *American Economic Review*, 104(2), pp. 624-55.
- *Geyer, Johannes and Welteke Clara, 2019, **Closing Routes to Retirement: How Do People Respond?** *Journal of Human Resources*
- *Becker, Sebastian; Buslei, Hermann; Geyer, Johannes; Haan, Peter (2022): **The Effect of Pension Wealth on Employment.** Collaborative Research Center Transregio 190, Discussion Paper No. 363

Topic 10: Demographic Change and Pension system – Savings and Consumption (DiD, RDD)

- Attanasio O. and S. Rohwedder (2003), **Pension Wealth and Household Saving: Evidence from Pension Reforms in the U.K.**, *American Economic Review*, 93, pp. 1499–521.
- *Duflo, E., Gale, W., Liebman, G., Orszag, P. and E. Saez (2006), **Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block**, *Quarterly Journal of Economics*, 121(4), pp. 1311-1346
- Gelber A. (2010), **How do 401(k)s Affect Saving? Evidence from Changes in 401(k) Eligibility**, *American Economic Journal: Economic Policy*, 3(4), pp. 103-122.
- *Attanasio, Orazio P. and Brugiavini, Agar. "Social Security and Households' Saving." *Quarterly Journal of Economics*, 2003
- Aguiar, M. and E. Hurst (2005). **Consumption vs expenditure.** *Journal of the Political Economy* 113 (5), 919-948.

- Aguiar, M. and E. Hurst (2013). **Deconstructing lifecycle expenditure**. Journal of Political Economy 121 (3), 437-492.
- Banks, J., R. Blundell, and S. Tanner (1998). **Is there a retirement-savings puzzle?** American Economic Review 88 (4), 769-788.
- *Battistin, E., A. Brugiavini, E. Rettore, and G. Weber (2009). **The retirement consumption puzzle: Evidence from a regression discontinuity approach**. American Economic Review 99 (5), 1109- 1116.
- Bernheim, B. D., J. Skinner, and S. Weinberg (2001). **What accounts for the variation in retirement wealth among U.S. households**. American Economic Review 91 (4), 832-857.
- Eibich, P., 2015. **Understanding the effect of retirement on health: Mechanisms and Heterogeneity**, Journal of Health Economics, 43,1-12.
- Hernæs, E, Markussen, S, Piggott, J, Vestad, O, 2013, **Does retirement age impact mortality?**, Journal of Health Economics

Topic 11: Minimum Wage (DiD)

- *Harasztsosi, Peter, and Attila Lindner. 2019. **"Who Pays for the Minimum Wage?"** American Economic Review, 109 (8): 2693-2727.
- Manning, Alan (2021), **The Elusive Employment Effect of the Minimum Wage**, Journal of Economic Perspectives Vol. 35(1), p. 3-26
- *Cengiz et al. (2019), **The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator**, Quarterly Journal of Economics, Vol. 134(3), p. 1405-1454
- Garloff, Alfred (2019). **"Did the German Minimum Wage Reform Influence (Un)employment Growth in 2015? Evidence from Regional Data"**, German Economic Review, Vol. 20(3), p. 356-381
- *Dustmann, Lindner, Schönberg, Umkehrer, vom Berge (2022). **„Reallocation Effects of the Minimum Wage: Evidence From Germany"**, Quarterly Journal of Economics, Vol. 137(1), p. 267-328

Topic 12: Climate policy (DiD, RDD)

- *Ito, Koichiro. 2014. **"Do Consumers Respond to Marginal or Average Price? Evidence from Nonlinear Electricity Pricing."** American Economic Review, 104 (2): 537-63.

- *Chang, Tom Y., Joshua Graff Zivin, Tal Gross, and Matthew Neidell. 2019. "The Effect of Pollution on Worker Productivity: Evidence from Call Center Workers in China." American Economic Journal: Applied Economics, 11 (1): 151-72.*