

40993 – POLICY PROCESS
Bocconi University
A.Y. 2023-2024

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Course description

This course provides a survey of the field of public economics. The course covers several of the most important public policy questions modern governments face, including tax policy, transfer policy, social insurance, pensions and minimum wages. The course material will be motivated by current policy questions, and then discuss important empirical and theoretical insights on that question from the economics literature. At the end of the course, the participants will have a clearer understanding of the economic insights on key policy questions, as well as an understanding of the methodologies used to produce these insights.

Course structure

The course is structured in four modules:

- Part I: Social insurance
- Part II: Taxes and transfers
- Part III: Social economics
- Part IV: Topics in policy analysis

Each week will feature (1) a lecture and (2) the presentation and discussion of at least one paper. The lecture will cover key concepts from theoretical and empirical work in public economics. Each week, one or more papers will be selected for discussion. All students should read the paper in advance and prepare for the discussion. Each week one or more students should prepare an in-depth presentation of the paper that will be used to lead the discussion. In-class presentations and discussions are propaedeutic to the final assessment.

Lecture topics and readings

Readings emphasized in class are marked with [*]

Part I. Social insurance

Introduction to social insurance

1. Chetty, R. and A. Finkelstein (2013). "Social Insurance: Connecting Theory to Data." Chapter 3 in *Handbook of Public Economics*, Vol 5.

Unemployment insurance

2. Chetty R. (2009). "Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods." *Annual Review of Economics* 1, 451-488.
3. Gruber, J. (1997). "The Consumption Smoothing Benefits of Unemployment Insurance." *American Economic Review* 87, 192-205. [*]
4. Meyer, B. (1990) "Unemployment Insurance and Unemployment Spells." *Econometrica* 58, 757-782.
5. Kolsrud, J., C. Landais, P. Nilsson, and J. Spinnewijn (2018). "The Optimal Timing of Unemployment Benefits: Theory and Evidence from Sweden." *American Economic Review*, 108 (4-5): 985-1033.
6. Krueger, A. and A. Mueller (2010). "Job search and unemployment insurance: New evidence from time use data." *Journal of Public Economics* 94, 298-307. [*]
7. Schmieder, J., T. Von Wachter, and S. Bender (2012). "The Effects of Extended Unemployment Insurance Over the Business Cycle: Regression Discontinuity Estimates over 20 years." *Quarterly Journal of Economics* 127(2), 701-752. [*]

Social security

8. Banks, J., R. Blundell, and S. Tanner (1998). "Is There a Retirement-Savings Puzzle?" *American Economic Review* 88(4), 769-788. [*]
9. Gruber, J. (2019). Chapter 13. *Public Finance and Public Policy*. Worth Publishers, New York.
10. Gruber, J. and D. Wise (1999), "Social Security Programs and Retirement Around the World: Introduction and Summary." in Jonathan Gruber and David Wise, eds., *Social Security and Retirement Around the World* (Chicago: University of Chicago Press), p. 1-36.

11. Chetty, R., Friedman, J., Leth-Petersen, S., Nielsen, T. and T. Olsen (2014). "Active vs. Passive Decisions and Crowd-out in Retirement Savings Accounts: Evidence from Denmark." *Quarterly Journal of Economics* 129(3): 1141-1219. [*]

Part II. Tax and transfers

Labor supply responses to tax and transfers

12. Blundell, R. and T. MaCurdy (1999). "Labor Supply: A Review of Alternative Approaches." in O. Ashenfelter and D. Card (eds.), *Handbook of Labor Economics* vol. 3A, Elsevier, Amsterdam.
13. Chetty, R., J. Friedman, T. Olsen, and L. Pistaferri (2011). "Adjustment Costs, Firm Responses, and Micro vs. Macro Labor Supply Elasticities: Evidence from Danish Tax Records." *Quarterly Journal of Economics* 126, 749-804. [*]
14. Chetty, R., J. Friedman, and E. Saez (2013). "Using Differences in Knowledge Across Neighborhoods to Uncover the Impacts of the EITC on Earnings." *American Economic Review* 103, 2683-2721. [*]
15. Eissa, N. (1995). "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment." NBER Working Paper No. 5023. [*]
16. Eissa, N. and J. Liebman (1996). "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics* 111, 605-37.
17. Saez, E. (2010). "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy* 2, 180-212. [*]

Part III. Preferences for redistribution

18. Alesina, A. and P. Giuliano (2011). "Preferences for Redistribution." In *Handbook of Social Economics*, edited by J. Benhabib, A. Bisin, and M. O. Jackson, 93–131. North Holland: Elsevier.
19. Alesina, A., A. Miano, and S. Stantcheva (forthcoming). "Immigration and Redistribution." *Review of Economic Studies*.
20. Alesina, A., S. Stantcheva, and E. Teso (2018). "Intergenerational Mobility and Preferences for Redistribution." *American Economic Review* 108 (2), 521–554.
21. Kreiner, C. T., K. B. Hvidberg, and S. Stantcheva (2015). "How Elastic Are Preferences for Redistribution? Evidence from Randomized Survey Experiments." *American Economic Review* 105 (4): 1478–1508.

