
Public Policy Analysis

Instructor: Carol Tremblay

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Prerequisite: ECON 311 (Intermediate Microeconomics I) or ECON 435 (Public Economy)

Purpose: The purpose of this class is to evaluate the effectiveness of public policy in promoting efficiency and equity in our economy. Microeconomics and welfare economics provide a theoretical base, and regression and cost-benefit analyses serve as the primary empirical tools of analysis. A number of selected policies will be studied and evaluated. In addition to being of interest in their own right, the outcomes of these policies can inform future social decision-making, by revealing responses to incentive effects and potential unintended consequences, and by providing examples of effective and ineffective means of attaining social and economic goals.

Student Learning Outcomes for ECON 439

- Explain why there is a need for public policy in our economy.
- Identify incentive effects created by particular public policies, and forecast their consequences.
- Interpret findings of cost-benefit and regression analyses.
- Explain how behavioral economics and neuroeconomics affect economic models.
- Evaluate selected policies such as the minimum wage, earned income tax credit, Americans with Disabilities Act, youth education programs, sin taxes and advertising bans.
- Discuss externalities and public goods.
- Present policy-relevant research at the advanced undergraduate level in class.
- Write a 5-7 page formal paper at the advanced undergraduate level.

Student Learning Outcomes for ECON 539

- Explain why there is a need for public policy in our economy.
- Identify incentive effects created by particular public policies, and forecast their consequences.
- Interpret findings of cost-benefit and regression analyses.
- Explain how behavioral economics and neuroeconomics affect economic models.
- Evaluate selected policies such as the minimum wage, earned income tax credit, Americans with Disabilities Act, youth education programs, sin taxes and advertising bans.
- Discuss externalities and public goods.
- Present graduate-level policy-relevant research in class.
- Write a 10-12 page formal paper at the graduate level.

Reading Materials

ECON 439/539 Course Packet

McCloskey, Deidre N., *Economical Writing*, Second Edition, Prospect Heights, IL: Waveland Press, Inc., 2000.

(See also *Helpful Resources below*)

Course Requirements

The box below shows course requirements, due dates, and point values. Guidelines for the oral presentations and paper are at the end of the syllabus.

<u>Assignment</u>	<u>Date</u>	<u>Points</u>
Oral presentation 1	February 2, 4	20
Midterm	February 9	120
Paper	March 9	120
Oral presentation 2	March 9, 11	20
Final	M, March 16, Noon	120
Total points available		400

Grading: Grades will be based on a curve of the total points available in the class. Econ 439 and Econ 539 students will have separate curves. There is no extra credit work available.

Exams: The midterm and final will be closed book and closed note exams. Calculators will not be needed and are not allowed. The final exam will be comprehensive. Make-up exams will not be considered except for legitimate and documented reasons. If you miss an exam without my approval, you will receive a score of zero.

Academic Dishonesty: Plagiarism, fabrication, cheating, and facilitating the academic dishonesty of others are serious offenses and may be punished by failure on the exam or project, failure in the course, and/or expulsion from the university. Refer to the *Schedule of Classes* for more information on academic dishonesty. Regarding plagiarism, see <http://osu.orst.edu/admin/stucon/plag.htm> for examples of acceptable borrowing and plagiarism.

Late Policy: You are expected to meet the deadline for the paper. In the event that you do not meet the deadline, and you turn in the paper one day late, you will lose 50% of the possible points. After that you will receive zero points.

Disabilities: Accommodations are collaborative efforts between students, faculty and Disability Access Services (DAS). Students with accommodations approved through DAS are responsible for contacting the faculty member in charge of the course prior to or during the first week of the term to discuss accommodations. Students who believe they are eligible for accommodations but who have not yet obtained approval through DAS should contact DAS immediately at 737-4098.

Course Outline and Reading List

Week(s)

1-4 **Part 1 – The Role of Public Policy**

1.1 Introduction

1.2 Efficiency and Equity – Welfare Economics

▶ Pindyck, Robert S. and Daniel L. Rubinfeld, *Microeconomics*, Sixth Edition, Chapter 16, General Equilibrium and Economic Efficiency, Upper Saddle River, NJ: Prentice Hall, 2005.

1.3 Behavioral Economics and Neuroeconomics

▶ B. Douglas Bernheim and Michael D. Whinston, *Microeconomics*, Chapter 13, Behavioral Economics, Boston: McGraw-Hill, 2008.

