COURSE SYLLABUS

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Class Time: Tuesday, 3:30 – 6:15 PM
Class Location: Journalism 507
Office Hours: Monday 2:30 – 3:30, and by
appointment

Description:

This course is the first semester of a two-semester course in public policy analysis. The first semester introduces students to the theoretical and quantitative techniques of policy analysis, focusing primarily on the role of markets in public policy. The course is intended to enable students to be critical users of policy analyses and to understand the role of policy analysis in social policy development. This course will provide a thorough introduction to the field of economic policy analysis for those students who are planning to continue on in the area of social policy evaluation and development.

Part of the programmatic goals for University of Georgia MPA students are that they understand the public policy process at the federal, state and local levels, including formulating, implementing and evaluating public policy. Students should develop the ability to interpret and persuasively communicate information regarding policy alternatives through written materials. Additionally, students should analyze policy alternatives using quantitative and qualitative tools to evaluate decisions and explain potential ramifications for diverse constituencies. Students should also learn to manage financial resources.

Secondly, the MPA program at UGA teaches students to utilize various methods and analytical tools to gather, analyze and interpret data to provide effective reasoning for decision-making and policy creation. Students should learn to effectively inform the public and other stakeholders of decisions and initiatives through the presentation of data and research finding. Furthermore, they should learn to produce policy papers involving the synthesis of information, evaluation, and analysis of critical questions or problems currently facing the field of public administration and policy.

Ultimately, this course seeks to lead students to develop these skills by applying the economic method of thought - assuming rational agents respond predictably to incentives in order to allocate the scarce resources at their disposal as seems "best" to them - and how this method can be a widely useful tool for assessing the need for, and likely impact of, public policy. Students in the course will practice the several skills outlined above via class discussion, out-of-class readings, and writing an independent paper.

Course Objectives

1. Examine how policy analysis is used to inform public decisions and policy development; examine the steps involved in the policy analysis process, including problem definition, determination of evaluation criteria, identification of policy alternatives, and policy evaluation;

2. Consider the political context and the challenges to the rational model of policy analysis and the influence of ambiguity and uncertainty;

3.   Examine how data are used by social policy analysts to verify social problems and delineate policy problems as well as the challenges to unambiguous, objective empirical analysis;

4.   Consider how criteria for policy analysis (equity, equality, adequacy, security, liberty, efficiency, social justice, democracy as well as technical, administrative, and political feasibility) are selected and applied and the ethical and political issues involved in criteria selection;

5.   Examine the different methods for valuing policy effects and the process by which the policy to be implemented is selected, including cost-benefit analysis and cost-effectiveness analysis, as well as evaluation of the distribution of policy effects among population sub-groups.

Educational Outcomes
By the end of the semester, students will be expected to demonstrate:

1.   a thorough understanding of the policy analysis process;

2.   a thorough understanding of failures of markets to solve social problems and the role that public policies make in addressing those problems;

3.   a thorough understanding of the limits of rational policy analysis to influence the decision-making process;

4.   the ability to appreciate the use of secondary data sources and empirical evidence to substantiate policy arguments and to understand the limitations of data and empirical analysis;

5.   the ability to apply multiple criteria (e.g., efficiency, equity, equality, security, liberty, or social justice and democracy) in evaluating social policies;

6.   an understanding of how policy alternatives are identified and evaluated including the methods of forecasting, cost-benefit, cost-effectiveness, and sensitivity analysis;

7.   the ability to critically analyze policies and programs in terms of their distributional impacts, with particular attention to the impact on vulnerable groups.

Text for Course: "*Public Policy Analysis I: A Curated Selection of Brief Summaries*" provided with course materials.

Optional Text: Weimer, David, L. and Aidan R. Vining. (2010) <u>Policy Analysis: Concepts and Practice</u>. (5th ed.) New York: Routledge.

