

Economics 232
Public Economics: Redistribution and Social Insurance

Fall 2021

Itzik Fadlon
fadlon@ucsd.edu

Objective: The objective of this course is to provide an understanding of the role of government intervention in the economy in two broad areas of expenditure—redistribution and social insurance—from both a theoretical and an empirical perspective. The emphasis will be on learning techniques that can be applied to produce original research and to critically analyze existing research in the field.

Class Meetings: Lectures will be held in person on Thursdays from 2:00-4:50pm in ECON 300.

Office Hours: Thursdays at 5pm by appointment. We can always set an alternative meeting at mutually convenient times for your extended flexibility.

Requirements:

1. Readings: The required readings are journal articles which are listed on the reading list. Mandatory readings are marked with **. The reading list may undergo some revisions over the course of the quarter. Critically reading journal papers is an important skill to develop for working on your own research.

2. Final research proposal: There will be a final research proposal that is worth 100% of your grade. It will be delivered by each of you in presentation form in class toward the end of the quarter (no writeup is needed). The research question should be broadly related to issues covered in class and should preferably reflect your research interests moving forward. The topic must be approved by me and I will be happy to provide continuous guidance throughout the quarter.

3. Problem sets: I may assign 1-2 problem sets according to your understanding of the material. They will not count toward your final grade but their completion is strongly encouraged.

4. (Optional, depending on class size and material progress, will be counted toward your grade) Presentation of existing literature: Each of you may present an assigned paper during one of the regular class periods. The list of potential papers will include empirical work which uses specific methodologies that attempt to identify causal relationships. The goals are for you to: 1) place the issue addressed in the paper within the context of the course themes; 2) explain the empirical strategy used in the paper; and 3) provide a brief critique of the paper.

Seminars: I encourage you to attend the applied microeconomics seminar (which meets on Mondays from 2:00-3:30pm) and the student workshop (which meets on Thursdays from 12:00-1:30pm). Attending seminars is among the best ways to facilitate the transition from coursework to research.

Course Topics (broadly, subject to changes)

The following lists the topics we will cover and through which we will learn theoretical and empirical methods. Among the theoretical methods we will cover are: planner maximization problems and optimal design of government programs, optimal design in the presence of behavioral agents, welfare analysis using sufficient statistics. Among the empirical methods we will cover are: difference-in-differences, regression discontinuity, event studies, judge instruments. Emphasis will be put on the connection between theory and data along with illustrations of how to exploit newly-available large datasets to provide causal estimates with compelling research designs.

I. Redistribution

- A. Justification for government involvement
- B. Background on inequality and mobility in the U.S.
- C. Introduction to redistribution and transfers in the U.S.
- D. Optimal tax and transfer systems

II. Social Insurance

- A. Justification for government involvement
- B. Optimal design of social insurance
- C. Unemployment insurance: optimal program design and empirical evidence
- D. Disability insurance; optional: workers' compensation
- E. Social Security, savings, and retirement