Camerer, Colin F., George Loewenstein, and Drazen Prelec, "Neuroeconomics: Why Economics Needs Brains," *Scandinavian Journal of Economics* 106(3), 2004, pp. 555-579, <http://proxy.library.oregonstate.edu/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=ecn&AN=0762506&loginpage=Login.asp&site=ehost-live>

5 **Oral Presentations, February 2 and 4**

6 **Exam, Monday, February 9**

6-7 **Part 2 – Tools of Analysis**

2.1 Cost-Benefit Analysis

▶ Santerre, Rexford E. and Stephen P. Neun, *Health Economics: Theories, Insights, and Industry Studies*, Chapter 5: Cost-Benefit Analysis, Chicago: Irwin, 1996.

Course Outline and Reading List (continued)

Week(s)

2.2 Introduction to Regression Analysis

- ▶ Wooldridge, Jeffrey M., *Introductory Econometrics*, South-Western, 2000, Chapter 1.
- ▶ Stock, James H. and Mark W. Watson, *Introduction to Econometrics*, Brief Edition, Boston: Pearson, 2008, pp. 109-119.

Part 3 – Selected Policy Issues

7-8 3.1 Policies to Alleviate Poverty

3.1.1 *The Minimum Wage*

- ▶ Ehrenberg, Ronald G. and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, Ninth Edition, Boston: Pearson Addison Wesley, 2006, pp. 94-96, 107-115.

Card, David and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4), September 1994, pp. 772-793. (Available on-line through the library webpage.)

Burkhauser, Robert V., Kenneth A. Couch and David C. Wittenburg, "A Reassessment of the New Economics of the Minimum Wage Literature with Monthly Data from the Current Population Survey," *Journal of Labor Economics*, 18(4), October 2000, pp. 653-680. (Available on-line through the library webpage.)

3.1.2 *Traditional Welfare and the Earned Income Tax Credit*

- ▶ Ehrenberg and Smith, pp. 170-189.
- ▶ Hoffman, Saul D. and Laurence S. Seidman, *Helping Working Families: The Earned Income Tax Credit*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003, Chapters 1, 3, and 5.

8 3.2 Policies Aimed at Special Populations

3.2.1 *The Disabled and the Americans with Disabilities Act*

- ▶ Stapleton, David C. and Richard V. Burkhauser, eds., *The Decline in Employment of People with Disabilities: A Policy Puzzle*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003, Chapter 11.

Course Outline and Reading List (continued)

Week(s)

- 8-9 3.2.2 *Selected Policies Affecting Youth*
- Tremblay, Carol Horton and Davina Ling, "AIDS Education, Condom Demand, and the Sexual Activity of American Youth," *Health Economics*, 14(8), August 2005: 851-867.
<http://www3.interscience.wiley.com/cgi-bin/fulltext/110428639/PDFSTART>
- Jacob, Brian A. and Lars Lefgren, "Are Idle Hands the Devil's Workshop? Incapacitation, Concentration and Juvenile Crime," *American Economic Review* 93(5), December 2003: 1560-1577. (Available on-line through the library webpage.)
- 9 3.3 Externalities and Public Goods
- ▶ Pindyck and Rubinfeld, pp. 641-669.
- ▶ Folland, Sherman, Allen C. Goodman, and Miron Stano, *The Economics of Health and Health Care*, Fifth Edition, Upper Saddle River, NJ: Pearson Prentice Hall, 2007, "Excise Taxes and Consumption of Cigarettes and Alcohol," pp. 535-538.
- Chaloupka, Frank J. and Kenneth E. Warner, "The Economics of Smoking," NBER Working Paper 7047, National Bureau of Economic Research, March 1999,
<http://www.nber.org/papers/w7047>, selected readings.
- 10 Paper Due, March 9**
- 10 Oral Presentations, March 9 and 11**
- F Final, Monday, March 16 at Noon, regular classroom**

Guidelines for Oral Presentations and Term Paper

Two oral presentations are required for this class. Each will be about 10 minutes in length, with 1-2 minutes for questions and comments from the class. The first will take place the fourth week of classes, and the second will take place during the tenth week. PowerPoint slides are required.

For the first presentation, you will summarize a journal article or cost-benefit analysis which addresses a public policy issue of interest to you. For the second, you will present your term paper. It is beneficial if the information from your first oral report can be incorporated into your paper, but it is not necessary.

Oral presentation 1 should contain the following elements.

- Your **name** and the **citation** of the article or cost-benefit analysis
- Primary **question(s)** addressed in the paper
- **Method** used to analyze the question
- **Data** source used in the article, if relevant
- **Results**, focusing on the implications for the primary question(s)
- **Policy** implications.

