

Evidence-Based Economic Policy

Professor Dr. Guido Bünstorf
Economic Policy, Innovation and Entrepreneurship Group

Winter Term 2021-22

Time: Tuesdays 14:15-17:30 (first session on October 26, 2021)

Location: Seminar Room 0207 (Nora-Platiel-Strasse 6)

Overview

What works – and what does not? Identifying the effects of policy measures is as important as it is difficult. However, thanks to advances in experimental and quasi-experimental methods, researchers now have available a set of powerful tools allowing them to inform policy makers about the effectiveness of policies. In this course, we will explore the potential and limitations of various approaches to policy evaluation. Applications will include studies from the economics of education, development economics and regional economics.

Note: This course will be offered regularly in future winter terms. However, its format will eventually be changed into lecture format. In the current term, the **maximum number of participants** (reflecting current capacity constraints) is **28**. Places will be made available in the order of registration. Please register by e-mail to buenstorf@uni-kassel.de. Registrations will only be considered if accompanied by a choice of presentation topic (see below; Part B and C, numbers 1-14).

Credits and requirements

6 ECTS can be earned for (see HIS-POS for details):

- Modules 3b and 6 (M.Sc. Economic Behaviour and Governance)
- Modules 7 and 8 (M.Sc. Wirtschaft, Psychologie und Management)
- Modules Nachhalt Stadt- & Regionalentw. and Sozial- & Wirtschaftswiss. Methoden (M.Sc. NaWi)

Grades will be based on term paper (55% of final grade, due Feb. 28, 2022), presentation (30%) and active participation in seminar discussion (15%). All requirements must be fulfilled to obtain credits.

Part A: Methods (lecture format)

Note: Tentative schedule; subject to change.

1. Introduction (October 26, 2021)
2. RCTs (November 02, 2021)
3. Matching (November 09, 2021)
4. Instrumental Variables (November 16, 2021)
5. Regression Discontinuity (November 23, 2021)
6. Difference-in-Difference (November 30, 2021)
7. Synthetic Control Groups (December 07, 2021)
8. Event Studies (December 14, 2021)

Part B: Applications (student presentations)

(Note: Presentation topics in Parts B and C are numbered 1-14. Each topic is allocated to one or at most two students. Students' term papers may use presentation topics as their point of departure.)

- **Development Economics (January 11, 2022)**

1. *Free Distribution versus Subsidization of Bed Nets for Malaria Protection*
(Introductory Reading: Cohen, J., & Dupas, P. (2010). Free distribution or cost-sharing? Evidence from a randomized malaria prevention experiment. *Quarterly Journal of Economics*, 125(1), 1-45. (RCT))
2. *Small Business Training versus Assistance in Insourcing and Outsourcing*
(Introductory Reading: Anderson, S. J., & McKenzie, D. (2021). Improving Business Practices and the Boundary of the Entrepreneur, *Journal of Political Economy*, forthcoming.) (RCT))

- **Educational Reforms in Germany (January 18, 2022)**

3. *G8 Reforms (Shortened Secondary Education)*
(Introductory reading: Meyer, T., Thomsen, S. L., & Schneider, H. (2019). New evidence on the effects of the shortened school duration in the German states: An evaluation of post-secondary education decisions. *German Economic Review*, 20(4), e201-e253.) (DiD))
4. *Tuition Fees at Public Universities*
(Introductory Reading: Bruckmeier, K., & Wigger, B. U. (2014). The effects of tuition fees on transition from high school to university in Germany. *Economics of Education Review*, 41, 14-23.) (DiD))

- **Labor Economics (January 25, 2022)**

5. *Migration and the Labor Market: the Mariel Boatlift Controversy*
(Introductory Reading: Peri, G., & Yasenov, V. (2019). The labor market effects of a refugee wave synthetic control method meets the mariel boatlift. *Journal of Human Resources*, 54(2), 267-309.) (Synthetic Control))
6. *Reinforcing Racial Discrimination by Trying to Reduce It?*
(Introductory Reading: Agan, A., & Starr, S. (2018). Ban the box, criminal records, and racial discrimination: A field experiment. *Quarterly Journal of Economics*, 133(1), 191-235.) (RCT))

