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**ECONOMICS 231**  
**PUBLIC ECONOMICS: GOVERNMENT EXPENDITURES**

Tues./Thurs. 9:30-10:50, Economics 210

<http://econ.ucsd.edu/faculty/negordon/econ231.html>

This course covers the role of government expenditures in the economy. We will begin with a discussion of optimal government expenditure and the public goods problem. We then cover political economy and public finance. Next, we consider public finance in a system with multiple jurisdictions. We cover cost-benefit analysis and program evaluation, and review empirical research on public education. Each topic in the course will be motivated by the theoretical work in the relevant area, but the emphasis of the course is empirical. A main goal of the course is to teach you how to conduct and evaluate empirical research on government expenditure programs. The most important topics in government expenditures that are *not* included in this course are social insurance, and redistribution (which are covered in Julie Cullen's spring public economics course). Taxation is covered in Roger Gordon's fall public economics course and not in this course.

**COURSE REQUIREMENTS:**

This course requires a paper proposal (in two drafts) and a final exam.

The first draft of the **paper proposal** (about 10 pages) will pose a question in public economics, motivate that question, and place it in the context of the existing literature. Each student must meet with me individually before February 10 to discuss the proposal. The second draft must refine the first draft, and, additionally, describe an appropriate data set (that actually exists) and empirical methodology for answering the question. (Theoretical papers are also acceptable, but I expect that most students will choose an empirical topic to prepare for the econometrics writing requirement.) The goal of this assignment is for you to have a "blueprint" for carrying out an original research project. The first draft of the proposal will be due February 23 and counts for 15% of the grade. The final draft of the proposal will be due March 21 and counts for 35% of the grade. I encourage you to discuss your progress and future directions with me *frequently* during this process.

The cumulative **final exam** will be in the registrar-scheduled exam slot class on Friday, March 24, 8-11 a.m., and counts for 50% of the grade.

Note: there will be no class Tuesday, January 17. Instead, we will meet Friday, January 20 from 10:30-11:50 in Economics 210.

## Class calendar

<b>Tuesday</b>	<b>Thursday</b>
<b>Jan. 10</b> Introduction to course What is public economics? *Feldstein	<b>Jan. 12</b> Externalities -- theory *Laffont Ch. 1
<b>*Jan. 17—no class meeting, rescheduled to Friday*</b> <b>For Thurs. Jan. 19</b> Externalities -- empirical *Chay and Greenstone; Dee	<b>Fri. Jan. 20</b> (Econ 210, 10:30-11:50 a.m.) Public goods -- theory *Laffont Ch. 2
<b>Jan. 24</b> Public goods – empirical *Andreoni; Fischel; Brunner & Sonstelie	<b>Jan. 26</b> Social choice *Laffont Ch. 4 and 5
<b>Jan. 31</b> Empirical estimates of demand for public goods Hedonic estimates Demand analysis *Black; Gyurko & Tracy; Gramlich & Rubinfeld	<b>Feb. 2</b> Empirical estimates of demand for public goods Flypaper effect *Gordon; Knight
<b>Feb. 7</b> Political economy I *Besley & Coate; Baron & Ferejohn	<b>Feb. 9</b> Political economy II *Cutler, Elmendorf, & Zeckhauser; Lee, Moretti, & Butler
<b>Feb. 14</b> Political economy: endogenous borders *Alesina & Spaulare; Alesina, Hoxby, & Baqir	<b>Feb. 16</b> Public finance with multiple jurisdictions Tiebout model Club goods *Rubinfeld; Scotchmer
<b>Feb. 21</b> Public finance with multiple jurisdictions Empirical *Farnham & Sevak; Hoxby	<b>Feb. 23</b> <b>Paper proposal draft 1 due</b> Public finance with multiple jurisdictions Intergovernmental grants Empirical evidence on grants *Baicker & Staiger; Cullen
<b>Feb. 28</b> Elementary and secondary education in the US School finance *Fernandez & Rogerson; Hoxby	<b>Mar. 2</b> Elementary and secondary education in the US The production of education *Hanushek; Jacob
<b>Mar. 7</b> Higher education *Dynarski; Dynarski; Peltzman	<b>Mar. 9</b> Early childhood interventions *Blau & Currie
<b>Mar. 14</b> <b>Student research presentations</b>	<b>Mar. 16</b> <b>Student research presentations</b>
<b>Mar. 21 Paper proposal draft 2 due</b>	<b>FRIDAY Mar. 24 Final exam 8-11 a.m.</b>

