School of Social Policy & Practice,   Classroom:
University of Pennsylvania   Professor:
MSSP 668 Economics for Social Policy   Email:
Fall 2017   Office:
Class time: Office hours: by appointment, send me
T   an email if you cannot solve the issue
                                        with your TA.

Teaching assistant:
Email:
Please contact your teaching assistant FIRST if you have any question, and I will be
happy to chime in if your issue cannot be resolved. Your TAs can also meet with you to
discuss any class related questions: please ask them for an appointment by email.

Twitter hashtag:
Class-related tweets:

Economics for social policy
This version: August 30th 2017

Description
Economics allows us to determine the costs and benefits of social policies like cash
benefits, unemployment insurance, health insurance, pensions, education, etc. Policies
typically affect the behavior of agents like individuals, families and firms, and we have to
take these reactions into account when analyzing policy. Economics allows us to predict
how policy is likely to affect behavior by understanding how the policy changes
individuals' decisions, and what collective outcomes these myriad individual decisions
bring about.   For example, a universal basic income allows individuals to sustain
themselves and their families when they are not working. At the same time, such
guaranteed income has the potential to discourage people from looking for a job. If
enough people are discouraged from looking for a job, employment in the economy will
decrease, leading to lower production and lower tax revenues for the government. Policy
makers have to take these phenomena into account in order to design a good income
support system.

Course objectives
Upon completion of this course, students will be able to:
- Understand the economics behind the social policy issues that are discussed in
  the media
- Understand the general economic reasons for government intervention:
  economic efficiency, public goods, externalities
- Understand the economic rationale for specific policy interventions

- Predict the indirect effects of government intervention, including changes in people's behavior, and tax incidence
- Develop introductory skills in the use economic tools for the analysis of social policy, including cost-benefit analysis

Required texts

This class will use the following book as a textbook (available at the Penn bookstore):

Gruber, Jonathan. *Public Finance and Public Policy, Fifth Edition*. Macmillan, 2016.

All other texts will be found either on the Internet (links below) or on Canvas https://canvas.upenn.edu. To access Canvas, you will need your PennKey and password.

Student conduct and electronics policy

Students are expected to conduct themselves consistent with the University of Pennsylvania's Code of Academic Integrity, which presents standards regarding plagiarism, multiple submissions and other actions. Students are expected to be familiar with the Code, which can be found at http://www.vpul.upenn.edu/osl/acadint.html

The use of any electronic devices such as laptops, tablets and phones is prohibited during class. The research shows that using such devices not only decreases learning for the student who uses them, but also for other students. Please see: https://www.brookings.edu/research/for-better-learning-in-college-lectures-lay-down-the-laptop-and-pick-up-a-pen/.

While electronics are prohibited *during* class, writing your essays and final exams on a computer in a Word file or equivalent is strongly encouraged.

Improve your writing

Writing is an essential professional skill for policy analysts and others working in areas related to social policy. Even the best writers always have room for improvement. In some cases, instructors may suggest that students seek out help with their writing; in other cases, students might decide on their own, that professional help is in order.

The Marks Family Writing Center (http://writing.upenn.edu/critical/graduate_students/help_with_your_writing.php)

has a variety of services for those who would like help with their writing. The School also offers writing workshops.

Assignments and grading

Assignments have to be handed in on time. Each day an assignment is late without a substantial excuse, a full letter grade is deducted from the paper. Starting from 30 minutes after the official deadline, your paper is considered to be a day late, and two days late 24 hours after the official deadline, etc.

For more details about the assignments, see the guidelines on Canvas under assignments.

All students

Research article review (20% of final grade). Due by October 22, 11pm, in Word-compatible format on Canvas
You will review a published article (assigned by me for the whole class). The review should be no longer than 7 000 characters (no spaces included). For an example of a review of literature, see Gruber, chapter 21, sections 21.2 and 21.3.