Organization of the Course: Class meetings will be lecture and (hopefully) student-led discussion. Class participation will be an important part of the grading, and each student will be required to formally participate in one policy debate. Class attendance is not required, though there is little prospect of success without it.

Grading: There are four components of the final grade:

1.   Article Summaries and Class discussion (PhD only)
2.   Mid-term exam (mid semester)
3.   Two Policy Analysis Memoranda (MPA only)
4.   Research Paper (PhD only)
5.   Comprehensive Final Exam

Each of these components will count as the following:

	Masters	Ph.D.
Article Discussion		15%
Policy Memoranda (2)	40%	-
Midterm Exam	30%	25%
Research Paper	-	35%
Final Exam	30%	25%

In specified weeks the PhD students must read an article from the listed readings and then (collectively) lead classroom discussion about it.

Late policy: Policy memoranda will be due at the beginning of the class. All memoranda that are turned in late will have a 50% reduction in points/grade. Any work not turned in before the next class period will be given a score of zero.

Mid-term exam will be an in-class exam, on Tuesday, October 17.

Final Exam will be an in-class, on Tuesday, December 5.

If you miss an exam without a university-approved excuse, you will receive a zero. If you have a university-approved absence, then the remaining exam will count double in the final weighting. No make-up exam will be given.

Academic Integrity: All students are responsible for maintaining the highest standards of honesty and integrity in every phase of their academic careers. The penalties for academic dishonesty are severe and ignorance is not an acceptable defense.

Course Outline and Schedule (Week / Module number in parentheses)

NOTE: The following schedule is a general plan for the course; changes may be required as the semester progresses to accommodate speed of learning or student interest. Changes will be announced in advance by the instructor.

(1)   **Introduction to Microeconomic Policy Analysis & An Introduction to Modeling (8/15)**
Policy Context: Last Week Tonight – Public Defenders in the United States
Key Concepts: Policy goals; reason for policy analysis; efficiency, equity, justice, and freedom as goals; conflicts between goals; basic policy analysis process; devising an intervention.

(2)   **The Problem of Causal Inference (8/22)**
Policy Context: Last Week Tonight – The Wealth Gap
Key Concepts: Supply and demand; market equilibrium; labor supply and labor demand; shortages and surpluses; minimum wages; reading regressions; causality and causal (treatment) effects; difference-in-difference.
Ph.D. Reading: 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, no. 4 (September 1994): 772-93.

(3)   **Consumer Theory: Utility Maximization, Efficiency, and Equity (8/29)**
Policy Context: Last Week Tonight – Child Labor in the Fashion Industry
Key Concepts: Axioms of choice; utility functions; indifference curves; budget constraints; utility maximization; individual and market demand; consumer surplus; income subsidy; price ceiling.

(4)   **Revealed Preference and What We can Learn from Behavior (9/5)**
Policy Context: Dan Ariely – We're All Predictably Irrational
        Poverty: Food stamps and food waste; Earned Income Tax Credit
Key Concepts: revealed preference; consumer sovereignty; income and substitution effects; inefficiency from subsidizing food consumption; labor/leisure choice model.
Ph.D. Reading: Whitmore, Diane. "What Are Food Stamps Worth?" Princeton Industrial Relations Section Working Paper, no. 468, July 2002.

(5)   **Markets, Allocation, and Equity (9/12)**
Policy Context: Last Week Tonight – Net Neutrality
Key Concepts: Market demand; market supply; equilibrium; Pareto superior reallocation; Pareto optimum; social welfare; deadweight loss; Harberger triangles; allocative efficiency; technical efficiency; conflicts between efficiency and other goals.
Ph.D. Reading: Hines, James. R. 1999. "Three Sides of Harberger Triangles." *Journal of Economic Perspectives*, 13(2): 167–188.