## **Paper proposal assignment guidelines**

The format I describe here will help you set out the skeleton of an applied paper, which you can “fill in” after the class (as a second-year econometrics project or third-year paper, for example). These guidelines are flexible and we can discuss what would be most useful on a case-by-case basis (for example, if you are further along with a project already, or if you wish to write a theoretical paper). If you are just starting an applied project, however, these are the criteria I think are most helpful for eventually writing a paper, and therefore the criteria upon which the assignments will be graded.

### **1. Define your question**

Getting started is often the most difficult part. The point of this project is to move you beyond a point where you are interested in public economics, or even a more restricted area such as education policy, to a point where you can phrase your interest as a question. Looking through articles (skim through the *Journal of Public Economics*) or unpublished papers (look through the Public Economics working paper series at the NBER online) will help you identify the appropriate scope for a question. When in doubt, make it narrower to ensure that you will be able to answer it completely.

### **2. Motivate your question**

You can do this in several ways. It is crucial that you convince the reader that this is an interesting and important question, whether theoretically or for policy purposes or both. This should happen right away, after stating the question. You should also review the literature to the extent necessary to show interest in the general area and that this particular question is not well answered already. Rather than writing a lengthy literature review on the broader topic, discuss the literature *in relation to your question*.

### **3. Show that you will be able to answer your question**

Discuss your empirical strategy and the data you plan to use. Be very clear about how you will credibly identify exogenous variation and therefore estimate a causal relationship. If you are using a new or unusual econometric method, review the methodological literature here as well. In this case, discuss only the aspects that are necessary to understand your paper.

A good strategy here is to start by thinking about what your ideal data would be, then see what data exist, and then decide if they are sufficient. It is likely that you will first come up with some questions that are interesting, important, and unanswered, only to realize that they are unanswered for a reason. Try not to be discouraged and to view it as part of the research process. The more specific you can be about what you are going to do, the better. Include equations to be specified and blank table shells for results.

#### **4. Explain how you will interpret your findings**

Now that you have your blank table shells, how should we interpret what eventually will fill them? It is always good to put a coefficient reported in a table in a sentence so the reader can interpret it. For now, you can call that coefficient “X” or whatever you like as a placeholder, but you should try writing the sentence. This part of the assignment is important for helping you think about how specific the results are to your empirical setting (and remembering that local average treatment effects are *local!*).

#### **Deadlines**

Meet with me to discuss topic by Feb. 10.

Submit first draft by Feb. 23, 5 p.m.

Submit final draft by Mar. 21, 5 p.m.

## **READINGS: Required readings are in bold. Most should be on JSTOR.**

### **Index of Journal Abbreviations**

AER = American Economic Review  
EMA = Econometrica  
JEL = Journal of Economic Literature  
JEP = Journal of Economic Perspectives  
JHR = Journal of Human Resources  
JOLE = Journal of Labor Economics  
JPE = Journal of Political Economy  
JPubE = Journal of Public Economics  
NTJ = National Tax Journal  
QJE = Quarterly Journal of Economic  
REStat = Review of Economics and Statistics  
REStud = Review of Economic Studies

### **General References**

- A. Atkinson and J. Stiglitz, Lectures in Public Economics (New York: McGraw Hill, 1980).
- A. Auerbach and M. Feldstein, eds., Handbook of Public Economics: Volumes 1 & 2 (Amsterdam: North Holland, 1985 and 1987).
- \*J. Laffont, Fundamentals of Public Economics (Cambridge: MIT Press, 1988). Note: this is an e-book from UCSD library, not in UCSD bookstore, available new and used on Amazon.**
- G. Myles, Public Economics (New York: Cambridge University Press, 1995).
- H. Rosen, Public Finance, 6<sup>th</sup> edition (New York: McGraw-Hill/Irwin, 2002).
- J. Stiglitz, Economics of the Public Sector, 2<sup>nd</sup> edition (New York: Norton, 1988).

