Syllabus for RPAD 643: Economics of Government Programs

Instructor: Stephen Weinberg

Tuesdays, 5:45-8:45; Husted 217

Office Hours: TBD

Fall 2014

In 2012, the US federal, state, and local governments spent $5.5 trillion, compared to a GDP of $15.7 trillion. Of that, the federal government spent about $680 billion on defense. 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 two major units: general issues in public programs 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 some major strategies for evaluating programs, and some of the strengths and weaknesses of each. Three 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, with nonprofit organizations and firms with shared discretion over a project (collaboration), and with firms with little shared discretion (procurement).

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. This section could easily be dominated by health care, but I have intentionally reduced the coverage of health care to two weeks, given that the department offers two courses on health care finance and policy.

Prerequisites

1 US Economic Report of the President 2013, Tables B-1, B-82

2 Jim Fossett usually teaches 644 every fall. I usually teach RPAD 654 every other year, and expect to offer it again in the spring of the next academic year (four semesters from now).
RPAD 503: I will assume you are reasonably comfortable with the material covered in RPAD 503, which covers microeconomics at the introductory-to-intermediate level.

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 (30%): at the beginning of every class with assigned readings, there will be a 20-minute quiz on that day’s readings. I will drop the three lowest quizzes.

Problem Set (10%): there will be a problem set on cost-benefit analysis. For those of you anticipating RPAD 503 flashbacks, you will NOT be asked to solve systems of equations.

Memos (30% total): there will be three 5-6pp memo assignments

Class Participation (5%) is based on attendance, preparation, and the quality of comments and questions. The default participation grade for good attendance is a B; to do better you’ll have to, you know, participate.

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. However, 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 manuscript of a memo or paper. You must also indicate in a footnote if you received helpful input from someone.

As per University policy, multiple submission of the same assignment (or substantially the same assignment) to more than one class is not allowed unless approved by all relevant instructors.

If you use an editing service to help you with the language of your memos and papers, you must actually input any changes into your text yourself. Again, you must acknowledge such help in a footnote. Note that such services are allowed only to help you polish your own work.
Readings

Required Books


I have not ordered these books through the bookstore, but expect you to acquire them on your own. Note that these books are used only for one week each, with the first one not being used until Sept 23rd. The bulk of the readings will be professional journal articles, working papers, or other materials that will be provided.

Unless indicated otherwise, professional journal articles are available in full-text electronically through the SUNY library. I strongly recommend that you use the journal finder to track down the journal, 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.
1. Aug 25: Major rationales of government

Unit I: Measuring Program Performance

2. Sept 2: Introduction to Cost-Benefit Analysis
   a. Handout on Present Discounted Value
      http://polisci.osu.edu/faculty/jmueller/MID11TSM.PDF

   a. Program Evaluation Teaching Note

4. Sept 16: Examples of Measuring Program Impacts
   a. TBD
   b. Problem Set due

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3 WARNING: the Surgeon General has determined that this handout may cause déjà vu in students who have taken other courses from me.
5. Sept 23: The Perils of Paying for Performance

Unit II: Who Should Do It?

   a. Gruber, ch10

7. Oct 7: 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)
   b. Memo 1 due

8. Oct 14: Procurement
Unit III: Survey of Major Government Programs

9. Oct 21: Education
   a. Gruber, chapter 11

10. Oct 28: School Choice

11. Nov 4: Pensions
   a. TBD

   a. Memo 2 due

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Any given student will do only some of these readings.


13. Nov 18: Health Care: Medicare, Medicaid, and ObamaCare
   a. TBD

14. Nov 25: no class
   a. Enjoy the Thanksgiving break

15. Dec 2: Poverty Relief
   a. Ulbrich, Public Finance in Theory and Practice, chapter 5
   b. Gruber ch17.3-17.4

16. Dec 9: Semester Overview
   a. Memo 3 due

17. Dec 16: Final Exam

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5 I expect that for ObamaCare we will end up reading articles that have not yet been written. This is very much a “breaking news” story within public policy.