

**Economics 231:**  
**Government Expenditures, Redistribution and Insurance**  
Spring 2004

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Objective: The principal objective of this course is to provide an understanding of the role of government intervention in the economy in two broad areas of expenditure 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 of public economics.

Class Meetings: Lectures will meet Mondays and Wednesdays from 9:00 to 10:20 in Economics 210.

Office Hours: Official office hours are from 3:00 to 5:00 on Fridays. I am also available by appointment. Call or e-mail to set up a convenient time to meet.

Requirements: There are five sets of requirements for this course:

1. Readings

The required readings are primarily journal articles and these will be made available to you on the class web page: <http://weber.ucsd.edu/~jbcullen>.

2. Paper presentation

I will ask each of you (in small groups) to present an assigned paper during one of the regular class periods. The papers will be empirical papers that use specific methodologies to attempt to identify causal relationships. The goal is for you to explain the strategy used in the paper, and related it to the overview of program evaluation methods provided in lecture. The presentation should take about 40 minutes, and is worth 10% of your grade.

3. Problem sets

There will be 2 problem sets. The problem sets represent 20% of your grade (each counts 10%). Working through these will be good preparation for the final exam. Feel free to cooperate on the problem sets. Each person must turn in his/her own copy and write the names of collaborators at the top of the assignment. Problem sets are due at the beginning of class. No late assignments will be accepted.

4. Referee report



I will assign a few papers from which you can choose. The referee report should summarize the paper and provide a critical discussion. It should 2-5 single-spaced pages in length. The report will count for 10% of your grade.

#### 5. Final exam

There will be a final cumulative exam that is worth 60% of your grade.

Seminars: You are strongly encouraged to attend the Applied Seminar, which meets on (some) Mondays from 3:30 to 5:00 in Economics 300. You are also encouraged to attend the more informal applied sessions which are held on (some) Fridays over lunch.

#### Important Dates:

April 19/21	Paper presentations
April 26	First problem set due
May 24	Second problem set due
June 2	Referee report due
June 8	Final exam (9-11 in Economics 210)



## Econ 231 Reading List

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### I. Redistribution

#### A. Justification for government involvement

- R. Tresch. 2002. Chapter 4, pp. 103-143. *Public finance: a normative theory*. San Diego, CA: Academic Press.
- H. Varian. 1980. Redistributive taxation as social insurance. *Journal of Public Economics* 14: 49-68.

#### B. Poverty and inequality: measurement and U.S. trends

- **D. Cutler and L. Katz. 1991. Macroeconomic performance and the disadvantaged. *Brookings Papers on Economic Activity* 2: 1-74.**
- J. Hines, H. Hoynes, and A. Krueger. 2001. Another look at whether a rising tide lifts all boats. NBER WP 8412.
- D. Slesnick. 1993. Gaining ground: poverty in the postwar United States. *Journal of Political Economy* 101: 1-38.

#### C. Transfer programs in the U.S.

- U.S. House of Representatives. Annual. Green book: background material and data on programs within the jurisdiction of the Committee on Ways and Means. Washington: U.S. Government Printing Office.
- Means-tested transfer programs in the U.S. 2003. R. Moffitt, ed. Chicago: The University of Chicago Press. (Introduction available as NBER WP 8730).
- **R. Blank and D. Ellwood. 2001. The Clinton legacy for America's poor. NBER WP 8437.**

#### D. Program design

- G. Akerlof. 1978. The economics of tagging as applied to the optimal income tax, welfare programs, and manpower planning. *American Economic Review* 68(1): 8-19.
- **A. Nichols and R. Zeckhauser. 1982. Targeting transfers through restrictions on recipients. *American Economic Review* 72 (May): 372-377.**
- C. Blackorby and D. Donaldson. 1998. Cash versus kind, self-selection, and efficient transfers. *American Economic Review* 78: 691-700.
- S. Coate, S. Johnson, and R. Zeckhauser. 1994. Pecuniary redistribution through in-kind programs. *Journal of Public Economics* 55: 19-40.
- T. Besley and S. Coate. 1992. Workfare versus welfare: incentive arguments for work requirements in poverty alleviation programs. *American Economic Review* 82(1): 249-61.
- E. Saez. 2000. Optimal income transfer programs: intensive versus extensive labor supply responses. NBER WP 7708.



E. Program evaluation

- **R. LaLonde. 1986. Evaluating econometric evaluations of training programs with experimental data. *American Economic Review* 76: 604-620.**
- G. Burtless and L. Orr. 1986. Are classical experiments needed for manpower policy? *Journal of Human Resources* 21: 606-639.
- O. Ashenfelter and D. Card. 1985. Using the longitudinal structure of earnings to estimate the effect of training programs. *Review of Economics and Statistics* 67: 648-660.
- L. Bassi. 1984. Estimating the effect of training programs with non-random selection. *Review of Economics and Statistics* 66: 36-43.
- J. Heckman and V. Hotz. 1989. Choosing among alternative non-experimental methods for estimating the impact of social programs: the case of manpower training. *Journal of the American Statistical Association* 84: 862-880.
- R. Dehejia and S. Wahba. 1999. Causal effects in non-experimental studies: re-evaluating the evaluation of training programs. *Journal of the American Statistical Association* 94: 1053-62.
- R. Agodini and M. Dynarski. 2001. Are experiments the only option? A look at dropout prevention programs. *Mathematica Policy Research* (No. 8723-300).
- J. Angrist. 1990. Lifetime earnings and the Vietnam era draft lottery: evidence from Social Security administrative records. *American Economic Review* 80: 313-336.
- **S. Levitt. 1997. Using electoral cycles in police hiring to estimate the effect of police on crime. *American Economic Review* 87(3): 270-290.**
- J. Angrist, G. Imbens, and D. Rubin. 1996. Identification of causal effects using instrumental variables. *Journal of the American Statistical Association* 91: 444-472.
- J. Heckman. 1998. Instrumental variables: a study of the implicit behavioral assumptions used in making program evaluations. *Journal of Human Resources* 32(2): 441-62.

F. Evidence on the impact of transfer programs

- **R. Moffitt. 1992. Incentive effects of the U.S. welfare system: a review. *Journal of Economic Literature* 30: 1-61.**
- **R. Moffitt. 1983. An economic model of welfare stigma. *American Economic Review* 73: 1023-1035.**
- H. Hoynes. 1997. Does welfare play any role in female headship decisions? *Journal of Public Economics* 65(2): 89-117.
- B. Meyer. 2000. Do the poor move to receive higher welfare benefits? Northwestern University Working Paper.
- B. Meyer and D. Rosenbaum. 1999. Welfare, the earned income tax credit, and the labor supply of single mothers. NBER WP 7363.
- J. Currie and N. Cole. 1993. Welfare and child health: the link between AFDC participation and birth weight. *American Economic Review* 83: 971-985.
- J. Gruber. 2000. Cash welfare as a consumption smoothing device for single mothers. *Journal of Public Economics* 75(2): 157-82.
- B. Meyer and J. Sullivan. 2001. The effects of welfare and tax reform: the material



well-being of single mothers in the 1980s and 1990s. NBER WP 8298.

- J. Currie and A. Yelowitz. 2000. Are public housing projects good for kids? *Journal of Public Economics* 75(1): 99-124.
- J. Currie and D. Thomas. 1995. Does Head Start make a difference? *American Economic Review* 85: 341-364.

## II. Social Insurance

To be added.