Note: Some papers listed as working papers may now be published in journals and not cited here.

### **0. Introduction to the Course**

- \*M. Feldstein, "The Transformation of Public Economics Research: 1970-2000," *Journal of Public Economics*, 86.3 (December 2002), 319-26.**  
<http://www.nber.org/feldstein/publiceconomics.html>

### **1. Optimal Expenditure Policy**

#### **1.1 Externalities**

- J. Andreoni and A. Levinson, "The Simple Analytics of the Environmental Kuznets Curve," *Journal of Public Economics*, v 80, 2001, 269-286.
- A. L. Bovenberg and R. A. de Mooij, "Environmental Levies and Distortionary Taxation," *American Economic Review*, September 1994, 1085--1089.
- \*K. Chay and M. Greenstone, "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession." *Quarterly Journal of Economics*, 118(3) (August 2003).**  
[http://econ-www.mit.edu/faculty/download\\_pdf.php?id=838](http://econ-www.mit.edu/faculty/download_pdf.php?id=838)

R. Coase, "The Problem of Social Cost," *Journal of Law and Economics*, 1960, 1--44.

**\*T. Dee, "Are There Civic Returns to Education?" *Journal of Public Economics* 88 (9), August 2004, 1697-1720.**

<http://www.swarthmore.edu/SocSci/tdee1/Research/jpubec04.pdf>

A. Dixit, and M. Olson, "Does Voluntary Participation Undermine the Coase Theorem?" *Journal of Public Economics*, June 2000, 309-336.

L. Ebrill and S. Slutsky, "Time, Congestion and Public Goods," *Journal of Public Economics*, 1982, 307--335.

D. Fullerton, "Environmental Levies and Distortionary Taxation: Comment," *American Economic Review*, March 1997, 245--251.

D. Fullerton and G. Metcalf, "Environmental Controls, Scarcity Rents, and Pre-existing Distortions," *Journal of Public Economics*, v 80, 2001, 249--67.

J. Greenwood and R. P. McAfee, "Externalities and Assymmetric Information," *Quarterly Journal of Economics*, February 1991, 103--122.

G. Harden, "The Tragedy of the Commons," *Science*, 1968, December.

Laffont, Chapter 1.

G. Metcalf, "Environmental Levies and Distortionary Taxation," *Journal of Public Economics*, February 2003, 87(2), 313-322.

## **1.2 Efficient Public Goods Provision**

A. Atkinson and N. Stern, "Pigou, Taxation and Public Goods," *REStud* 41 (1974), 119-128.

A. Atkinson and J. Stiglitz, Chapter 16.

C. Ballard and D. Fullerton, "Distortionary Taxes and the Provision of Public Goods," *JEP* 6 (1992), 117-131.

R. Boadway and M. Keen, "Public Goods, Self-selection, and Optimal Income Taxation," *International Economic Review* 34 (1993), 463-78.