Your paper should have the following structure:
- Introduction: context of the paper you are reviewing and how it relates to what we have seen in class so far.
- Summary of the paper, highlighting the key points. Copy the main tables/figures (up to three) into your review and comment on them.
- Discussion:
    - Discuss any important limitations of the paper (hint: authors often tell you what the limitations are). In particular, is the paper fully consistent or are there some results or aspects of the paper that do not square well with the rest of it?
    - How does the paper fit in with previous papers and arguments we discussed in class? Is it making an important new point? Why or why not?
    - Does the paper teach us an important policy lesson? What is that lesson? Are the policy implications general enough or do they only apply to the specific case described in the paper? Would you trust the results from this paper if you had to make a policy decision based on it? Why or why not?
- Conclusion: what did we learn? How does it add to what we have seen in class so far?

Analyze a Congressional Budget Office report (20% of final grade). **Due November 19, 11pm, in Word-compatible format on Canvas**
Analyze the CBO report on the Obamacare repeal:
https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/52941-hr1628bcra.pdf

The report should be maximum 7000 characters, spaces not counted; this is about 4 pages. Further guidelines for this assignment will be posted on Canvas.

Final exam (30% of final grade), December 7, in class.
An in-class essay about a policy covered by the course, no supporting materials allowed. Laptops are allowed to type your final exam. Further guidelines for this assignment will be posted on Canvas.

<u>**MSSP students only**</u>

For the grading policy for MSSP students, see https://www.sp2.upenn.edu/resources/masters-student-handbook/policies-and-procedures-for-student-performance/#GradingScale. This course is required for MSSP students, therefore anyone with a grade lower than B- must retake the course.

Policy analysis (20% of final grade). Due date depends on the chapter you choose; due in Word-compatible format on Canvas, by 11pm on Thursday a week after the chapter has been discussed.
The policy analysis memo (maximum 7000 characters, spaces not counted; this is about 4 pages) is based on one of the chapters in the textbook. You can choose any chapter we cover in class but you must commit to it by the second week of class (send an email to your TAs). This assignment is due on Thursday night a week after the chapter has been discussed in class: for example, if you are discussing chapter 8 on cost-benefit analysis, which we discuss in class on October 19, then the paper is due on Canvas by 11pm on October 26.

Here is how the policy analysis memo should look like
1. Choose a specific policy discussed in the chapter. Start your memo by defining the policy.
2. What is the economic rationale for doing this? Are there non-economic rationales you can think of?
3. What are the expected direct and indirect effects of the policy based on economics?
4. What evidence do we have for the actual effects of this policy?
5. What are some of the drawbacks or limitations of this policy from an economics perspective?
6. Overall, is the policy justified from an economic perspective? Is it justified from other perspectives?
7. Are there better policies we could think of and why? (Very briefly).
8. What did economics bring to the analysis of this policy that we might have missed otherwise?

TA sessions (10% of the final grade)

After the first 90 minutes, and a 10 minutes break, the TAs will be leading a 50 minute session for the MSSP students. The TA sessions are there to:

- Check your learning and attendance. At the beginning of each session, you will complete a very short written assignment answering one easy question about the lecture contents. The assignment is graded pass / fail, and each pass is worth one point towards the 10 points allotted to this exercise. Therefore, you can fail 4 questions (or be absent), and still collect the maximum number of points.
- Ask any questions about the materials covered in the lecture
- Group discussions of some of the questions in the textbook
- Debating controversial policies covered by the lecture

PhD students only
Review of literature and research proposal (30% of final grade), due by December 3rd, 11pm in Word-compatible format on Canvas.

The topic of the review of literature and research proposal is up to you, and we will meet one on one to make sure that the topic is feasible and appropriate for this class.

List of papers reviewed must be between 4 and 6, and the list must be uploaded by **November 20, 11pm in Word-compatible format** on Canvas in order to get feedback.

Outline for the paper is due on **November 26, 11pm**, **in Word-compatible format** on Canvas, in order to get feedback.

