

Term Paper Assignment

Due Tuesday, April 28

The purpose of this exercise is to use economic theory to analyze some collective decision making outcome or public policy. You can examine either the effects of this policy on the allocation of society's resources, or you can study how or why the policy came to be adopted in the first place. The collective decision making entity that is the focus of your analysis can be an electorate, a legislature (federal, state, local), a bureaucracy or executive agency, a court, an "informal" government (mafia, gang, warlord), a club, a committee or board, or even a supranational organization (UN, IMF, World Bank, WTO). Alternatively, instead of studying a particular policy or decision, you can investigate the set of rules (constitution) or institutions (formal or informal) which regulate the decision making process. In this case, you can explain either the origin of the rules or how the rules affect the ultimate decisions made.

The paper must be an original piece of work. Plagiarism (e.g., copying-and-pasting from a web site without acknowledgement of the source) will result in a grade of zero being assigned to the paper.

The paper must be 8.5 to 10 pages in length, typed and double-spaced in 12-point font with normal one-inch margins.

All sources used in the paper must be listed alphabetically by author in a "List of References" appearing at the end of the paper. *Do not* list items that are *not* cited in the paper. Use a consistent style of footnotes, endnotes or textual references to cite sources.

Below I have suggested some possible topics for your paper, together with some information sources on each. These topics are merely for illustrative purpose. While you are certainly free to pick one of these topics if you wish (and to use some of the literature listed), it is my hope that many of the students in the class will come up with topics of their own based on their own interests. If you do pick your own topic, it is advisable to mention it to me in order to ensure that it is appropriate. But you should not limit yourself: almost any conceivable issue that interests you can probably be developed into a suitable paper.

You must use *at least three* sources of information in your paper. These sources must be *scholarly contributions* similar to those listed below. A scholarly contribution is an article in a professional academic journal (e.g., *American Economic Review*, *Public Choice*, *Cato Journal*), a scholarly monograph (a book that is not a textbook), a chapter in an edited volume of collected works, or an unpublished working paper (these are often distributed as part of a working paper series, such as that of the National Bureau of Economic Research, www.nber.org/papers/). These articles and books need not necessarily be written by economists: they could be from closely related fields such as law, political science or other social sciences. You can search for academic literature on your topic by doing subject or keyword searches in the EconLit database (which is available on the Oviatt Libaray's web

site) or in Google Scholar. While it is acceptable to refer to newspaper or magazine stories (a magazine that is particularly helpful in providing topical news coverage of these issues is *The Economist*, www.economist.com), or to use material from the course packet, such items will not count toward the three scholarly sources. Again, remember to clearly reference any sources that you use.

Staple the paper at the top left-hand corner. Please *do not* place the paper in a plastic or cardboard cover or binder of any kind.

Topic 1: *Gun Control*

Received wisdom suggests that laws and regulations restricting citizens' access to firearms, or prohibiting individuals from carrying concealed handguns, will lower the rate of violent crime. Some economists have questioned this position, however, arguing that strict gun control laws actually raise the crime rate by preventing law-abiding citizens from protecting themselves. Empirical evidence has been presented to support both sides of the argument. Write a survey of this literature, or critically evaluate either the pro- or anti-gun control viewpoint in light of economic theory.

Sources for Topic 1:

Ayres, Ian and Donohue, John J. III, "Shooting Down the More Guns, Less Crime Hypothesis," NBER Working Paper No. 9336, National Bureau of Economic Research, Cambridge, MA, 2002.

Cook, Philip J. and Ludwig, Jens, "The Effects of Gun Prevalence on Burglary: Deterrence vs Inducement," NBER Working Paper No. 8926, National Bureau of Economic Research, Cambridge, MA, 2002.

Duggan, Mark, "More Guns, More Crime," *Journal of Political Economy*, October 2001, 109, 1086-1114.

Lott, John R., Jr., *More Guns, Less Crime: Understanding Crime and Gun Control Laws*, Second Edition. Chicago: University of Chicago Press, 2000.

Lott, John R., Jr. and Mustard, David B., "Crime, Deterrence, and Right-to-Carry Concealed Handguns," *Journal of Legal Studies*, January 1997, 26, 1-68.