(6)   **General Equilibrium and the Limits of Economics in Policy (9/19)**
Policy Context: Last Week Tonight – Gerrymandering in the United States
Key Concepts: General equilibrium analysis; Edgeworth box; production possibilities frontier; comparative advantage; gains from trade; fundamental welfare theorems; theories of regulation.
Ph.D. Reading: Krugman, Paul. "Ricardo's Difficult Idea." *Paper for Manchester Conference on Free Trade* (March 1996).

(7)   Cost-Benefit, Cost-Effectiveness, Surpluses and Efficiency (9/26)
> *Policy Context*: Last Week Tonight – Professional Sports Stadiums
> *Key Concepts*: Cost benefit analysis; cost-effectiveness analysis; sources of data for analyses; value of a statistical life; controversies in valuing life for CBA.
> *Ph.D. Reading*: Ashenfelter, Orley, and Michael Greenstone. "Using Mandated Speed Limits to Measure the Value of a Statistical Life." *Journal of Political Economy* 112, no. 1 (2004): S226-67.

(8)   Externalities (10/3)
> *Policy Context*: Last Week Tonight – Pharmaceutical Marketing
> *Key Concepts*: externalities; positive and negative externalities; the Coase Theorem; Cap and Trade; FDA drug approval; "off-label" pharmaceutical marketing.
> *Ph.D. Reading*: Greenstone, Michael, and Kenneth Y. Chay. "The Impact of Air Pollution on Infant Mortality: Evidence from Geographic Variation in Pollution Shocks Induced by a Recession." *Quarterly Journal of Economics* 118, no. 3 (2003): 1121-1167.

(9)   Uncertainty in Choice and Uncertainty in Policy Formation (10/10)
> *Policy Context*: Last Week Tonight – Lotteries
> *Key Concepts*: Expected utility; risk; risk premium; insurance; expected value vs. variance in policy; risk pooling; diversification; moral hazard; ex ante vs. ex post moral hazard.

(10)   MID-TERM EXAM (10/17)

(11)   Time, Risk, and Regulation (10/24)
> *Policy Context*: Last Week Tonight – Predatory Lending
> *Key Concepts*: Time preferences; discount rate; hyperbolic discounting; time-inconsistent decisions; behavioral biases (framing effects, endowment effects; expectations effects; adaptation); use of nudges in public policy; U.S. safety regulation.

(12)   Imperfect Information and Adverse Selection (10/31)
> *Policy Context*: Last Week Tonight – Scientific Research
> *Key Concepts*: Asymmetric information; adverse selection; Market for Lemons; signaling; food and pharmaceutical safety regulation; pharmaceutical market regulation.
> *Ph.D. Reading*: Spence, Michael. "Job Market Signaling." *Quarterly Journal of Economics* 87, no. 3 (1973): 355-74.

(13)   Public Goods (11/7)
> *Policy Context*: Last Week Tonight – Infrastructure
> *Key Concepts*: Non-excludable good; non-rival good; free rider; market failure; Tragedy of the Commons; government privatization

(14)   Policy Topic - Vaccination (11/14)
> *Policy Context*: Last Week Tonight – Vaccination
> *Key Concepts*: Understand the policy issues specific to vaccination in the U.S..
> *Ph.D. Reading*: Bradford, W. David, and Anne Mandich. "Some state vaccination laws contribute to greater exemption rates and disease outbreaks in the United States." *Health Affairs* 34.8 (2015): 1383-1390.

(15)   **Thanksgiving Break – No Class (11/22)**

(16)   **Policy Topic – Cannabis Policy (11/28)**
        Policy Context: Last Week Tonight – Cannabis in the United States
        Key Concepts: Understand the policy issues specific to vaccination in the U.S..
        Ph.D. Reading: Anderson, D. Couch, Kenneth A., Mark, Pacula, Rosalie L., Rees, Daniel I, and
        Sevigny, Eric L. "Point/Counterpoint." *Journal of Policy Analysis and Management* 33.1
        (2014): 211-240.

(17)   **FINAL EXAM (12/5)**