Jean-Robert Tyran
University of Vienna

Master course
Fall 2013

UK 040789

Rethinking Public Economics

Content: This course offers a fresh perspective on Public Economics by asking how Behavioral Economics promotes our knowledge of Public Economics.

Public Economics traditionally addresses issues like government taxation and spending and efficiency-based reasons for government intervention. In a broader perspective, public economics also covers all aspects of public policy and political economy.
Behavioral Economics incorporates insights psychology and other neighboring disciplines in the social sciences into economics to make economics a more powerful science of human behavior.

Method: Students present and discuss recent research in behavioral public economics in class. They also provide short papers which summarize and critically reflect on selected recent research.

Aim: Students learn to be critical consumers of current research in behavioral economics. Students learn to contrast the empirical and theoretical findings in behavioral economics with conventional approaches and results in selected topics of public economics. Students critically reflect on the challenges for theory and policy applications of conventional public economics. The course provides ample opportunity for students to foster their presentation, writing and debating skills.

Requirements: Participants need to have taken an introduction to Public Economics, for example my lecture “Grundzüge der Finanzwissenschaft”.

Organization: Depending on the number of participants, students will present and discuss papers individually or in work groups (max. 3 students). Students working in groups are individually graded insofar as their individual performance can be clearly assessed. Otherwise, all students in a group get the same grade. We determine the “Group in Charge” for each paper/topic in the first session. It is therefore imperative to *participate in the first session* where I briefly summarize the papers and students pick which ones to present. Students who cannot (for a good reason) participate in the first session should send me an e-mail naming at least three papers from the reading list which they are committed to present one week before the first session.

Grading:
Successful students earn **8 ECTS** credits. Each part i) to iv) below is graded on a scale 1 to 5 and the final grade is the weighted average of these grades using the weights indicated below.

i) Present. The Group in Charge presents the paper or topic of the day in about 30’ and answers questions for clarification by the participants and the instructor (about 15’). Send me your slides by e-mail. Deadline: 1 pm on the day of the presentation (40% of final grade). See guidelines on my webpage.

ii) Guide the discussion. The Group in Charge prepares questions for discussion. Send me a sheet (max. 1 page) with questions for discussion on the topic of the day (by e-mail, deadline: 1 pm on the day of the presentation) and distribute copies to students in class. Group in Charge leads/navigates the discussion. Note that we may discuss a (long, interesting or difficult) paper on more than one session. (20% of final grade).

iii) Submit questions. Each student submits questions for discussion to *at least one* topic we discuss in class (max. 3 questions per topic). Best grade counts. Briefly comment on your question (i.e. provide a short motivation for why the question may be relevant or interesting to discuss, max. 1 page per question). Deadline: 24 hours before the day of the respective seminar, by e-mail to me (30% of final grade). I will forward the question to the Group in Charge. See guidelines on my webpage.

iv) Discuss. Grading is also based on active participation. Students must not miss more than two sessions else they are graded "fail" on this part (10% of final grade).

Times and places

The course **starts October 7**, ends January 28, 2014.
Mondays 16:15-18:00 (HS 3, ground floor)
Tuesdays 16:15-18:00 (Oct. 8 - Nov. 19 & Dec. 17: HS 9, 1st floor;
all other Tuesdays, i.e. Nov. 26 - Dec. 10 & Jan. 7 - 28, HS 10

Week	
40	no class
41	Mon & Tues: Introduction, organization and selection of topics (Tyran)
42	Mon & Tues: Hindriks & Myles, Ch. 3 (Tyran)
43	Mon & Tues: discussion in class
44	Mon & Tues: discussion in class
45	Mon & Tues: discussion in class
46	Mon & Tues: no class
47	Mon & Tues: discussion in class
48	Mon & Tues: discussion in class
49	Mon & Tues: discussion in class
50	Mon & Tues: discussion in class
51/52/1	no class
2	Mon & Tues: no class
3	Mon & Tues: discussion in class
4	Mon & Tues: discussion in class
5	Mon & Tues: discussion in class

General references
(these textbook treatments serve as a general reference and cannot be chosen by students for presentation)

- Hindriks, J. and Myles, G.D. (2013): *Intermediate Public Economics*. 2nd ed. MIT Press. Especially Ch. 3: Behavioral Economics, pp. 51-88.
- Cartwright, E. (2011): *Behavioral Economics*. New York: Routledge. Especially Part IV: Welfare and Policy: pp. 391-456.