You will perform a review of literature on the economic analysis of a policy of your choice), concluding with a one to two pages research proposal to extend the existing literature (maximum 20,000 characters in total, no spaces included). The research proposal can but does not have to use economic analysis tools; it can also be based on other disciplines that will enhance our understanding of the policy at hand. We will have an office meeting to discuss which policy you will be working on, and make sure that the topic is feasible and appropriate for this class. The policy you study must be sufficiently closely related to a policy covered in class that you can use what you learned in class for your review.

More detailed guidelines for the review of literature are on Canvas.

Class participation
You are expected to come to every class on time and fully prepared to discuss the material assigned for the week. That is, you should have completed all assigned readings and be ready to discuss the readings.

Weekly schedule and reading assignments
Lecture slides will be posted on Canvas AFTER the respective lecture has taken place.

Week 1: August 31. Introduction
Required reading: Gruber, Chapter 1.

Part 1: Economic tools and concepts to analyze policy

Part 1.1 Tools to understand the effects of policies on the economy

Week 2: September 7. Theoretical and empirical tools of public finance
Required reading:
Gruber, Chapter 2
Gruber, Chapter 3, introduction, and section 3.1.

Part 1.2 Taxation is also a policy: the economic impact of raising funds to finance policy

Week 3: September 14. Taxes on labor supply
Required reading:
Gruber, chapter 21

Week 4: September 21. The equity implications of taxation: tax incidence
Required reading:
Gruber, chapter 19

Part 1.3 Tools to justify the need for policy action

Week 5: September 28. Externalities
Required reading:
Gruber, chapter 5, introduction, sections 5.1, 5.2 and 5.3.
Gruber, chapter 6, sections 6.3 and 6.4

Week 6: October 12. Public goods
Required reading:
Gruber, chapter 7

Week 7: October 19. Cost-benefit analysis
Required reading:
Gruber, chapter 8

Review session with TAs at 1pm
Prepare questions about the material covered in part 1. Make sure you master the concepts for your mid-term paper.

Part 2: Economic analysis of specific social policies

Week 8: October 26. Social insurance and social security
Required reading:
Gruber, chapter 12, all sections, except section 12.4
Gruber, chapter 13, sections 13.2 and 13.4

Week 9: November 2. Unemployment insurance, disability insurance and workers' compensation
Required reading:
Gruber, chapter 8

Week 10: November 9. Health insurance
Required reading:
Gruber, chapter 15, introduction, section 5.1
Gruber, chapter 16

Week 11: November 16. Income inequality in historical perspective
Required readings:
Piketty, Thomas, Emmanuel Saez, and Gabriel Zucman. "Distributional National Accounts: Methods and Estimates for the United States." Working Paper. National Bureau of Economic Research, December 2016. doi:10.3386/w22945.

Optional readings:
Autor, David, David Dorn, Lawrence F. Katz, Christina Patterson, and John Van Reenen. "The Fall of the Labor Share and the Rise of Superstar Firms." Working Paper. National Bureau of Economic Research, May 2017. doi:10.3386/w23396.
Karabarbounis, Loukas, and Brent Neiman. "The Global Decline of the Labor Share." The Quarterly Journal of Economics 129, no. 1 (February 1, 2014): 61–103. doi:10.1093/qje/qjt032.

Week 12: November 21. Income distribution and welfare programs in the contemporary US
Required reading:
Gruber, chapter 17

Week 13: November 30. Universal basic income
Required reading:
Marinescu, Ioana. "No Strings Attached: The Behavioral Effects of U.S. Unconditional Cash Transfer Programs." New York, NY, USA: Roosevelt Institute, May 11, 2017. http://rooseveltinstitute.org/wp-content/uploads/2017/05/No-Strings-Attached-050417-1.pdf.

Review session with TAs at 1pm

Prepare questions about the material covered in part 2. Make sure you master the concepts for your final exam paper.

Week 14: December 7. Final exam in class