

**ECON 881.22**  
**New Developments in Local Public Finance**  
**Fall 2014**

**Instructor:**

**Juan Carlos Suárez Serrato**

Office Hours: Wednesday 10-11AM at Social Sciences 235

Email: [jc.suarez@duke.edu](mailto:jc.suarez@duke.edu)

**Meeting Times:** Mondays 1:25-3:55AM at Social Sciences 113

**Course Description:**

This course will introduce students to the study of local economies with an emphasis on place-based policies. The objective of the course is to give the student a critical overview of recent contributions with then end goal of fostering the development of their own research projects. The topics covered include the effects of local policies on housing markets, the incidence analysis of local shocks, the design of place-based policies, and the geographic distortions associated from national policies such as personal and corporate income taxes. As part of the course the students will develop a research proposal using the tools discussed in the class.

**Grading:**

- |    |                                |     |
|----|--------------------------------|-----|
| 1. | Class Participation            | 33% |
| 2. | Comments on Readings           | 33% |
| 3. | Class Project and Presentation | 33% |

**Reading Emails:**

Class participants will write a comment (about one or two paragraphs long) for each one of the assigned papers and submit them via Sakai by Sunday 5PM before the day of class. Comments may include observations about empirical or theoretical methods, suggestions for applications of models with different data, or identification strategies that can be used to identify these models. The comments should reveal that the author read the papers but they should not be summaries of the articles.

**Research Proposal:**

The main assignment for the course is a research proposal outlining a project (about 5-6 pages) that uses the concepts developed in the course. The description of the project should focus on answering an important question and should include the outlines of a model, data, and a potential identification strategy.

Students will present their proposal during the last class meeting. Students are encouraged to meet with the instructor to discuss their projects early in the course.

**Student Feedback:**

I would like to continue improving the course and welcome student feedback in person or via email. If you would rather send an anonymous comment, we encourage you to do so by filling out this anonymous form:

[http://www.jcsuarez.com/teaching\\_comments.html](http://www.jcsuarez.com/teaching_comments.html)

**For general university policies see:**

Grading: <http://registrar.duke.edu/faculty-staff/grading>

For students with disabilities: <http://access.duke.edu/students/faculty.php>

Absences: <http://trinity.duke.edu/undergraduate/academic-policies/missing-work-classes>

**Tentative Schedule:**

**Mon Aug 25 Class #1 – Local policies and housing markets**

S. Black (1999) “Do Better Schools Matter? Parental Valuation of Elementary Education,” Quarterly Journal of Economics

<http://qje.oxfordjournals.org/content/114/2/577.abstract>

F. Ferreira, J. Rothstein, and S. Cellini (2010) “The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design,” The Quarterly Journal of Economics

<http://real.wharton.upenn.edu/~fferreir/documents/qjec.2010.125.1.pdf>

P. Bayer, F. Ferreira, and R. McMillan (2007) “A Unified Framework for Measuring Preferences for Schools and Neighborhoods,” Journal of Political Economy

<http://real.wharton.upenn.edu/~fferreir/documents/522381.pdf>

M. Greenstone and J. Gallagher (2008) “Does Hazardous Waste Matter? Evidence from the Housing Market and the Superfund Program,” Quarterly Journal of Economics [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=840207](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=840207)

### **Mon Sep 1 Class #2 – Introduction to local economies and local shocks**

P. Kline, and E. Moretti (2013) “People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Programs,” *Annual Review of Economics*

J. Bound and H. Holzer (2000) “Demand Shifts, Population Adjustments and Labor Market Outcomes During the 1980’s,” *Journal of Labor Economics*  
<http://www.jstor.org/discover/10.1086/209949?uid=2&uid=4&sid=21102004362743>

M. Notowidigdo (2013) “The incidence of local labor demand shocks” mimeo  
[http://faculty.chicagobooth.edu/matthew.notowidigdo/research/notowidigdo\\_JMP\\_20130329.pdf](http://faculty.chicagobooth.edu/matthew.notowidigdo/research/notowidigdo_JMP_20130329.pdf)

### **Mon Sep 8 Class #3 – Regional costs and geographical distortions**

E. Moretti (2011) “Real Wage Inequality,” *American Economic Journal: Applied Economics*, forthcoming. <http://emlab.berkeley.edu/~moretti/inequality.pdf>

R. Chetty, N. Hendren, P. Kline, E. Saez “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” [www.equality-of-opportunity.org](http://www.equality-of-opportunity.org)

D. Albouy (2009) “The Unequal Geographic Burden of Federal Taxation,” *Journal of Political Economy* <http://www-personal.umich.edu/~albouy/federaltaxes.pdf>

