

**UNIVERSITY OF PENNSYLVANIA
SCHOOL OF SOCIAL POLICY & PRACTICE
Master of Science in Social Policy**

MSSP 668 Economics for Social Policy

Fall 2021

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Twitter hashtag: #mssp668

Class-related tweets: <https://twitter.com/search?q=%23mssp668&src=typd>

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Office hours: use Calendly (<https://calendly.com/ioma/mssp-668-meeting>), or email me if you cannot find a time that works on Calendly. You will be prompted to schedule at least one meeting with me to discuss how the course applies to one of your areas of interest. More broadly, I am here to answer questions that I am in a unique position to address, including career advice and more in depth questions about course material and related topics. Come prepared: ask your question on Piazza first if it's something the TAs or other students could answer. If it's about grading and related issues, reach out to your TA first.

Lecture time: Mondays 10:15am-12:45pm, Leidy Laboratories 109.

Teaching Assistants

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Course 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.

Educational Objectives

Upon completion of this course, students will be able to:

- Understand the economics behind many of 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
- Use of basic economic tools for the analysis of social policy, including cost-benefit analysis

Course Requirements and Expectations

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.

Grading policy

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.

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.

Academic Integrity

Students are expected to adhere to the University's Code of Academic Integrity, available at <https://catalog.upenn.edu/pennbook/code-of-academic-integrity/>. Care should be taken to avoid academic integrity violations, including plagiarism, fabrication of information, and multiple submissions (see descriptions below).** Students who engage in any of these actions will be referred to the Office of Student Conduct, which investigates and decides on sanctions in cases of academic dishonesty.

1. Plagiarism: using the ideas, data, or language of another person or source without specific or proper acknowledgment. Example: copying, in part or in its entirety, another person's paper, article, or web-based material and submitting it for an assignment; using someone else's ideas without attribution; not using quotation marks where appropriate; etc.
2. Fabrication: submitting contrived or altered information in any academic exercise. Example: making up data or statistics, citing nonexistent articles, contriving sources, etc.
3. Multiple submissions: submitting, without prior permission, any work submitted to fulfill another academic requirement.

**It is students' responsibility to consult the instructor if they are unsure about whether something constitutes a violation of the Code of Academic Integrity.

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 or Sixth Edition*. Macmillan.

All other texts will be found either on the Internet (links below) or on Canvas.¹ To access Canvas, you will need your PennKey and password.

Assignments

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

All students

Policy analysis (25% of final grade). Due date depends on the chapter you choose; due in Word-compatible format on Canvas, by 11pm on Monday a week after the chapter has been discussed.

This is a group assignment and we will assign team members. The policy analysis memo (maximum 7,000 characters, spaces not counted; this is about 4 pages) is based on one of the chapters in the textbook. We will assign chapters. Every chapter discusses some policies and you have to pick one that is only briefly discussed in the chapter or a very similar policy that is not at all discussed in the chapter. You should seek approval from a TA about your policy of choice. We will provide a form to get approval.

This assignment is due on Monday night a week after the chapter has been discussed in class. This assignment has two components:

1. A class presentation of about 10 minutes (no more than 5 slides) summarizing the key points you want to make in your memo. The presentation occurs the week when we are covering the chapter your policy relates to.
2. A final policy analysis memo that incorporates the comments made during your presentation.

Here is how the policy analysis memo should look like:

1. Choose a specific policy discussed in the chapter, or one that is very similar to policies 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 (e.g. social justice, political strategy, etc.) 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 (e.g. social justice, political strategy, etc.)?
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?

Please answer each of the questions in your memo. You should provide evidence in your answers by citing at least two references besides the textbook. These references can include academic articles (for example, by searching on Google Scholar), newspaper articles, reports from think-tanks (like the Brookings Institution or Urban Institute), reports from government organizations (like the Congressional Budget Office or Congressional Research Service), Wikipedia articles, etc. You must cite your sources in a bibliography using MLA, APA, or Chicago style citations. I recommend using the free Zotero citation management tool.

Research article review (20% of final grade). Due by Sunday October 31st, 11pm, in Word-compatible format on Canvas

You will review a published article available on Canvas. 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.

¹ <https://canvas.upenn.edu>

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? What economic concepts is it using that we have discussed in class (see lectures 1-4)? 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 / Council of Economic Advisers / Government Accountability Office report (20% of final grade). Due Sunday November 28, 11pm, in Word-compatible format on Canvas

The report should be maximum 7,000 characters, spaces not counted; this is about 4 pages. Further guidelines for this assignment will be posted on Canvas.

Participation (5% of the final grade)

Up to 5 points will be awarded for answering well a question asked on Piazza, posting something relevant on Twitter (a post similar to posts students and instructors posted in prior years), and other similar actions. For Twitter, if you don't want to use your personal Twitter account, you can create a new account for professional uses.

Non-PhD students only

See the grading policy for MSSP students.² This course is required for MSSP students, therefore anyone with a grade lower than C- must retake the course.

Final exam (30% of final grade), Monday December 13, limited time on Canvas.

This is an *individual* assignment. An essay about policies covered by the course, with limited time on Canvas. Further guidelines for this assignment will be posted on Canvas.

PhD students only

Review of literature and research proposal (30% of final grade), due by Sunday December 12, 11pm in Word-compatible format on Canvas.

This is an individual assignment. 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.

² <https://www.sp2.upenn.edu/resources/masters-student-handbook/policies-and-procedures-for-student-performance/#GradingScale>

List of papers reviewed must be between 4 and 6, and the list must be uploaded by **Sunday November 7, 11pm in Word-compatible format** on Canvas in order to get feedback.

Outline for the paper is due on **November 21, 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 Schedule and Required Readings

Lecture slides will be posted on Canvas AFTER the respective lecture has taken place.

Week 1. NO CLASS. Classes start on Tuesday.

Week 2. NO CLASS. LABOR DAY

Week 3. 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 4. 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 5. Taxes on labor supply

Required reading:

Gruber, chapter 21

Week 6. The equity implications of taxation: tax incidence

Required reading:

Gruber, chapter 19

Part 1.3 Tools to justify the need for policy action

Week 7. 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 8. Public goods

Required reading:

Gruber, chapter 7

Week 9. Cost-benefit analysis

Required reading:

Gruber, chapter 8

Part 2: Economic analysis of specific social policies

Week 10. 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 11. Unemployment insurance, disability insurance and workers' compensation

Required reading:

Gruber, chapter 14

Week 12. Health insurance

Required reading:

Gruber, chapter 15, introduction, section 5.1

Gruber, chapter 16

Week 13. 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 14. Income distribution and welfare programs in the contemporary US

Required reading:

Gruber, chapter 17

Week 15. 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>.