Readings

Motivations for voting

1. Baron, J. (2012): The 'Culture of Honor' in Citizens' Concepts of their Duty as Voters. *Rationality and Society* 24(1): 37-72. (link)
2. Bartling, B., Fehr, E. and Herz, H. (2013): The Intrinsic Value of Decision Rights. WP U Zurich, April 2013. (link)
3. Bischoff, I. and Krauskopf, T. (2013): Motives of Pro-social Behavior in Individual versus Collective Decisions. A Comparative Experimental Study. WP 19-2013 (March 18), U Marburg (link)
4. Böhm, R., Rockenbach, B. and Weiss, A. (2013): Experimental Evidence on Identity Biases in Voting Choices. WP Aug. 16 (link)
5. Rogers, T., Fow, C.R., Gerber, A.S. (2013): Rethinking why People Vote. In: Shafir, E. (ed.): *The Behavioral Foundations of Public Policy*. Princeton, N.J.: Princeton University Press. Ch. 5: 91-107.

Discrimination

6. Adida, C.L., Laitin, D.D. and Valfort, M.-A. (2012): "One Muslim is Enough!" Evidence from a Field Experiment in France. Working paper Jan. 28 (link)
7. Andersson, L., Jakobsson, N. and Kotsadam, A. (2012): A Field Experiment of Discrimination in the Norwegian Housing Market: Gender, Class, and Ethnicity. *Land Economics* 88(2): 233-40. (link)
8. Bertrand, M. and Mullainathan, S. (2004): Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination. *American Economic Review* 94(4): 991-1013. (link)
9. Shafir, E. (ed., 2013): *The Behavioral Foundations of Public Policy*. Princeton, N.J.: Princeton University Press. Part 1: Prejudice and Discrimination, p. 13-74.

Institutions and Moral Behavior

10. Corazzini, L., Kube, S., Maréchal, M.A. and Nicolò, A. (2013): Elections and Deceptions: An Experimental Study on the Behavioral Effects of Democracy. WP 421, U Zurich, August 2013. Forthcoming *American Journal of Political Science*. (link)
11. Falk, A. and Szech, N. (2013a): Markets and Morals. *Science* 340(6133): 707-11. (link)
12. Falk, A. and Szech, N. (2013b): Organizations, Diffused Pivotality and Immoral Outcomes. DIW Working paper 1305. (link)
13. Pruckner, G.J. and Sausgruber, R. (2013): Honesty on the Streets: A Field Study on Newspaper Purchasing. *Journal of the European Economic Association* 11(3): 661-79. (link)

Motives for redistribution

14. Agranov, M. and Palfrey, T.R. (2013): Equilibrium Tax Rates and Income Redistribution: A Laboratory Study. Working paper Feb. 25. (link)
15. Cappelen, A.W., Konow, J., Sørensen, E. Ø. and Tungodden, B. (2013): Just Luck: An Experimental Study of Risk-Taking and Fairness. *American Economic Review* 103(4): 1398-413. (link)
16. Cappelen, A.W., Moene, K.O., Sørensen, E.Ø. and Tungodden, B. (2013): Needs versus Entitlements. An International Fairness Experiment. *Journal of the European Economic Association* 11(3): 574-98. (link)
17. Dahlberg, M., Edmark, K. and Lundqvist, H. (2012): Ethnic Diversity and Preferences for Redistribution. *Journal of Political Economy* 120(1): 41-76. (link)
18. Durante, R., Putterman, L. and van der Weele, J.J. (2013): Preferences for Redistribution and Perception of Fairness: An Experimental Study. Forthcoming, *Journal of the European Economic Association*. (link)
19. Siedler, T. and Sonnenberg, B. (2012): Intergenerational Earnings Mobility and Preferences for Redistribution. SOEP paper 510 (link)

Salience and Taxation

20. Abeler, J. and Jäger, S. (2013): Complex Tax Incentives: An Experimental Investigation. IZA DP no. 7373 (link)
21. Chetty, R., Looney, A. and Kroft, K. (2009): Salience and Taxation: Theory and Evidence. *American Economic Review* 99(4): 1145-77. (link)
22. Feldman, N.E. and Ruffle, B.J. (2012): The Impact of Tax Exclusive and Inclusive Prices on Demand. Working paper 2012-50, Finance and Economics Discussion Series, Federal Reserve Board, Washington, D.C. (link)
23. Cabral, M. and Hoxby, C. (2012): The Hated Property Tax. Salience, Tax Rates, and Tax Revolts. (link)
24. Weber, M. and Schram, A. (2013): The Non-Equivalence of Labor Market Taxes: A Real-Effort Experiment. July 5 (link)

Tax compliance and tax evasion

25. Behnud, M., Djawadi, B.M. and Fahr, R. (2013): The Impact of Tax Knowledge and Budget Spending Influence on Tax Compliance. IZA DP 7255. (link)
26. Battiston, P. and Gamba, S. (2013): Is Tax Compliance a Social Norm? A Field Experiment. DEMS WP 249, June 2013. (link)
27. Fellner, G., Sausgruber, R. and C. Traxler (2013): Testing Enforcement Strategies in the Field: Threat, Moral Appeal and Social Information. *Journal of the European Economic Association* 11(3): 634-60. (link)