

Seminar Public Economics 1, Summer Term 2017

Prof. Buettner/Prof. Rincke/Prof. Wrede

Course Description:

During the seminar, participants will discuss a broad range of issues ranging from microeconomic and behavioral foundations of public policy - such as attitudes towards risk and ambiguity, charitable giving behavior under varying conditions, and motives for prosocial and other-regarding behavior - to more practical problems of public policies.

A first set of topics address questions related to **other-regarding behavior in contexts characterized by risk and ambiguity** (Prof. Wrede). A second set relates to motives for **prosocial behavior and charitable giving** (Prof. Rincke). Finally, the seminar also deals with **empirical effects of taxes and subsidies** (Prof. Büttner). The list of topics below provides more details, including references and brief comments on the research questions covered in the respective literature.

The seminar has two consecutive parts. **In the first part, students write a thesis (15 pages)** under the guidance of their advisor. In an introductory session, students learn about the principles of scientific work and the scope of analysis that is expected. The thesis elaborates on the literature (see the list of topics for the main article(s) to be covered). Students are expected to search for additional literature and then work independently on their topic. Advisors provide close guidance during this process. **The second part consists of a two-day seminar (June 29th/30th) of students' presentations.** Before preparing their presentations, supervisors will provide students with detailed 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 submitting a participation form (see webpage of Prof. Rincke's chair) to amanda.tuset.cueva@fau.de until **February 2nd, 2017**.
- Please indicate your preferred topics. Preference will be given to the earliest submissions.
- After being assigned to a specific topic, students can repeal their 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.
- Please note that the maximum number of participants is 10 students.
- The **introductory session will take place Wednesday, February 8th 2017**, in room LG 5.154.
- 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: Risk, Ambiguity, and Other-Regarding Behavior (Prof. Wrede)

1. Eliciting Risk Preferences (n.a.)

Q: Analyze Methods to elicit risk preferences in the lab.

Eckel, C.C. & Grossman, P.J. (2008). Forecasting Risk Attitudes: An Experimental Study Using Actual and Forecast Gamble Choices. *Journal of Economic Behavior and Organization* 68. 1-7.

Holt, C. A., & Laury, S. K. (2002). Risk Aversion and Incentive Effects. *American Economic Review*, 92(5). 1644-1655.

2. Charitable Giving and Risk (n.a.)

Q: How does risk affect charitable giving?

Brock, J. M., Lange, A. & Ozbay, E. Y. (2013). Dictating the Risk: Experimental Evidence on Giving in Risky Environments. *American Economic Review* 103. 415-437.

Exley, Christine L. (2016). Excusing Selfishness in Charitable Giving: The Role of Risk. *Review of Economic Studies* 83, 587-628.

3. Measuring Ambiguity Aversion (n.a.)

Q: Analyze the concept of ambiguity and methods to measure the degree of ambiguity.

Krahenen, Jan Pieter, Ockenfels, Peter & Wilde, Christian (2014). Measuring Ambiguity Aversion: A Systematic Experimental Approach. SAFE Working Paper Series No. 55.

4. Charitable Giving and Ambiguity (n.a.)

Q: How does ambiguity affect charitable giving?

Haisley, Emily C. & Weber, Roberto A. (2016). Self-serving Interpretations of Ambiguity in Other-Regarding Behavior. *Games and Economic Behavior* 68. 614-625.

Block 2: Prosocial Behavior and Charitable Giving (Prof. Rincke)

5. What Drives Prosocial Behavior? (n.a.)

Q: Many individuals behave prosocially in various respects. What are the motives behind this behavior? What policies can increase prosocial behavior?

Chetty, R., Saez, E., Sandor, L., 2014. What policies increase prosocial behavior? An experiment with referees at the Journal of Public Economics. *Journal of Economic Perspectives* 28, 169-188.

6. Extrinsic Rewards and Prosocial Motivation (n.a.)

Q: Extrinsic rewards are often powerful instruments to affect behavior. How do such extrinsic rewards affect prosocial behavior? How do such rewards interact with the agents' own motivation to behave prosocially?

Ashraf, N., Bandiera, O., Jack, K., 2014. No margin, no mission? A field experiment on incentives for public service delivery. *Journal of Public Economics* 120, 1-17.

7. Does Price Matter in Charitable Giving? (n.a.)

Q: If donations are tax-deductible, or if donations to a charity are matched by a third party, the price of charitable donations for donors varies. Do individuals consider price changes when deciding to donate? How effective is it to lower the price to induce donations?

Karlan, D., List, J.A., 2007. Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment. *The American Economic Review* 97 (5), 1774-1793.

8. Altruism vs. Social Pressure in Charitable Giving (n.a.)

Q: Many individuals contribute to the good cause and engage in charitable giving, but the motives for such behavior are not obvious. Are individuals who give following altruistic motives, or is their behavior rather driven by social pressure?

DellaVigna, S., List, J.A., Malmendier, U., 2012. Testing for altruism and social pressure in charitable giving. *Quarterly Journal of Economics* 127, 1–56.

Block 3: Empirical Effects of Taxes and Subsidies (Prof. Büttner)

9. The empirical effect of public bail-outs on banks' risk-taking (n.a.)

Q: The use of public funds for bail-outs of private banks is intensively discussed in the economic literature. Do government guarantees increase the risk-taking of banks?

Gropp, R., Hakenes, H., and I. Schnabel (2011): Competition, Risk-shifting, and Public Bail-out Policies, *Review of Financial Studies*, Vol. X, pp. 2084-2120.

Hryckiewicz, A. (2014). What do we know about the impact of government interventions in the banking sector? An assessment of various bailout programs on bank behavior. *Journal of Banking & Finance*, Vol. 46, pp. 246-265.

10. Stock Prices and Dividend Taxes (n.a.)

Q: Theory suggests that differential taxation of dividends and capital income is reflected in ex-dividend day returns. Is this consistent with the empirical evidence from the German tax reform of 2001?

Haesner, C., Schanz, D. (2013). Payout Policy Tax Clienteles, Ex-dividend Day Stock Prices and Trading Behavior in Germany: The Case of the 2001 Tax Reform. *Journal of Business Finance & Accounting*, 40(3-4), 527-563.

11. Unconventional Fiscal Policy (n.a.)

Q: Unconventional fiscal policy aims to use announcements of future increases in consumption taxes to stimulate consumption expenditure. Do consumers really respond to this intertemporal tax incentive and how?

Cashin, D., Unayama, T. (2016). Measuring intertemporal substitution in consumption: Evidence from a VAT increase in Japan. *Review of Economics and Statistics*, 98(2), 285-297.

D'Acunto, F, D Hoang, and M Weber (2016), "Unconventional Fiscal Policy, Inflation Expectations, and Consumption Expenditure," available at SSRN

12. New Evidence on the Flypaper Effect (n.a.)

Q: A large literature has shown that Local governments tend to use grants from the central government mostly to increase spending levels. Can this finding be explained by rent extraction through the local government?

Allers, M. A., & Vermeulen, W. (2016). Capitalization of equalizing grants and the flypaper effect. *Regional Science and Urban Economics*, 58, 115-129.