Ludwig, Jens, "Concealed-Gun-Carrying Laws and Violent Crime: Evidence from State Panel Data," *International Review of Law and Economics*, September 1998, 18, 239-54.

Moody, Carlisle E. and Marvell, Thomas B., "Guns and Crime," *Southern Economic Journal*, April 2005, 71, 720-36.

Rubin, Paul H. and Dezhbakhsh, Hashem, "The Effect of Concealed Handgun Laws on Crime: Beyond the Dummy Variables," *International Review of Law and Economics*, June 2003, 23, 199-216.

Stolzenberg, Lisa and D'Alessio, Stewart J., "Gun Availability and Violent Crime: New Evidence from the National Incident-Based Reporting System," *Social Forces*, June 2000, 78, 1461-82.

Topic 2: *School Choice*

Concern about the quality of education in public schools, especially those in inner cities, has prompted some economists and others to suggest that the public school monopoly be dismantled and replaced with a system in which parents are able to choose where to send their children to school. It is argued that some form of school choice, whether publicly funded vouchers, charter schools, or the breakup of large school districts, will force schools to compete with one another for students and therefore improve quality. A counterargument is that schools in poor communities will be left without adequate funding. Write a survey of this literature, or critically evaluate either the pro- or anti-school choice viewpoint in light of economic theory.

Sources for Topic 2:

Gokcekus, Edward, Phillips, Joshua J. and Tower, Edward, "School Choice: Money, Race, and Congressional Voting on Vouchers," *Public Choice*, April 2004, 119, 241-54.

Gwartney, James D., "A Positive Proposal to Improve Our Schools," *Cato Journal*, Spring/Summer 1990, 10, 159-73.

Holmes, George M., DeSimone, Jeff and Rupp, Nicholas G., "Does School Choice Increase School Quality?" NBER Working Paper No. 9683, National Bureau of Economic Research, Cambridge, MA, 2003.

Hoxby, Caroline M., "Does Competition Among Public Schools Benefit Students and Taxpayers?" *American Economic Review*, December 2000, 90, 1209-38.

Hoxby, Caroline M., ed., *The Economics of School Choice*, Chicago: University of Chicago Press, 2003.

Hoxby, Caroline M., "Competition Among Public Schools: A Reply to Rothstein (2004)," NBER Working Paper No. 11216, National Bureau of Economic Research, Cambridge, MA, 2005.

Krueger, Alan B. and Zhu, Pei, "Another Look at the New York City School Voucher Experiment," NBER Working Paper No. 9418, National Bureau of Economic Research, Cambridge, MA, 2003.

Ladd, Helen F., "School Vouchers: A Critical View," *Journal of Economic Perspectives*, Fall 2002, 16, 3-24.

Neal, Derek, "How Vouchers Could Change the Market for Education," *Journal of Economic Perspectives*, Fall 2002, 16, 25-44.

Rothstein, Jesse, "Does Competition Among Public Schools Benefit Students and Taxpayers? A Comment on Hoxby (2000)," NBER Working Paper No. 11215, National Bureau of Economic Research, Cambridge, MA, 2005.

Rouse, Cecilia Elena, "Private School Vouchers and Student Achievement: An Evaluation of the Milwaukee Parental Choice Program," *Quarterly Journal of Economics*, May 1998, 113, 553-602.

Sandstrom, F. Mikael and Bergstrom, Fredrik, "School Vouchers in Practice: Competition Will Not Hurt You," *Journal of Public Economics*, February 2005, 89, 351-80.

Topic 3: *Immigration Restrictions*

Many politicians, and some economists, argue that immigration restrictions should be tightened on the grounds that immigration reduces wages and employment of American workers, especially the unskilled, while immigrants cost the government more in welfare and other services than they contribute in taxes. Other economists have found evidence that immigration has little negative impact and may even have a positive effect on labor market outcomes and public sector budgets. They therefore argue in favor of looser immigration restrictions. Write a survey of this literature, or critically evaluate either the pro- or anti-immigration viewpoint in light of economic theory.

Sources for Topic 3:

Borjas, George J., "The Economic Benefits from Immigration," *Journal of Economic Perspectives*, Spring 1995, 9, 3-22.

Borjas, George J., "The Labor Demand Curve *Is* Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *Quarterly Journal of Economics*, November 2003, 118, 1335-76.