T. Gaube, "When do Distortionary Taxes Reduce the Optimal Supply of Public Goods?," *JPubE* 76 (2000), 151-180.

L. Kaplow, "The Optimal Supply of Public Goods and the Distortionary Cost of Taxation," *NTJ* 49 (1996), 513-533.

M. King, "A Pigouvian Rule for the Optimal Provision of Public Goods," *JPubE* 30 (1986), 273-292.

## **\*J. Laffont, Chapter 2.**

G. Myles, Chapter 9.

P. Samuelson, "The Pure Theory of Public Expenditure," *REStat* 36 (1954), 387-389.

J. Wilson, "Optimal Public Good Provision with Limited Lump-Sum Taxation," *AER* 81 (1991), 153-66.

### 1.3 Voluntary Private Provision of Public Goods

- J. Andreoni, "Impure Altruism and Donations to Public Goods: A Theory of Warm-Glow Giving?," *Economic Journal* 100(401) (1990), 464-77.
- \*J. Andreoni, "An Experimental Test of the Public Goods Crowding Out Hypothesis," *AER* 83 (December 1993), 1317-27.**
- J. Andreoni and T. Bergstrom, "Do Government Subsidies Increase the Private Supply of Public Goods?," *Public Choice* 88 (1996), 295-308.
- T. Bergstrom, L. Blume, and H. Varian, "On the Private Provision of Public Goods," *JPubE* 29 (1986), 25-49.
- \*E. Brunner and J. Sonstelie, "School Finance Reform and Voluntary Fiscal Federalism," *Journal of Public Economics*, 2003, 87(9-10) 2157-2185.**
- C. Clotfelter, Federal Tax Policy and Charitable Giving (Chicago: University of Chicago Press, 1985), Chapters 1 and 2.
- \*W. Fischel, "Did Serrano Cause Proposition 13?," *NTJ* 42 (December 1989), 465-473.**
- L. Kaplow, "A Note on Subsidizing Gifts," *JPubE* 58 (1995), 469-78.
- B. Kingma, "An Accurate Measurement of the Crowd-Out Effect, Income Effect, and Price Effect for Charitable Contributions," *JPE* 97 (1989), 1197-1207.
- J. Ledyard, "Public Goods: A Survey of Experimental Research," in J. Kagel and A. Roth, eds., The Handbook of Experimental Economics (Princeton: Princeton University Press, 1995), 111-194.
- E. Ley, "On the Private Provision of Public Goods, A Diagrammatic Approach," *Investigaciones Economicas* 20(1) (1996), 691-704.
- J. Morgan, "Financing Public Goods by Means of Lotteries," *REStud* 67(4) (2000), 761-84.
- R. Roberts, "Financing Public Goods," *JPE* 95 (1987), 420-437.
- J. Weimann, "Individual Behavior in a Free Riding Experiment," *JPubE* 54 (1994), 185-200.

### 1.4 Providing Public Goods with Perfect and with Asymmetric Information

- A. Atkinson and J. Stiglitz, Chapter 10.
- R. Barnett, "Preference Revelation and Public Goods" in P. Jackson, ed., Current Issues in Public Sector Economics (New York: St. Martin's Press, 1992), 94-131.
- T. Bergstrom and R. Cornes, "Independence of Allocative Efficiency from Distribution in the Theory of Public Goods," *EMA* 51(6) (1983), 1753-1765.
- Y. Chen and C. Plott, "The Groves Mechanism: An Experimental Study of Institutional Design," *JPubE* 59 (1996), 335-364.
- Y. Chen and F. Tang, "Learning and Incentive-Compatible Mechanisms for Public Goods Provision: An Experimental Study," *JPE* 106 (1998), 633-62.

- E. Clarke, "Multipart Pricing of Public Goods," *Public Choice* 8 (1971), 19-33.
- T. Groves and J. Ledyard, "Optimal Allocation of Public Goods: A Solution to the 'Free-Rider' Problem," *EMA* 45(4) (1977), 783-809.
- E. Lindahl, "Just Taxation – A Positive Solution," in R. Musgrave and A. Peacock, eds., Classics in the Theory of Public Finance (New York: St. Martin's Press, 1994).
- H. Varian, "A Solution to the Problem of Externalities When Agents are Well-Informed," *AER* 84 (December 1994), 1278-1293.

### **1.5 Social Choice Theory: The Median Voter Model**

- K. Arrow, Social Choice and Individual Values (Yale University Press, 1963).
- T. Bergstrom, "When Does Majority Rule Supply Public Goods Efficiently?" *Scandinavian Journal of Economics* (1979), 216-226.
- H. Bowen, "The Interpretation of Voting in the Allocation of Resources," *QJE* 58 (1943), 27-48.
- A. Caplin and B. Nalebuff, "On 64% Majority Rule," *EMA* 56 (1988), 787-814.
- A. Denzau and R. MacKay, "Benefit Shares and Majority Voting," *AER* 66 (1976), 69-76.
- T. Feddersen and W. Pesendorfer, "The Swing Voter's Curse," *AER* 86 (1996), 408-426.
- T. Feddersen and W. Pesendorfer, "Voting Behavior and Information Aggregation in Elections with Private Information," *EMA* 65 (1997), 1029-58.
- A. Gibbard, "Manipulation of Voting Schemes: A General Result," *EMA* 41 (1973), 587-600.