The material presented in the oral presentations is covered on the exams. Be sure that you understand the points listed above for each student's presentation. The presentations will be referenced by the title of the paper in later class discussion and on exams.

Oral presentation 2 will follow the format of the term paper.

Guidelines for Paper

Length and Format

The recommended length of the paper is 5-7 pages for Econ 439 students and 10-12 pages for Econ 539 students, double-spaced with 1" margins.

You may choose from two formats:

1. Review of the literature, which summarizes and analyzes a body of literature on a particular topic of interest regarding public policy. Literature surveys should contain an introduction, summary of the literature, analysis of the literature, conclusion, and bibliography.
2. Position paper, which states and defends a position. Position papers should contain an introduction, review of evidence supporting the author's position, review of counter-evidence, and any evidence discrediting counter-evidence, conclusion, and bibliography.

Topic Selection

I recommend that you select your own paper topic about public policy. A few broad topic areas which might be of interest to you are: crime, drugs, environmental policy, anti-discrimination policy, cost-benefit analyses of a particular project, the methodology of cost-benefit analysis, etc. You will want to narrow the topic, e.g., within the crime area, you might analyze the effect of gun control laws on murder rates by state. You might check with me about the feasibility of your topic.

Sources

The number of sources that you will need depends upon the substance of the information in your sources. Econ 439 students might need as few as 3 or 4 academic sources (journal articles, book chapters, books) or as many as 7 or 8 sources if they are short articles from the *Wall Street Journal*, for example. The more advanced your source or sources, the higher your potential grade for the assignment. Econ 539 students are particularly discouraged from using sources from the popular press.

Our library has a subscription which allows you FirstSearch access to EconLit (go to <http://osulibrary.orst.edu/research.php/db.php> and then go to E and choose EconLit), which you can use to find academic journal articles from the economics literature on your topic. Journals most accessible to undergraduate students are: *Journal of Economic Perspectives*, *Contemporary Economic Policy*, *American Economic Review Papers and Proceedings* (this is the May issue of the *American Economic Review*), and *Monthly Labor Review*. Most other journals are written for graduate students or economists with graduate degrees, but undergraduates can still understand the introduction, literature review, and conclusion and skip over the technical sections.

All information from other sources *must* be cited (see <http://oregonstate.edu/admin/stucon/plag.htm> for examples of acceptable borrowing and plagiarism). In the *Bibliography*, list all references by alphabetical order of the last name of the first author. If you are not familiar with a standard reference style, use the style of the *American Economic Review* (see http://www.aeaweb.org/sample_references.pdf).

If you use internet sources, include the web address, name of the author, title of the paper, date of the paper, and institutional association of the website, paper or author. If it is a government or university website, the information has more credibility than if it comes from an individual website.

Grading Criteria for Projects

Grades will be higher for papers which utilize academic sources and analyze research materials relative to papers which just summarize sources and rely heavily on the popular press. Papers which reveal clarity of thought and presentation, learning beyond what is covered in class, and objective scrutiny of the material on public policy will be rewarded. These factors affect the three equally-weighted criteria used to assign a grade: content, difficulty, and writing.

Due Date: March 9, 2009

Helpful Resources

Booth, Wayne C., Gregory G. Colomb, and Joseph M. Williams, *The Craft of Research*, Second Edition, Chicago: University of Chicago Press, 2003.

Strunk, Jr., William and E.B. White, *The Elements of Style*, Fourth Edition, Boston: Allyn and Bacon, 2000 in print, or First Edition published online July 1999 by Bartleby.com. <http://www.bartleby.com/141/>

Assistance with outlining and writing is provided by the Writing Center <http://cwl.oregonstate.edu/twc.html> . You can make an appointment to discuss your writing with a peer Writing Assistant, make use of the Online Writing Lab at <http://cwl.oregonstate.edu/owl.php>, or get online answers to brief writing questions at writingQ@mail.orst.edu. For additional writing sources see <http://oregonstate.edu/cla/english/resources> and <http://www.dartmouth.edu/~writing/materials/student/toc.shtml>

For questions on econometrics, you can access Kennedy, Peter, *A Guide to Econometrics*, Fourth Edition(1998) online at: <http://0-www.netlibrary.com.oasis.oregonstate.edu/Reader/> , or Fifth Edition (2003) in print.

Any standard Intermediate Microeconomics textbook and/or:

R. Preston McAfee, *Introduction to Economic Analysis*, <http://www.introecon.com/IEA.pdf>.