- **Place-Based Policies (February 01, 2022)**

7. *Long-Term Effects of Regional Policies: Zonenrandförderung in West Germany*
(Introductory Reading: Ehrlich, M. V., & Seidel, T. (2018). The persistent effects of place-based policy: Evidence from the West-German Zonenrandgebiet. *American Economic Journal: Economic Policy*, 10(4), 344-74.) (RDD))
8. *Public Policy and Urban Renewal: Evidence from Post-Reunification Berlin*
(Introductory Reading: Ahlfeldt, G. M., Maennig, W., & Richter, F. J. (2017). Urban renewal after the Berlin Wall: A place-based policy evaluation. *Journal of Economic Geography*, 17(1), 129-156.) (DiD))

- **Assessing the Policy Impact of Research (February 01, 2022)**

9. *Research and Policy Adoption*
(Introductory Reading: Hjort, J., Moreira, D., Rao, G., & Santini, J. F. (2021). How research affects policy: Experimental evidence from 2,150 Brazilian municipalities. *American Economic Review*, 111(5), 1442-80.) (RCT))

Part C: Limitations (student presentations)

(Note: Presentation topics in Parts B and C are numbered 1-14. Each topic is allocated to one or at most two students. Students' term papers may use presentation topics as their point of departure.)

- **Policy Lessons from (Quasi-) Experimental Research? (February 08, 2022)**

10. *Using RCTs to Improve Economics and Public Policy: The Perspective of a Pessimistic Nobel Laureate*

(Introductory Reading: Deaton, A., & Cartwright, N. (2018). Understanding and misunderstanding randomized controlled trials. *Social Science & Medicine*, 210, 2-21.) (conceptual and somewhat technical)

11. *Using RCTs to Improve Economics and Public Policy: The Perspectives of Two Optimistic Nobel Laureates*

(Introductory Reading: Banerjee, A. V. (2020). Field experiments and the practice of economics. *American Economic Review*, 110(7), 1937-51; Duflo, E. (2020). Field experiments and the practice of policy. *American Economic Review*, 110(7), 1952-73.) (conceptual)

- **Publication Bias: Diagnosis and Potential Cures (February 15, 2022)**

12. *Publication Bias (I): The Role of Methods*

Introductory Reading: Brodeur, A., Cook, N., & Heyes, A. (2020). Methods matter: P-hacking and publication bias in causal analysis in economics. *American Economic Review*, 110(11), 3634-60). (regression)

13. *Publication Bias (II): The Role of Incentives*

(Introductory Reading: DellaVigna, S., & Linos, E. (2020). RCT to scale: Comprehensive evidence from two nudge units, *NBER Working Paper 27594*, National Bureau of Economic Research.) (regression)

14. *Publication Bias (III): The Role of Journal Policies*

(Introductory Reading: Blanco-Perez, C., & Brodeur, A. (2020). Publication bias and editorial statement on negative findings. *Economic Journal*, 130(629), 1226-1247.) (DiD)

Recommended Background Reading

- Angrist, J. D., & Pischke, J. S. (2014). *Mastering'metrics: The path from cause to effect*. Princeton University Press.
- Athey, S., & Imbens, G. W. (2017). The state of applied econometrics: Causality and policy evaluation. *Journal of Economic Perspectives*, 31(2), 3-32.
- Banerjee, A. V., & Duflo, E. (2019). *Good economics for hard times: Better answers to our biggest problems*. Penguin UK.
- Imbens, G. W., & Rubin, D. B. (2015). *Causal inference in statistics, social, and biomedical sciences*. Cambridge University Press.
- Imbens, G. W., & Wooldridge, J. M. (2009). Recent developments in the econometrics of program evaluation. *Journal of Economic Literature*, 47(1), 5-86.
- Schlotter, M., Schwerdt, G., & Woessmann, L. (2011). Econometric methods for causal evaluation of education policies and practices: a non-technical guide. *Education Economics*, 19(2), 109-137.