

Lecture and Seminar (M.Sc.)

# Evidence-Based Economic Policy

Professor Dr. Guido Bünstorf

Economic Policy, Innovation and Entrepreneurship Group

Winter Term 2022-23

Time: Thursday 14:15-17:30 (first session on October 20, 2022)

Location: Seminar Room 0210 (Nora-Platiel-Strasse 6)

## Overview

What works – and how do we find out? Identifying the effects of policy measures is as important as it is difficult. However, thanks to recent advances in experimental and quasi-experimental methods, researchers now have 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, labor economics, development economics and regional economics.

Note: This course will be offered regularly in future winter terms. Its format will eventually be changed into lecture format (in winter term 2025-26 or earlier). In the current term, the **maximum number of participants** (reflecting current capacity constraints) is **30**. Slots will be made available in the order of registration. Please register by e-mail to [buenstorf@uni-kassel.de](mailto:buenstorf@uni-kassel.de). Registrations will only be considered if accompanied by a choice of presentation topic (see below; Part B and C, numbers 1-15).

**Students should have completed an introductory econometrics class prior to taking this course.**

## 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 Nachhaltige Stadt- & Regionalentwicklung and Sozial- & Wirtschaftswiss. Methoden (M.Sc. NaWi)

Grades will be based on term paper (55% of final grade, due March 31, 2023), presentation (30%), 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 20, 2022)
2. RCTs (October 27-November 03, 2022)
3. Matching (November 10, 2021) (recording)
4. Instrumental Variables (November 17, 2022)
5. Regression Discontinuity (November 24, 2022)
6. Difference-in-Difference (December 01-08, 2022)
7. Synthetic Control Groups (December 22, 2022)

## Part B: Applications (student presentations)

(Note: Seminar topics in Parts B and C are numbered 1-15. Each topic is allocated to one or at most two students. Students' classroom presentations should focus on the introductory reading for the respective topic. Term papers should address the topic more generally; they may take the introductory reading as their point of departure.)

- **Development and Sustainability (January 12, 2023)**

1. *Free Distribution versus Subsidization of Products for Health 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*, 130(1), 157-209.) (RCT))
3. *The Effects of Carbon Taxes*  
(Introductory Reading: Andersson, J. J. (2019). Carbon taxes and CO<sub>2</sub> emissions: Sweden as a case study. *American Economic Journal: Economic Policy*, 11(4), 1-30. (Synthetic Control))

- **Economics of Education (January 19, 2023)**

4. *Neighborhood Effects on Children*  
(Introductory Reading: Chetty, R., Hendren, N., & Katz, L. F. (2016). The effects of exposure to better neighborhoods on children: New evidence from the moving to opportunity experiment. *American Economic Review*, 106(4), 855-902.) (RCT))
5. *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))
6. *Income Effects of Subject Choices in Higher Education*  
(Introductory reading: Bleemer, Z., & Mehta, A. (2022). Will studying economics make you rich? A regression discontinuity analysis of the returns to college major. *American Economic Journal: Applied Economics*, 14(2), 1-22.) (RDD))

- **Labor Economics (January 26, 2023)**

7. *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))
8. *Do Universal Cash Transfers Discourage Work?*  
(Introductory Reading: Jones, D., & Marinescu, I. (2022). The labor market impacts of universal and permanent cash transfers: Evidence from the Alaska Permanent Fund. *American Economic Journal: Economic Policy*, 14(2), 315-40.) (Synthetic Control))
9. *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 02, 2023)**

10. *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)

11. *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 02, 2023)**

12. *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 1-15. Each topic is allocated to one or at most two students. Students' term papers may use presentation topics as their point of departure.)

- **Publication Bias: Diagnosis and Potential Cures (February 09, 2023)**

13. *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)

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

(Introductory Reading: DellaVigna, S., & Linos, E. (2022). RCTs to scale: Comprehensive evidence from two nudge units. *Econometrica*, 90(1), 81-116.) (regression)

15. *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.