Seminar Public Economics 2, Winter Term 2017/18

Prof. Buettner/Prof. Rincke/Prof. Wrede

Course Description:

During the seminar, participants will discuss a broad range of topics. A first set of topics address questions related to **housing, land use regulation, and land use pattern** (Prof. Wrede). A second set relates to motives for **recruitment, incentives and service delivery in the public sector** (Prof. Rincke). Finally, the seminar also deals with **empirical research on taxes, subsidies and transfers as instruments of public policy** (Prof. Büttner). The list of topics below provides more details, including references and brief comments on the research questions covered in the respective literature.

The seminar has two consecutive parts. **In the first part, students write a thesis (15 pages)** under the guidance of their advisor. In an introductory session, students learn about the principles of scientific work and the scope of analysis that is expected. The thesis elaborates on the literature (see the list of topics for the main article(s) to be covered). Students are expected to search for additional literature and then work independently on their topic. Advisors provide close guidance during this process. **The second part consists of a two-day seminar (December 14th/15th) of students' presentations**. Before preparing their presentations, supervisors will provide students with detailed feedback on their thesis.

Organisational details and grading:

- The seminar is jointly organized by the chairs of Prof. Buettner, Prof. Rincke, and Prof. Wrede.
- Students who want to participate should express their interest by submitting a participation form (see webpage of Prof. Rincke's chair) to david.hardt@fau.de until **July 17th, 2017.**
- Please indicate your preferred topics. Preference will be given to the earliest submissions.
- After being assigned to a specific topic, students can repeal their participation within a week's time. After that deadline has passed, participation in the seminar is mandatory. Students not handing in a thesis in time will be graded a 5.0.
- Please note that the maximum number of participants is 10 students.
- Additional information on how to write a seminar paper, how to search for literature, etc. will be provided in an introductory session.
- Grading: The overall grade will reflect the quality of the thesis (50%), the presentation in the seminar (30%), and the student's contributions to the discussion following each of the presentations (20%).

List of Topics

Block 1: Housing, land use regulation, and land use pattern (Prof. Wrede)

1. Urban theory of city structure and environment (n.a.)

Q: Analyze theoretically the relationship between land use pattern and environmental impact/quality

Gaigné, C., Riou, S. & Thisse, J.-F. (2012). Are compact cities environmentally friendly? Journal of Urban Economics 72 (2-3), 123-136.

Schindler, M, Caruso, G. & Picard, P. (2017). Equilibrium and first-best city with endogenous exposure to local air pollution from traffic. Regional Science and Urban Economics 62,12-23.

2. Land use regulation, land prices and welfare (n.a.)

Q: Analyze empirically the relationship between land use regulation, land prices and welfare

Hilber, C. & Vermeulen, W. (2015). The impact of supply constraints on house prices in England. Economic Journal 126, 358-405.

Turner, M.A., Haughwout, A. & van der Klaauw, W. (2014). Land use regulation and welfare. Econometrica 82 (4), 1341-1403

3. Non-local investors on local housing markets (n.a.)

Q: Analyze the impact of investment from outsiders on local housing markets and policy responses

Hilber, C. & Schoeni, O. (2017). The Housing Market Impacts of Constraining Second Home Investments. Working Paper.

Sa, F. (2017). The Effect of Foreign Investors on Local Housing Markets: Evidence from the UK. Working Paper.

4. Vertical city (n.a.)

Q: Analyze the vertical dimension of rents

Ahlfeldt, G. & McMillen, D. (2015). The Vertical City: The Price of Land and the Height of Buildings in Chicago 1870-2010. SERC Discussion Paper 180.

Liu, C., Rosenthal, S. & Strange, W. (2016). The Vertical City: Rent Gradients, Spatial Structure, and Agglomeration Economies. Working Paper.

Block 2: Recruitment, incentives and service delivery in the public sector (Prof. Rincke)

5. Career incentives, selection, and performance in the public sector (n.a.)

Q: Do career incentives affect selection into public sector jobs and public service delivery?

Ashraf, N., Bandiera, O., Lee, S.S., 2016. Do-gooders and Go-getters: Selection and Performance in Public Service Delivery (Working Paper).

Dal Bó, E., Finan, F., Rossi, M.A., 2013. Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service. Quarterly Journal of Economics, 128 (3), 1169-1218.

6. Incentive pay in the public sector (n.a.)

Q: Does incentive pay help to improve performance by public sector employees?

Khan, A.Q., Khwaja, A.I., Olken, B.A., 2016. Tax Farming Redux: Experimental Evidence on Performance Pay for Tax Collectors. Quarterly Journal of Economics, 131 (1), 219–271.

7. Does monitoring reduce public sector corruption? (n.a.)

Q: It is difficult to effectively fight corruption. What is the role of monitoring public sector agents that can engage in corruption?

Olken, B.A., 2007. Monitoring Corruption: Evidence from a Field Experiment in Indonesia. Journal of Political Economy, 15(2), 200-249.

8. Community-based monitoring and public service delivery (n.a.)

Q: Monitoring of public sector agents is costly. Does community monitoring help to improve public sector delivery?

Björkman, M., Svensson, J., 2009. Power to the People: Evidence from a Randomized Field Experiment on Community-Based Monitoring in Uganda, Quarterly Journal of Economics 124, 735-769.

Block 3: Empirical Effects of Taxes and Subsidies (Prof. Büttner)

9. Enforcement of Indirect Taxes: the Case of VAT (n.a)

Q: The value added tax is now a key revenue instrument worldwide. What is the role of tax enforcement for this success?

Keen, Michael and Lockwood, Ben (2006), Is the VAT a Money Machine?, National Tax Journal, 59:4, pp. 905-28.

Pomeranz, D. (2015): No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax, American Economic Review, vol. 105, no. 8, August 2015, pp. 2539-2369

10. Energy Efficiency Gap (n.a)

Q: Can energy efficiency subsidies help in reducing the Energy Efficiency Gap?

Allcott, H. and M. Greenstone, 2012. Is There an Energy Efficiency Gap? The Journal of Economic Perspectives, 26(1), pp.3-28.

Allcott, H., & Wozny, N. (2014). Gasoline prices, fuel economy, and the energy paradox. Review of Economics and Statistics, 96(5), 779-795.

11. Ethnic Diversity and Welfare Spending (n.a)

Q: Theory suggests a negative link between immigration and welfare generosity. Does the empirical literature provide empirical evidence for this link?

Jofre-Monseny, J., Sorribas-Navarro, P. and J. Vázquez-Grenno (2016): Immigration and local spending in social services: evidence from a massive immigration wave, International Tax Public Finance 23, 1004-1029.

Gerdes, C. (2011): The impact of immigration on the size of government: empirical evidence from Danish municipalities, The Scandinavian Journal of Economics, 113(1), 74-92.

12. Real Estate Transfer Taxes (n.a)

Q: From a theoretical perspective, the taxation of real estate transactions is under critique as it distorts the housing market. Is this confirmed by the empirical literature?

Dachis, B., Duranton, G., & Turner, M. A. (2011). The effects of land transfer taxes on real estate markets: evidence from a natural experiment in Toronto. Journal of Economic Geography, 12(2), 327-354.

Besley, T., Meads, N., Surico, P. (2014). The incidence of transaction taxes: Evidence from a stamp duty holiday. Journal of Public Economics 119, 61-70.