



## 2. Teaching guide

### ◉ **Course description**

This course focuses on selected topics in public economics, specifically concerning government expenditures. We will start by exploring the economic rationale for, the economic effects of, and the optimal design of social insurance programs. We will use this framework to study specific applications, including unemployment insurance, public health insurance, and pension systems. Time permitting, we will then cover additional expenditure topics such as economic stimulus and government procurement.

As an applied microeconomics class, students are expected to have some previous knowledge of graduate-level microeconomics and econometrics. Additionally, when reviewing some of the most recent research in each of the discussed topics, we will emphasize and critically discuss the frontier research methods used in public economics. This should make the class highly complementary with advanced courses offered in other related fields, such as labor economics, political economy, development economics, gender economics, etc.

### ◉ **Intended audience and methodology**

This course is mainly intended for MRes students who want to specialize and do their own research in public economics or a related applied microeconomics field. The course is also suitable for students in the Barcelona GSE terminal master's program who have an interest in public economics or related applied fields. While the lectures and readings will be the same for all enrolled students, there will be two evaluation tracks (see below) to accommodate students with different goals.

The course is organized around ten lectures over five weeks. Attendance and participation are critical and required. I expect that students will come to class prepared to actively discuss the topic of the lecture, having read the suggested material beforehand. Lectures will typically provide some general conceptual framework that organizes how economists think about the topic. Then we will often review a few "classic" empirical papers on the subject before quickly moving to recent frontier applications, which we will assess critically.

The purpose of this structure is to allow students to get introduced to the relevant literature on each topic. The critical discussion should allow students

who want to do their own research, to identify open questions and inspire new projects that can be feasibly executed by them. The course should provide all students with the necessary tools to critically assess the relevant empirical evidence on public policy topics.

### ◉ **Assessment and Grading System**

The class grade is given by three components:

- Class participation (15%). Students should come to lectures ready to participate in discussions about the topic covered that day. This will typically involve some assigned reading beforehand.
- “Problem Sets” (35%). Students will work at home on assigned exercises, which may include solving conceptual problems, simulating a referee report, replicating a subset of the empirical findings of a paper, discussing conceptual issues, and/or proposing extensions to paper.
- Written Assignment (50%). For the written assignment, there will be two possible activities: (a) a research proposal, designed for students who want to produce their own research; or (b) a policy report, designed for students who want to apply the course material to the critical analysis of public policies. MRes students must choose a research proposal, while other students may freely choose between the two options.

### ◉ **Course Contents**

- I. Introduction**
- II. Social Insurance: Rationale and Optimal Design**
- III. Unemployment Insurance**
- IV. Disability Insurance**
- V. Public Health Insurance**
- VI. Retirement/Pensions**
- VII. Fiscal Stimulus (may not cover due to time constraints)**
- VIII. Government Procurement (may not cover due to time constraints)**

## ◉ Readings

The following is a *\*preliminary\** and long list of references for the topics covered in class. Required readings will be communicated ahead of lecture and may involve other references not listed here.

### I. Introduction and Rationales for Government Intervention

- Akerlof, G. A. (1970). The Market for “Lemons”: Quality Uncertainty and the Market Mechanism. *The Quarterly Journal of Economics*. <https://doi.org/10.2307/1879431>
- Chiappori, P.-A., & Salanie, B. (2000). Testing for Asymmetric Information in Insurance Markets. *Journal of Political Economy*, 108(1), 56–78. <https://doi.org/10.1086/262111>
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- Rothschild, M., & Stiglitz, J. (1976). Equilibrium in Competitive Insurance Markets: An Essay on the Economics of Imperfect Information. *The Quarterly Journal of Economics*. <https://doi.org/10.2307/1885326>

## II. Optimal social insurance and unemployment insurance

- Baily, M. (1978). Some Aspects of Optimal Unemployment Insurance," *Journal of Public Economics* 10, 379-402.
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- Chetty, Raj & Amy Finkelstein. (2013). Social Insurance: Connecting Theory to Data. *Handbook of Public Economics*, Vol. 5: 111-193.
- Chetty, R., & Looney, A. (2006). Consumption smoothing and the welfare consequences of social insurance in developing economies. *Journal of Public Economics*. <https://doi.org/10.1016/j.jpubeco.2006.07.002>
- Cullen, J. B., & Gruber, J. (2000). Does Unemployment Insurance Crowd out Spousal Labor Supply? *Journal of Labor Economics*. <https://doi.org/10.1086/209969>
- Daniel, S., & Von Wachter, T. (2009). Job displacement and mortality: An analysis using administrative data. *Quarterly Journal of Economics*. <https://doi.org/10.1162/qjec.2009.124.3.1265>
- Feldstein, M. (1976). Temporary Layoffs in the Theory of Unemployment. *Journal of Political Economy*. <https://doi.org/10.1086/260491>
- Feldstein, M. (1978). The Effect of Unemployment Insurance on Temporary Layoff Unemployment. *The American Economic Review*, 68(5), 834–846. Retrieved from <http://www.jstor.org/stable/1811316>
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- Topel, R. (1983). On layoffs and unemployment insurance. *American Economic Review*. <https://doi.org/10.1126/science.151.3712.867-a>

### III. Public health insurance

- Abaluck, J., & Gruber, J. (2011). Choice Inconsistencies among the Elderly: Evidence from Plan Choice in the Medicare Part D Program. *American Economic Review*, 101(4), 1180–1210. <http://www.aeaweb.org/articles?id=10.1257/aer.101.4.1180>
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