

## **Seminar Public Economics 1: Investment, Growth and Public Policy**

**Summer Term 2016, Prof. Buettner/Prof. Rincke/Prof. Wrede**

### **Course Description:**

During the seminar, participants will discuss a broad range of issues related to „Investment, Growth and Public Policy“. Three sets of topics will be discussed. A first set addresses questions related to **public infrastructure**, like effects of infrastructure on economic performance, the (in)efficiency of public infrastructure provision, and public infrastructure and political accountability (Prof. Buettner). A second set covers individual decisions and behavior related to **savings, investment, and development**, including savings behavior and human capital investment decisions of imperfectly rational agents and the effects of microcredits on households and firms (Prof. Rincke). A third set of topics covers **incentives, investment, and regional growth**. The focus here is on and the effects of public policies on regional development (Prof. Wrede). See the list of topics for details.

The seminar has two consecutive parts. In the first part, students write a thesis (15 pages) under the guidance of their supervisor. Supervisors provide a central piece of literature (typically one or two journal articles). Students are expected to search for additional literature and then work independently on their topic. The second part consists of a two-day seminar (June 30th – July 1st) of students' presentations. Before preparing their presentations, supervisors will provide students with 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 filling in the respective form and submitting it to [tobias.cagala@fau.de](mailto:tobias.cagala@fau.de) until **February 15<sup>th</sup>, 2016**. Please indicate your preferred topics. Preference will be given to the earliest submissions.
- Please note that the maximum number of participants is 12 students.
- After being assigned to a specific topic, students can express their non-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.
- 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: Public Infrastructure (Prof. Buettner)

#### 1. Public infrastructure investment as a source of productivity growth

Q: It is often argued that public investment into the infrastructure has strong productivity effects and, hence, is an instrument to raise growth. But what is the empirical evidence?

Fernald, J. G. (1999). Roads to prosperity? Assessing the link between public capital and productivity. *American Economic Review*, 619-638.

#### 2. Public infrastructure effects under test

Q: Much of the empirical literature on infrastructure effects has employed bold assumptions to identify effects. Can or should we resort to experiments?

Gonzalez-Navarro, M., and C. Quintana-Domeque (2015). Paving Streets for the Poor: Experimental Analysis of Infrastructure Effects, *Review of Economics and Statistics*, online first.

#### 3. Public investment as a waste

Q: Public investment is often associated with vast inefficiencies. What are the driving forces of these inefficiencies?

Keefer, P., & Knack, S. (2007). Boondoggles, rent-seeking, and political checks and balances: public investment under unaccountable governments. *The Review of Economics and Statistics*, 89(3), 566-572.

#### 4. Grants as a stimulus to local public investment

Q: Upper level governments often use grants to stimulate local public investment. Given autonomy of local governments, are the funds simply used to replace local spending?

Knight, B. (2002). Endogenous federal grants and crowd-out of state government spending: Theory and evidence from the federal highway aid program. *American Economic Review*, 71-92.

## **Block 2: Savings, Investment, and Development (Prof. Rincke)**

### **5. Getting to the top of mind: Bounded rationality and saving behavior**

Q: In many countries, household consumption is constrained by insufficient saving. Can we design simple policies to solve this problem?

Karlan, McConnell, Mullainathan & Zinman (2010), Getting to the top of mind: How reminders increase saving, NBER Working Paper 16205.

### **6. Saving constraints and microenterprises**

Q: What are the links between saving constraints and microenterprise development? Can firm development be improved by policies helping entrepreneurs to save?

Dupas & Robinson (2013), Savings constraints and microenterprise development: Evidence from a field experiment in Kenya, American Economic Journal: Applied Economics 5(1): 163-192.

### **7. Microcredits: Do they work?**

Q: Microcredits have been advertised as a powerful means to end poverty. What do evaluations of microcredit programs tell about their effectiveness?

Karlan & Zinman (2011), Microcredit in theory and practice: Using randomized credit scoring for impact evaluation, Science 332, 1278-1284.

Articles in: American Economic Journal: Applied Economics 7(1), January 2015

### **8. Perceived returns and human capital investment**

Q: Descriptive evidence suggests that often people do not invest in education despite substantial economic gains from doing so. How can this behavior be explained, and what can be done to solve the problem?

Jensen (2010), The (perceived) returns to education and the demand for schooling, Quarterly Journal of Economics 125(2), 515-548.

## **Block 3: Incentives, Investment, and Regional Growth (Prof. Wrede)**

### **9. Evolutionary Economic Geography: Theory and Empirics**

Q: How can the evolutionary economic geography enrich the analysis of regional development?

Boschma, R. A., & Frenken, K. (2006), Why is economic geography not an evolutionary science? Towards an evolutionary economic geography. *Journal of Economic Geography*, 6(3), 273-302.

Cainelli, G. & Iacobucci, D. (2015), Local variety and firm diversification: an evolutionary economic geography perspective, *Journal of Economic Geography*, Online.

### **10. Agglomeration: Empirics on Industries and Regions**

Q: Can agglomeration theory explain regional disparities and growth? Discuss the potential policy implications.

Combes, P. P., & Gobillon, L. (2014), The empirics of agglomeration economies, IZA Working Paper No. 8508

### **11. Place-Based Policy: Spatially Targeted Interventions**

Q: What is the theoretical foundation of place-based policies? Do place-based policies have the suggested effects?

Kline, P. (2010), Place-based policies, heterogeneity, and agglomeration, *The American Economic Review*, 100(2), 383-387.

Freedman, M. (2015), Place-based programs and the geographic dispersion of employment, *Regional Science and Urban Economics*, 53, 1-19.

### **12. Institutions, Social Capital, and Regional Development**

Q: How does regional development depend on institutions and/or social capital?

Ashraf, N., Glaeser, E. L., Ponzetto, G. A.M. (2016), Infrastructure, Incentives and Institutions, NBER Working Paper No. 21910.

Rodríguez-Pose, A. (2013). Do institutions matter for regional development? *Regional Studies*, 47(7), 1034-1047.