Card, David E., "Is the New Immigration Really So Bad?" *Economic Journal*, November 2005, 115, 300-23.

Friedberg, Rachel M. and Hunt, Jennifer, "The Impact of Immigrants on Host Country Wages, Employment and Growth," *Journal of Economic Perspectives*, Spring 1995, 9, 23-44.

Hanson, Gordon H., "Illegal Migration from Mexico to the United States," NBER Working Paper No. 12141, National Bureau of Economic Research, Cambridge, MA, 2006.

O'Rourke, Kevin H. and Sinnott, Richard, "The Determinants of Individual Attitudes Towards Immigration," *European Journal of Political Economy*, December 2006, 22, 838-61.

Ottaviano, Gianmarco I. P. and Peri, Giovanni, "Rethinking the Effects of Immigration on Wages," NBER Working Paper No. 12497, National Bureau of Economic Research, Cambridge, MA, 2006.

Razin, Assaf and Sadka, Efraim, "Welfare Migration: Is the Net Fiscal Burden a Good Measure of Its Economic Impact on the Welfare of the Native Born Population?" NBER Working Paper No. 10682, National Bureau of Economic Research, Cambridge, MA, 2004.

Storesletten, Kjetil, "Sustaining Fiscal Policy Through Immigration," *Journal of Political Economy*, April 2000, 108, 300-23.

Topic 4: *A Balanced Budget Amendment*

Some economists have argued that the U.S. Constitution should be amended to require that the Federal government balance its budget, i.e., expenditures should not exceed tax revenue. It is typically pointed out that budget deficits encourage the growth of government spending and unfairly place the burden of paying for current government expenditures on unborn future generations. Some states already have balanced budget clauses in their constitutions. Counterarguments, however, are that a balanced budget amendment would not be effective in reducing government spending and, moreover, would undermine the flexibility of the Federal government in responding to macroeconomic fluctuations. Write a survey of this literature, or critically evaluate either the pro- or anti-balanced budget viewpoint in light of economic theory.

Sources for Topic 4:

Abrams, Burton A. and Dougan, William R., "The Effects of Constitutional Restraints on Governmental Spending," *Public Choice*, January 1986, 49, 101-16.

Alesina, Alberto and Bayoumi, Tamim, "The Costs and Benefits of Fiscal Rules: Evidence from U.S. States," NBER Working Paper No. 5614, National Bureau of Economic Research, Cambridge, MA, 1996.

Alesina, Alberto and Perotti, Roberto, "Budget Deficits and Budget Institutions," NBER Working Paper No. 5556, National Bureau of Economic Research, Cambridge, MA, 1996.

Alesina, Alberto and Perotti, Roberto, "Fiscal Discipline and the Budget Process," *American Economic Review*, May 1996, 86, 401-407.

Buchanan, James M., "The Moral Dimension of Debt Financing," *Economic Inquiry*, January 1985, 23, 1-6.

Buchanan, James M., "Clarifying Confusion About the Balanced Budget Amendment," *National Tax Journal*, September 1995, 48, 347-55.

Buchanan, James M., "The Balanced Budget Amendment: Clarifying the Arguments," *Public Choice*, March, 1997, 90, 117-38.

Buchanan, James M. and Wagner, Richard E., *Democracy in Deficit: The Political Legacy of Lord Keynes*, New York: Academic Press, 1977.

Gabel, Matthew J. and Hager, Gregory L., "How to Succeed at Increasing Spending Without Really Trying: The Balanced Budget Amendment and the Item Veto," *Public Choice*, January 2000, 102, 19-23.

Poterba, James M., "Do Budget Rules Work?" NBER Working Paper No. 5550, National Bureau of Economic Research, Cambridge, MA, 1996.

Razzolini, Laura and Shughart, William F. II, "On the (Relative) Unimportance of a Balanced Budget," *Public Choice*, March 1997, 90, 215-33.

Saturno, James V. and Forgette, Richard G., "The Balanced Budget Amendment: How Would It Be Enforced?" *Public Budgeting and Finance*, Spring 1998, 18, 33-53.

Schultze, Charles L., "The Balanced Budget Amendment: Needed? Effective? Efficient?" *National Tax Journal*, September 1995, 48, 317-28.