Syllabus for RPAD 643: Economics of Government Programs

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Mondays, 5:45-8:45; Husted 202

Office Hours: TBD

Fall 2016

In 2015, the US federal, state, and local governments spent $6.0 trillion, compared to a GDP of $17.9 trillion. Of that, the federal government spent about $600 billion on defense.\(^1\) Where did the rest of the money go? Why does the government spend money? How can we judge the wisdom of this spending? What level of government should undertake different programs? How can government collaborate effectively with private agencies?

RPAD 643 examines the economics of major government programs. It consists of three major units: general issues in public programs; analysis of education policy; and a survey of major government programs.

Under general issues, we will look at two major pieces: evaluation and partnerships. We will look briefly at methods for Cost-Benefit Analysis and estimating the impacts of different programs. Four weeks is not enough time to turn you into expert evaluators; the goal is to expose you to concepts so that you will be a more intelligent consumer of evaluations. Under partnerships, we will look at how government agencies coordinate projects with other levels of government and with outside organizations.

Under education, we will apply the tools from part I to government education programs, spending several weeks in one area as a specific application.

Under specific programs, we will look at several of the biggest ticket items in state and federal governance, what the rationale is for that program, and what some of the biggest challenges/reforms for that program.

Along the way, you will work in teams to assess a particular government program and evaluate major reform proposals for it.

\(^1\) US Economic Report of the President 2013, Tables B-2, B-19, B-21
Prerequisites

RPAD 503: I will assume you are familiar with the idea of market failures, such as externalities, public goods, market power, and asymmetric information.

The mathematics used is at the level of high school algebra. I also assume you have seen statistical regressions and present discounted value before, though I will review them.

Grading

Final Exam (25%): during exam week, at the normal class time

Reading Quizzes (25%): before class most weeks (plus Sept 5), there will be a 20-minute online quiz on that day’s readings. I will drop the three lowest quizzes.

Problem Sets (20%): there will be two problem sets towards the beginning of the term. For those of you anticipating RPAD 503 flashbacks, you will NOT be asked to solve systems of equations.

Group Project (30%): you will work in groups to conduct an economic analysis of a particular government program, assessing some major reform proposals. This project will consist of a number of intermediary steps, undertaken throughout the semester. Your grade will depend in part on your classmates’ assessments of your contribution.

Each assignment will receive a letter grade. To calculate your semester grade, I will convert the final grade to a 4-pt scale (A = 4.0, A- = 3.66, B+ = 3.33, etc). I will then take a weighted average of all your assignments to get your semester score. The score will be converted into a final letter grade with the following thresholds: A: 3.7 or higher; A- : 3.55 to 3.69; B+: 3.2 to 3.54; B: 3.0 to 3.19; B- : 2.60 to 2.99; C+ : 2.25 to 2.59.
Math

Much of the reading comes from professional economics articles, and as such includes a fair amount of technical material. You can read around the most technical parts. However, you should be comfortable reading basic algebra equations and the output of regression estimation. You should be able to use the regression results reported in the papers we read as evidence in your memos. The memos and exam, however, are not problem-based. The problem set requires basic algebra.

Plagiarism, Working in Groups, and Editing Services

It should, I think, go without saying that you are to abide with SUNY Albany standards for academic honesty.

I encourage you to discuss the course and assignments with your colleagues. For the problem sets, you must turn in your own work, written in your own words. At no point should you ever work directly off of a colleague’s file. You must also indicate in a footnote if you received helpful input from someone.

For the online quizzes, it is cheating to discuss either the readings in general or the quiz in particular with someone who has already taken the quiz for that week. That is, people who have taken the quiz for that week are not allowed to discuss the course content with people who have not yet taken the quiz. Even answering general questions leaves too much room for you to inadvertently reveal information that you know your friend will need.

Obviously, groups are allowed to work together on the group project!
Readings

Almost all the readings are from journal articles or online sources. We are not using a major textbook. I am assigning one book, which we will spend one week on.

Required Book


I have not ordered this book through the bookstore, but expect you to acquire it on your own. Note that this book is used only on Oct 17, so you have ample time to acquire it.

Unless indicated otherwise, professional journal articles are available in full-text electronically through the SUNY library. I strongly recommend that you use the e-journals tab to track down the journal (e.g. American Economic Review), and then locate the relevant issue and article. The library’s article finder (EBSCO) has a shaky track record.

Other readings will be made available. Note Well: as a SUNY student, you should not have to pay for National Bureau of Economic Research (NBER) papers; if the nber.org website tries to make you pay for a paper, look for the link for people who think they don’t have to pay, and enter your SUNY e-mail address.

Note Well: you must use the specified version of each reading (usually the final published version). Many papers circulate in multiple drafts under the same title and author. Just because you found something on the internet doesn’t mean it’s the correct something.

If you are having trouble finding a reading, ask me. (Note: it’s probably a good idea to look for them earlier than Monday afternoon.)

Note Well: there will be a reading guide each week telling you what material to focus on and what questions are “fair game” for the reading quiz. You will be expected to read few of the articles in their entirety.

All assigned readings are subject to change; the reading guide for each week constitutes the final assignment.
Unit I: General Issues

1. Aug 29: Major rationales of government

SEPTEMBER 5: READING QUIZ DUE (to keep us from losing all momentum at the beginning of the term)

   a. Handout on Present Discounted Value


2. Sept 12: Introduction to Cost-Benefit Analysis


   b. Fugitt and Wilcox, 1999, *Cost-Benefit Analysis for Public Sector Decision Makers*, CT: Quorum Books, chapters 1 to 7 (posted)


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2 WARNING: the Surgeon General has determined that this handout may cause déjà vu in students who have taken other courses from me.
3. Sept 19: Selection Biases
   a. Program Evaluation Teaching Note
   c. Amy Finkelstein, Sarah Taubman, Bill Wright, Mira Bernstein, Jonathan Gruber,
      Joseph P. Newhouse, Heidi Allen, Katherine Baicker, and the Oregon Health
      Study Group, "The Oregon Health Insurance Experiment: Evidence from the First
   d. Problem Set 1 due

4. Sept 26: Distributional Impacts
      Labor Market Program Evaluations,” NBER Working Paper 21431
   c. Group Project: Rationale for Program due

   a. Gruber, ch10 (posted)
      181-201
   d. Problem Set 2 due

6. Oct 17: Collaborative Governance
   a. Donohue and Zeckhauser (2011)
      EVERYONE reads ch 1-3, 8-10
      PLUS: Group A reads ch4 (applications: security; charter schools)
      Group B reads ch5-6 (applications: OSHA, student loans, Medicare)
      Group C reads ch7 (applications: parks, FDA)
Unit II: Education

7. Oct 24: Education: Overview
   a. Gruber, chapter 11 (posted)
   b. Group Project: Program Overview Due

   a. TBD

9. Nov 7: Education: Teachers
   a. TBD

10. Nov 14: Education: School Choice
    a. TBD

Unit III: Survey of Government Programs

11. Nov 21: Pensions
    a. No reading due (and thus no quiz); I will lecture on relevant material. This is meant to give you more time to work on the group project.
    b. Group Project: Reform Overview Proposal Due

12. Nov 28: Health Care

13. Dec 5: Poverty Relief
    a. Ulbrich, Public Finance in Theory and Practice, chapter 5 (posted)
    b. Gruber ch17.3-17.4 (posted)

14. Dec 12: Semester Overview
    a. Group project due

15. Dec 19: Final Exam