### **\*J. Laffont, Chapters 4 and 5.**

- J. Ledyard, "The Pure Theory of Large Two Candidate Elections," *Public Choice* 44 (1984), 7-41.
- J. Levin and B. Nalebuff, "An Introduction to Vote-Counting Schemes," *JEP* 9(1) (1995), 3-26.
- C. Plott, "A Notion of Equilibrium and its Possibility Under Majority Rule," *AER* 57 (1967), 787-806.
- A. Sen, Collective Choice and Social Welfare (San Francisco: Holden Day, 1970), Chapters 1-3.
- K. Shepsle, "Institutional Arrangements and Equilibrium in Multidimensional Voting Models," *American Journal of Political Science* 23 (1979), 23-59.
- N. Tideman and G. Tullock, "A New and Superior Process for Making Social Choices," *JPE* 84 (1976), 1145-1159.

### **1.6 Estimating the Demand for Public Goods**

- T. Bergstrom, D. Rubinfeld, and P. Shapiro, "Micro-based Estimates of Demand Functions for Local School Expenditures," *EMA* 50 (September 1982), 1183-1205.
- \*S. Black, "Do Better Schools Matter? Parental Valuation of Elementary Education," *QJE* 114(2) (1999), 577-.**



- D. Brookshire, M. Thayer, W. Schulze, and R. d'Arge, "Valuing Public Goods: A Comparison of Survey and Hedonic Approaches," *AER* 72(1) (1982), 165-177.
- \*J. Gyourko and J. Tracy, "The Structure of Local Public Finance and the Quality of Life," *JPE* 99 (August 1991), 774-806.**
- \*E. Gramlich and D. Rubinfeld, "Micro Estimates of Public Spending Demand Functions and Tests of the Tiebout and Median Voter Hypotheses," *JPE* 90 (June 1982), 536-560.**
- W. Oates, "Estimating the Demand for Public Goods: The Collective Choice and Contingent Valuation Methods," in D. Bjornstad and J. Kahn, eds., The Contingent Valuation of Environmental Resources: Methodological Issues and Research Needs (Brookfield, VT: Ashgate, 1996), 211-30.
- C. Randall, "Price Specification and the Demand for Public Goods," *JPubE* 43 (1990), 93-106.
- J. Roback, "Wages, Rents, and the Quality of Life," *JPE* (1982), 1257-1276.
- J. Schwab and E. Zampelli, "Disentangling the Demand Function from the Production Function for Local Public Services: The Case for Public Safety," *JPubE* 33 (1987), 245-260.
- V. Smith and Y. Kaoru, "The Hedonic Travel Cost Model: A View from the Trenches," in V. Smith, Estimating Economic Values for Nature: Methods for Non-Market Valuation (Cheltenham, U.K.: Elgar, 1987), pp.214-27.

### **1.7 Empirical Tests of the Median Voter Model**

- J. Cullen, "The Incidence of Special Education Mandates," MIT mimeo (1997).
- R. Fisher, "Income and Grant Effects on Local Expenditure: The Flypaper Effect and Other Difficulties," *Journal of Urban Economics* 12 (1982), 324-345.
- \*N. Gordon, "Do Federal Funds Boost School Spending? Evidence from Title I," Harvard mimeo (2001).**
- J. Hines and R. Thaler, "Anomalies: The Flypaper Effect," *JEP* 9 (Fall 1995), 217-226.
- \*B. Knight, "Endogenous Federal Grants and Crowd-out of State Government Spending: Theory and Evidence from the Federal Highway Aid Program," *AER* 92(1) (2002), 71-92.**
- H. Ladd, "State Responses to TRA86 Revenue Windfalls," *Journal of Policy Analysis and Management* 12 (1993), 82-103.
- K. Strumpf, "A Predictive Index for the Flypaper Effect," *JPubE* 69(3) (1998), 389-412.

