



**BERGISCHE  
UNIVERSITÄT  
WUPPERTAL**

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|---------|--------------------------------------------------------------------------------------|
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DATUM                      September 2025

## **Public Economics**

**Winter 2025/26**

**Dr. Arash Naghavi and Dr. Mireille Kozhaya**

This course covers basic issues in Public Economics with emphasis on combining theoretical models with empirical evidence. The course consists of three parts:

- a) **The Public Sector: Theory and Policy.** In this part, we will discuss the theoretical basis of the public sector, public goods, externalities and environmental policies, sin taxes, political economy, and taxation. Moreover, this part covers some exercises that repeat and deepen the understanding of topics.
- b) **Empirical Public Economics.** In this part, we will explore the empirical applications of the theories discussed in part a) by delving into real-world case studies. The goal is to comprehensively understand how economic principles translate into policy decisions and actual impact on society.
- c) **Empirical applications with STATA.** This part starts with two introductory sessions on how to work with STATA, and then, students will actively engage with data sets and statistical tools to replicate three research papers. This practical experience will enhance their proficiency in STATA and provide valuable insights into the challenges of conducting empirical research at the forefront of policy analysis.

### **Time / Room:**

|                          |                  |                       |
|--------------------------|------------------|-----------------------|
| Parts a) and b):         | Tuesday, 14-16   | Room: M.15.13         |
|                          | Tuesday, 16-18   | Room: M.15.13         |
| Part c), Stata Exercise: | Wednesday, 10-12 | Room: M.13.05 (CIP 1) |

## Grading:

The final grade will be made up of

- 30% Homework Assignments in part c (three assignments, each 10%).
- 20% Paper Discussion and Presentation.
- 50% Exam (90 min) on part a. and b.

## Recommended general readings for parts a.

Comprehensive lecture notes will be made available online.

- Hindriks, J., & Myles, G. D. (2013). *Intermediate Public Economics*, 2. Ed, MIT press.
- Auerbach, A. J., Chetty, R., Feldstein, M., & Saez, E. (Eds.). (2013). *Handbook of Public Economics* (Vol. 5). Newnes. (available online)
- Persson, T., & Tabellini, G. E. (2002). *Political Economics: Explaining Economic Policy*. MIT press.
- Chetty, R., Public Economics Lecture notes:  
[https://rajchetty.com/wp-content/uploads/2021/04/public\\_economics\\_lectures.pdf](https://rajchetty.com/wp-content/uploads/2021/04/public_economics_lectures.pdf)  
<https://www.youtube.com/playlist?list=PL2SOU6wwxB0v3c46v2ptuDKIHmXHRAMEU>
- Saez, E., Public Economics Lecture Notes:  
<http://elsa.berkeley.edu/~saez/course/course.html>

## Papers to be discussed in part b.

Notes. These papers may be subject to changes and updates.

- **On public spending:** Jackson, C. K., Johnson, R. C., & Persico, C. (2016). "The effects of school spending on educational and economic outcomes: Evidence from school finance reforms." *The Quarterly Journal of Economics*, 131(1), 157-218.
- **On externalities and environmental policies:** Klier, T., & Linn, J. (2015). "Using taxes to reduce carbon dioxide emissions rates of new passenger vehicles: evidence from France, Germany, and Sweden." *American Economic Journal: Economic Policy*, 7(1), 212-242.
- **On sin taxes:** Allcott, H., Lockwood, B. B., & Taubinsky, D. (2019). "Regressive sin taxes, with an application to the optimal soda tax." *The Quarterly Journal of Economics*, 134(3), 1557-1626.
- **On political economy:** Durante, R., Pinotti, P., & Tesei, A. (2019). "The political legacy of entertainment TV." *American Economic Review*, 109(7), 2497-2530.
- **On taxation:** Fuest, C., Peichl, A., & Siegloch, S. (2018). "Do higher corporate taxes reduce wages? Micro evidence from Germany." *American Economic Review*, 108(2), 393-418.

**Papers to be discussed in part c.**

Notes. These papers may be subject to changes and updates.

- De Ree, J., Muralidharan, K., Pradhan, M., & Rogers, H. (2018). Double for nothing? Experimental evidence on an unconditional teacher salary increase in Indonesia. *Quarterly Journal of Economics*, 133(2), 993-1039.
- Chetty, R., Looney, A., & Kroft, K. (2009). Salience and taxation: Theory and evidence. *American Economic Review*, 99(4), 1145-77.
- Falck, O., Gold, R., & Heblich, S. (2014). "E-lelections: Voting Behavior and the Internet." *American Economic Review*, 104(7), 2238-65.