

ECON 881.22 – Fall 2015
New Developments in Local Public Finance

Instructor: Juan Carlos Suárez Serrato (jc.suarez@duke.edu)
Meeting Times: Mondays 1:25-3:55PM at Social Sciences 105
Office Hours: Wednesday 10-11AM at Social Sciences 235

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 the 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

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| 1. | Class Participation and Reading Emails | 33% |
| 2. | Problem Sets (4) | 33% |
| 3. | Class Project and Presentation | 33% |

Comments on Readings

Class participants will write a comment (one paragraph) 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 may also include questions about the material in the papers. The comments should reveal that the student read the papers but they should not be summaries of the articles. All comments should be concise and the best are also insightful.

Problem Sets

4 empirical problem sets will be assigned to help students attain a better grasp of the material discussed in class and to help them develop their own analytic skills. Completion of these problem sets requires knowledge of STATA. Solutions to the problems sets include do files, log files, tables, and discussion of results.

Research Proposal

The final assignment is a research proposal outlining a project (about 5-6 pages) that applies the concepts developed in the course. The project should focus on answering an important question and should include a model, data to be used, 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.

University Policies

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

Disabilities: <http://access.duke.edu/students/faculty.php>

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

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

Class Material

The course is mostly based on published and working research papers. We will complement this material with background readings on applied econometrics from the following books:

- *Mostly Harmless Econometrics: An Empiricist's Companion* by Angrist and Pischke
- *Microeconometrics Using Stata* by Cameron and Trivedi
- *Discrete Choice Methods with Simulation* by Train
<http://eml.berkeley.edu/books/choice2.html>

Tentative Schedule

Mon Aug 24 Class #1 – Local policies and housing markets

Econometric Review: Angrist and Pischke Ch 2,3.1,3.2,5.1,5.2 and 6.1
Train Ch 2 and 3

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

Mon Aug 31 Class #2 – Introduction to local economies and local shocks

→ PS 1 Due By Start of Class

Econometric Review: Angrist and Pischke Ch 4

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

Mon Sep 7 Class #3 – Regional costs and geographical distortions

→ PS 2 Due By Start of Class

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

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

Mon Sep 14 Class #4 – Place-based policies

→ PS 3 Due By Start of Class

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

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

J.C. Suárez Serrato and P. Wingender (2012) “Estimating the Incidence of Government Spending” 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

Mon Sep 21 Class #5 – Agglomeration

→ PS 4 Due By Start of Class

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/2008_a_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

Mon Sep 28 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 5 Class #7 – Catch-up and Student Presentations

Additional Papers for Suggested Reading:

Papers in this conference:

<http://econ.duke.edu/erid/conferences/advances-and-applications-of-spatial-equilibrium-in-economics>

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

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

[estate.wharton.upenn.edu/files/?whdmsaction=public:main.file&fileID=5189](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. Baum-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

E. Moretti (2011) "Local Labor Markets", in Handbook of Labor Economics

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