## **2. The Political Economy of Government**

### **2.1 The Scope and Growth of Government**

- D. Bellante and P. Porter, "Public and Private Employment over the Business Cycle: A Ratchet Theory of Government Growth," *Journal of Labor Research* 19 (1998), 613-28.
- T. Borchering, "The Causes of Government Expenditure Growth: A Survey of the U.S. Evidence," *JPubE* 28 (1985), 359-382.
- D. Feenberg and H. Rosen, "Tax Structure and Public Sector Growth," *JPubE* 32 (1987), 185-201.

- J. Ferris and E. West, "The Cost Disease and Government Growth: Qualifications to Baumol," *Public Choice* 89 (1996), 35-52.
- C. Holsey and T. Borchering, "Why Does Government's Share of National Income Grow?: An Assessment of the Recent Literature on the U.S. Experience," in D. Mueller, Perspectives on Public Choice (Cambridge: Cambridge University Press, 1997).
- J. Matsusaka, "Fiscal Effects of the Voter Initiative: Evidence from the Last 30 Years," *JPE* 103 (June 1995), 587-622.
- S. Peltzman, "The Growth of Government," *Journal of Law and Economics* 23 (1980), 209-287.
- S. Peltzman, "Voters as Fiscal Conservatives," *QJE* 107 (1992), 327-362.
- T. Persson, G. Roland, and G. Tabellini, "Comparative Politics and Public Finance," *JPE* 108 (2000), 1121-61.
- \*T. Persson and G. Tabellini, "Political Economics and Public Finance," NBER Working Paper 7097 (1999).
- K. Shepsle and B. Weingast, "Political Solutions to Market Problems," *American Political Science Review* 78 (1984), 417-434.
- 2.2 Bureaucrats and Elected Officials**
- A. Alesina and D. Rodrik, "Distributive Politics and Economic Growth," *QJE* 109 (May 1994), 465-490.
- A. Banerjee, "A Theory of Misgovernance," *QJE* 112 (1997), 1289-1332.
- \*D. Baron and J. Ferejohn, "Bargaining in Legislatures," *American Political Science Review* 83(4) (1989), 1181-1206.**
- \*T. Besley and S. Coate, "[An Economic Model of Representative Democracy](#)", *QJE* 108(1) (1997), 85-114.**
- M. Fiorina and R. Noll, "Voters, Bureaucrats, and Legislators: A Rational Choice Perspective on the Growth of Bureaucracy," *JPubE* 9 (1978), 239-255.
- K. Forbes and E. Zampelli, "Is Leviathan a Mythical Beast?," *AER* 79 (1989), 568-77.
- J. Heckman, J. Smith, and C. Taber, "What Do Bureaucrats Do? The Effects of Performance Standards and Bureaucratic Preferences on Acceptance into the JTPA Program," in G. Libecap, ed., Reinventing Government and the Problem of Bureaucracy (Greenwich, CT: JAI Press, 1996), 191-217.
- J. Laffont, "Political Economy, Information, and Incentives," *European Economic Review* 43 (1999), 649-669.
- M. Marlow, "Fiscal Decentralization and Government Size," *Public Choice* 56(3) (March 1988), 259-69.
- G. Miller, "The Impact of Economics on Contemporary Political Science," *JEL* 35 (1997): 1173-1204.
- G. Miller and T. Moe, "Bureaucrats, Legislators, and the Size of Government," *American Political Science Review* 77 (1983), 297-308.
- W. Niskanen, "Bureaucrats and Politicians," *Journal of Law and Economics* 18 (1975), 617-643.

- W. Oates, "Searching for Leviathan: An Empirical Study," *AER* 75 (1985), 748-758.
- W. Oates, "Searching for Leviathan: A Reply and Further Reflections," *AER* 79 (1989), 578-83.
- T. Persson, G. Roland, and G. Tabellini, "The Size and Scope of Government: Comparative Politics with Rational Politicians," *European Economic Review* 43 (1999), 699-735.
- T. Romer and H. Rosenthal, "Bureaucrats versus Voters: On the Political Economy of Resource Allocation by Direct Democracy," *QJE* 93 (1979), 563-588.
- T. Romer and H. Rosenthal, "Median Voters or Budget Maximizers: Evidence from School Expenditure Referenda," *Economic Inquiry* (1982), 556-578.
- A. Shleifer and R. Vishny, "Corruption," *QJE* 108 (August 1993), 599-618.
- J. Wilson, Bureaucracy: What Government Agencies Do and Why They Do It (New York: Basic Books, 1989).
- J. Zax, "Is There a Leviathan in Your Neighborhood?," *AER*, 79(1989), 560-67.