### **Mon Sep 15 Class #4 – Place-based policies**

P. Kline (2010) “Place Based Policies, Heterogeneity, and Agglomeration American,” *Economic Review: Papers and Proceedings*  
[http://www.aeaweb.org/atypon.php?return\\_to=/doi/pdfplus/10.1257/aer.100.2.383](http://www.aeaweb.org/atypon.php?return_to=/doi/pdfplus/10.1257/aer.100.2.383)

M. Busso, P. Kline, and J. Gregory “Assessing the Incidence and Efficiency of a Prominent Place Based Policy,” *American Economic Review*  
[http://www.aeaweb.org/atypon.php?return\\_to=/doi/pdfplus/10.1257/aer.100.2.383](http://www.aeaweb.org/atypon.php?return_to=/doi/pdfplus/10.1257/aer.100.2.383)

J.C. Suárez Serrato and P. Wingender (2012) “Estimating the Incidence of Government Spending” [http://www.jcsuarez.com/Files/Suarez\\_Serrato-JMP1.pdf](http://www.jcsuarez.com/Files/Suarez_Serrato-JMP1.pdf)

J.C. Suárez Serrato and Owen Zidar (2014) "Who Benefits From State Corporate Tax Cuts? A Local Labor Markets Approach"

[http://www.jcsuarez.com/Files/Suarez\\_Serrato-Zidar-Corp\\_Tax.pdf](http://www.jcsuarez.com/Files/Suarez_Serrato-Zidar-Corp_Tax.pdf)

### **Mon Sep 22 Class #5 – Agglomeration**

E. Glaeser and J. Gottlieb (2008) "The Economics of Place-Making Policies,"  
Brookings Papers on Economic Activity

[http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2008\\_spring\\_bpea\\_papers/2008a\\_bpea\\_glaeser.pdf](http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2008_spring_bpea_papers/2008a_bpea_glaeser.pdf)

M. Greenstone, R. Hornbeck, and E. Moretti (2010) "Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings," *Journal of Political Economy*

<http://emlab.berkeley.edu/~moretti/mdp2.pdf>

P. Kline and E. Moretti (2013) "Local Economic Development, Agglomeration Economies and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority," <http://emlab.berkeley.edu/~moretti/tva.pdf>

R. Diamond (2013) "The Determinants and Welfare Implications of US Workers' Diverging Location Choices by Skill: 1980-2000" mimeo

[http://www.people.fas.harvard.edu/~rdiamond/rdiamond\\_jmp\\_final.pdf](http://www.people.fas.harvard.edu/~rdiamond/rdiamond_jmp_final.pdf)

### **Mon Sep 29 Class #6 – Trade**

D. Donaldson (2013) "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure" *American Economic Review*

<http://economics.mit.edu/files/6038>

C. Gaubert (2014) "Firm Sorting and Agglomeration," Princeton University

L. Caliendo, E. Rossi-Hansberg, F. Parro, and P.-D. Sarte (2014) "The Impact of Regional and Sectoral Productivity Changes on the U.S. Economy:"

T. Allen, and C. Arkolakis (2014) "Trade and the Topography of the Spatial Economy," *NBER Working Paper 19181*

### **Mon Oct 6 Class #7 – Student Presentations**

### **Additional Papers for Suggested Reading:**

E Severnini (2013) "The Power of Hydroelectric Dams: Agglomeration Spillovers" mimeo. <https://sites.google.com/site/ersevernini/home/job-market-paper>

J. Gregory (2012) "The Impact of Rebuilding Grants and Wage Subsidies on the Resettlement Choices of Hurricane Katrina Victims" mimeo  
[http://ssc.wisc.edu/~jmgregory/Gregory\\_katrina\\_dissertation2.pdf](http://ssc.wisc.edu/~jmgregory/Gregory_katrina_dissertation2.pdf)

J. Handbury (2012) "Are Poor Cities Cheap for Everyone? Non-Homotheticity and the Cost of Living Across U.S. Cities" mimeo <https://real-estate.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=5189>

A. Rothenberg (2012) "Transport Infrastructure and Firm Location Choice in Equilibrium: Evidence from Indonesia's Highways" mimeo  
<https://sites.google.com/site/alexrothenberg/research>

N. Bau-Snow and Kahn (2005) "Effects of Urban Rail Transit Expansions: Evidence from Sixteen Cities," Brookings-Wharton Papers on Urban Affairs  
[http://www.econ.brown.edu/fac/nathaniel\\_baum-snow/brook\\_final.pdf](http://www.econ.brown.edu/fac/nathaniel_baum-snow/brook_final.pdf)

E. Moretti (2011) "Local Labor Markets", in Handbook of Labor Economics  
<http://emlab.berkeley.edu/~moretti/handbook.pdf>