Syllabus for RPAD 643: Economics of Government Programs

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Wednesdays, 5:45-8:50; Draper 313B

Office Hours: TBD

Fall 2011

In 2007, the US federal, state, and local governments spent $4.4 trillion, compared to a GDP of $13.8 trillion.\(^1\) Of that, the federal government spent about $600 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. Two 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. In past years, this section has been heavily dominated by health policy, possibly the single most important cost driver. With the addition of my new RPAD 654 course on health policy (offered every other year, probably), it no longer made sense to me to devote so much attention to that topic. We’ll still spend one week on it, but I’ve made room for other topics, such as security.

This unit will focus a great deal on insurance issues, because the federal government has become a giant insurance company with an army.

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\(^1\) US Economic Report of the President 2009, Tables B-1, B-82
Prerequisites

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%): December 14, at the normal class time

Reading Quizzes (24%): at the beginning of every class, there will be a 20-minute quiz on that day’s readings. The lowest two quizzes will be dropped.²

Problem Sets (9%): 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.

Short Memos (27%): you must do two of three 5-6pp memos. You decide which memos to write; you cannot simply turn in all three and drop the lowest. Anyone who asks me if you can turn in all three and drop the lowest will be referred to the syllabus, with great exasperation.

Presentation (10%): on Dec 7 you will give a presentation on your special topic area

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.

² If we end up having the intended eleven quizzes, I will drop the lowest three quizzes. However, I am promising only two drops.
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.

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

Books (on order at Mary Jane’s)


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.
Harvard Kennedy School of Government cases must be purchased from http://www.ksgcase.harvard.edu/.

Note Well: you must use the official, published version of articles, unless specified otherwise.

If you are having trouble finding a reading, ask me. (Note: it’s probably a good idea to look for them earlier than Wednesday 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. While the reading load for this course will be heavy, it will not be quite so heavy as suggested by the syllabus.

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

Aug 31: Major rationales

Evaluation

Sept 7: Cost-Benefit Analysis
a. Handout on Present Discounted Value³
b. Gruber, ch8

d. Fugitt and Wilcox, 1999, Cost-Benefit Analysis for Public Sector Decision Makers, CT: Quorum Books, chapters 1 to 7

Sept 14: Program Evaluation Problem
a. Gruber, ch3


Policy Partnerships

Sept 21: Federalism
a. Problem Set due
b. Gruber, ch10

³ WARNING: the Surgeon General has determined that this handout may cause déjà vu in students who have taken other courses from me.


Sept 28: fall break

Oct 5: 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)

Oct 12: Procurement (this week’s reading list is particularly tentative)


f. Memo 1 due
Unit II: Specific Programs

Oct 19: Education

a. Gruber, ch11

Oct 26: School Choice/Targeting


Nov 2: Social Insurance/Poverty

a. Memo 2 due
b. Gruber, ch12, 16.1, 17
Nov 9: Health Insurance
   a. Gruber, ch15-16

Nov 16: Security
   a. Memo 3 due

Nov 23: no class

Nov 30: Pensions and Social Security
   a. Memo 4 due, for anyone foolish enough not to have done memos 1-3
   c. Gruber, ch13

Dec 7: Special Topics Day
   a. Presentation due

TBA, but probably Dec 14: final exam