22. Kuziemko, I., M. I. Norton, E. Saez, and S. Stantcheva (2021). "Social Positions and Fairness Views on Inequality." NBER Working Paper No. 28099.
23. Saez, E., and Stefanie Stantcheva (2016). "Generalized Social Marginal Welfare Weights for Optimal Tax Theory." *American Economic Review* 106 (1): 24-45. [*]
24. Stantcheva, S. (2021). "Understanding Tax Policy: How do people Reason?" *Quarterly Journal of Economics* 136(4): 2309–2369. [*]

Part IV. Topics in policy analysis

Low-income support: tax credits and minimum wages

25. Dube, A. (2019). "Minimum Wages and the Distribution of Family Incomes." *American Economic Journal: Applied Economics*, 11 (4): 268-304.
26. Giupponi, G., R. Joyce, A. Lindner, T. Waters, T. Wernham and X. Xu (2022). "The Employment and Distributional Impacts of Nationwide Minimum Wage Changes." Working Paper.
27. Harasztosi, P., and A. Lindner (2019). "Who Pays for the Minimum Wage?" *American Economic Review*, 109 (8), 2693-2727. [*]
28. Kleven, H. (2022). "The EITC and the Extensive Margin: A Reappraisal." NBER Working Paper No. 26405.
29. Lee, D., and E. Saez (2012). "Optimal Minimum Wage Policy in Competitive Labor Markets." *Journal of Public Economics*, 96 (9-10), 739-749.
30. Kleven, H. (2014). "How Can Scandinavians Tax So Much?" *Journal of Economic Perspectives*, 28 (4): 77-98. [*]

Unconditional cash transfers

31. Hoynes, H., and J. Rothstein (2019). "Universal Basic Income in the United States and Advanced Countries." *Annual Review of Economics* 11(1), 929-958.
32. Jones, D., and I. Marinescu (2022). "The Labor Market Impacts of Universal and Permanent Cash Transfers: Evidence from the Alaska Permanent Fund." *American Economic Journal: Economic Policy*, 14 (2): 315-40.
33. Marinescu, I. (2018). "No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs." NBER Working Paper 24337. [*]

Labor market stabilization: insuring jobs or insuring workers

34. Giupponi, G., and C. Landais (2022). "Subsidizing Labor Hoarding in Recessions: The Employment and Welfare Effects of Short Time Work." Working Paper. [*]
35. Giupponi, G., C. Landais, and A. Lapeyre (2022). "Should We Insure Workers or Jobs During Recessions?" Working Paper. [*]
36. Landais, C., P. Michailat, and E. Saez (2018). "A Macroeconomic Approach to Optimal Unemployment Insurance: Theory." *American Economic Journal: Economic Policy*, 10 (2), 152-81. [*]

Additional references

General References in Public Economics:

1. Atkinson, A. and J. E. Stiglitz (1980). *Lectures on Public Economics*, McGraw-Hill, Singapore.
2. Auerbach, A. J. and M. Feldstein (eds.), *Handbook of Public Economics*, vol. 1 (1985), vol. 2 (1987), vol. 3 (2002), vol. 4 (2002), vol. 5 (2013), Elsevier, Amsterdam.
3. Gruber, J. (2019). *Public Finance and Public Policy*, Worth Publishers, New York.
4. Laffont, J.-J. (1988) *Fundamentals of Public Economics*. MIT Press.
5. Myles, G. (1995). *Public Economics*, Cambridge University Press, Cambridge.
6. Salanié, B. (2003). *The Economics of Taxation*, MIT Press, Cambridge.

Background References on Empirical Methods:

1. Angrist, J. and A. Krueger (2001). "Instrumental Variables and the Search for Identification: From Supply and Demand to Natural Experiments." *Journal of Economic Perspectives* 15, 69-87.
2. Angrist, J. and S. Pischke (2009). "Mostly Harmless Econometrics: An Empiricist's Companion." Princeton University Press, Princeton.
3. Bertrand, M., E. Duflo, and S. Mullainathan (2004). "How Much Should We Trust Differences-in-Differences Estimates?" *Quarterly Journal of Economics* 119, 249-275.
4. Duflo, E. (2002). "Empirical Methods." MIT Mimeo.

Assessment

The assessment for this course will be a take-home assignment. Students will be asked to write a referee report on a paper provided by the course instructor. Detailed instructions will be provided separately.

Honor code

Bocconi University conceives of education as an ongoing process that stretches across a person's entire professional life. The University hopes that the entire Bocconi community will respect the values of fairness and correctness associated with it, values which inspire and guide the conduct of all community members as they pursue common objectives and a shared mission.

Bocconi University is also committed to building a truly inclusive climate based on diversity. With the collaboration of faculty and students, it aims to ensure a safe learning environment free from any form of discrimination based on race, religion, gender, geography, age, disability or sexual orientation, in which there is room for a diversity of approaches and where discussions are always conducted in a respectful manner.

The Bocconi University Honor Code is published on the website at <http://www.unibocconi.eu/honorcode>, and all students are encouraged to read it.

All students participating in the course are expected to adhere to these principles. Should you feel uncomfortable, please get in touch with one of the course lecturers.

Course schedule

All lectures are held in room 1.E4.SR01

Date	Time	Topic
Part I. Social insurance		
Tue. 30/01/2024	14.45 - 16.15	Introduction to social insurance
Tue. 30/01/2024	16.30 - 18.00	Unemployment insurance
Tue. 06/02/2024	14.45 - 16.15	Unemployment insurance
Tue. 06/02/2024	16.30 - 18.00	Social security
Part II. Taxes and transfers		
Tue. 13/02/2024	14.45 - 18.00	Labor supply responses to taxes and transfers
Part III. Social economics		
Tue. 20/02/2024	14.45 - 18.00	Preferences for redistribution
Part IV. Topics in policy analysis		
Tue. 27/02/2024	14.45 - 18.00	Low-income support: tax credits and minimum wages
Tue. 05/03/2024	14.45 - 18.00	Labor market stabilization: insuring jobs or insuring workers