### **2.3 Fiscal Institutions and Public Choice**

- B. Abrams and W. Dougan, "The Effects of Constitutional Constraints on Government Spending," *Public Choice* 49 (1986), 101-116.
- T. Besley and A. Case, "Unnatural Experiments? Estimating the Incidence of Endogenous Policies," *Economic Journal* 110(467) (2000), F672-94.
- T. Besley and A. Case, "Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits," *QJE* 110 (August 1995), 769-798.
- K. Bradbury, C. Mayer, and K. Case, "Property Tax Limits and Local Fiscal Behavior: Did Massachusetts Cities and Towns Spend Too Little on Town Services Under Proposition 2 ½?," Federal Reserve Bank of Boston mimeo (1997).
- \*D. Cutler, D. Elmendorf, and R. Zeckhauser, "Restraining the Leviathan: Property Tax Limitation in Massachusetts," *JPubE* 71(3) (1999), 313-34.**
- T. Downes, R. Dye, and T. McGuire, "Do Limits Matter? Evidence on the Effects of Tax Limitations on Student Performance," *Journal of Urban Economics* 43 (1998), 401-17.
- R. Dye and T. McGuire, "The Effect of Property Tax Limitation Measures on Local Government Fiscal Behavior," *JPubE* 66(3) (December 1997), 469-87.
- D. Figlio, "Did the 'Tax Revolt' Reduce School Performance?," *JPubE* 65 (1997), 245-69.
- D. Figlio, "Short-term Effects of a 1990s-ERA Property Tax Limit: Panel Evidence on Oregon's Measure 5," *NTJ* 51(1) (March 1998), 55-70.
- D. Holz-Eakin, "The Line Item Veto and Public Sector Budgets: Evidence from the States," *JPubE* 36 (1988), 269-292.

**\*D. Lee, E. Moretti, and M. Butler, "Do Voters Affect or Elect Policies? Evidence from the U.S. House" *QJE* 119(3) (August 2004), 807-859.**  
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- J. Poterba, "State Responses to Fiscal Crises: The Effects of Budgetary Institutions and Politics," *JPE* 102 (August 1994), 799-821.
- J. Poterba, "Balanced Budget Rules and Fiscal Policy: Evidence from the States," *NTJ* 48 (1995), 329-337.
- J. Poterba and K. Rueben, "The Effect of Property-Tax Limits on Wages and Employment in the Local Public Sector," *AER* 85(2) (May 1995), 384-89.
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- J. Vigdor, "Other People's Taxes: Nonresident Voters and Statewide Limitation of Local Government," forthcoming, *Journal of Law and Economics*.  
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- J. von Hagen, "A Note on the Empirical Effectiveness of Formal Fiscal Restraints," *JPubE* 44 (March 1991), 199-210.
- J. von Hagen and I. Harden, "Budget Processes and Commitment to Fiscal Discipline," *European Economic Review* (1995), 771-9.

## 2.4 Endogenous Borders

- \*Alesina and Spalore, "[On the Size and Number of Nations](#)", *Quarterly Journal of Economics*, 1997.
- \*Alesina, Baqir, and Hoxby, "[Political Jurisdictions in Heterogeneous Communities](#)", *Quarterly Journal of Economics*, 2003.
- D. Brasington, "[Joint Provision of Public Goods: The Consolidation of School Districts](#)", *Journal of Public Economics*, 1999.

## 3. Public Finance with Competing Jurisdictions

### 3.1 Jurisdictional Competition: Theory and Evidence

- \*A. Alesina, C. Hoxby, and R. Baqir, "Political Jurisdictions in Heterogeneous Communities," *JPE* 112 (April 2004), 348-96.
- T. Besley and A. Case, "Vote-seeking, Tax-setting, and Yardstick Competition," *AER* 85 (1995), 25-45.
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