**PubPol 558, Economic Analysis in the Practice of Public Policy**

University of Michigan, Winter 2023

Tuesdays and Thursdays 2:30 - 4pm, 1110 Weill Hall

**Instructor:** Adam Stevenson ([adamstev@umich.edu](mailto:adamstev@umich.edu))

**Office Hours:** 1-2:20pm Tuesdays in 4204 Weill, or

by appointment, arranged by email, to be held either by Zoom or in person in one of my offices (the other being Lorch 154)

**GSI:** Stephen Culbertson ([sacaulb@umich.edu](mailto:sacaulb@umich.edu))

who will hold discussion sections Friday from 2:30-4pm

**Website:** All course resources can be found on our Canvas page, and in particular through the Modules tool. There you will find lecture content, homework assignments and answers, and readings,. Lectures will be recorded and shared in the weekly module, once it the recording is available. I expect to make weekly announcements through Canvas, so make sure that you are getting notifications from the site, and that they are not being sorted to spam.

**Course Description**

A continuation of PubPol 555 (Micro A), this course will deepen students’ understanding of key economic concepts and principles and apply them to the practice of policy analysis. We will learn applied policy analysis skills, focusing on the efficiency and equity consequences of taxing, spending, regulation, and other policy interventions. We will learn and apply the tools of graphical analysis, cost-benefit and cost-effectiveness analysis, sensitivity analysis, and different approaches to valuation. We will apply these tools to an array of public policy domains including the environment, early childhood and education, labor markets, trade, crime, and transportation. Throughout, the course will focus on the skills and approaches that public policy professionals use in practice.

**Learning objectives**

In this course, students will develop the knowledge and skills to be critical consumers and

producers of economic analysis. Specifically, students will be able to

* Gain facility and comfort employing the tools of economic analysis to evaluate alternative real-world public policies;
* Understand the key market failures motivating government involvement and be comfortable applying graphical and mathematical analysis to each market failure and related interventions;
* Identify and describe the key components of a cost-benefit analysis and conduct a simple cost-benefit analysis of a real public policy problem;
* Critically assess economic analyses conducted by others. We will teach you to judge whether a given analyses constitutes a firm basis for policy decisions. This should serve you in your future role as a policy or business analyst, researcher, policy-maker, manager, or voter.

**Prerequisites**:

Microeconomic theory at the level of PubPol 555. Some experience in macroeconomics will on occasion be helpful, and some experience in Excel will be useful. But no knowledge in these areas will be assumed, and any necessary skills will be taught.

**Readings**

All readings and other course assignments will be posted on the Canvas course website. There is not a single textbook that is appropriate for the scope of the course. Thus readings include short excerpts from various text books on microeconomics, public finance, and cost-benefit analysis, as well as a variety of articles from journals, newspapers, and economic reports. We will also suggest specific sections of Stevenson and Wolfers’ book that you should review. I highly recommend skimming assigned readings before class, and reading in greater depth immediately after class, the subsections on which the lecture focused.

**GSI section**

Weekly discussion sections will be held as review for the material presented in lecture. Attending section is valuable both to reinforce and to further investigate material presented in lecture. Section attendance is strongly recommended, but not required.

**Evaluation structure**

This course will have three assignment types: homework, a cost-benefit analysis case exercise, and two in-class exams.

In general, late assignments are not accepted, and will receive a score of 0. I will drop your lowest homework score, so you may miss up to one of those with no penalty (and no excuse necessary). If you are ill (or subject to unforeseen emergency) on the exam day, I will ask you to provide verification of the illness/emergency. Once provided, you will receive an excused absence from the exam with no penalty. Without an excuse, you will receive a zero. Make-up exams and extra credit will never be offered.

Homework problem sets: (5% x 5 = 25%)

There will be six regular problem sets. These are designed to help you learn how to apply the material presented in class to an actual economic analysis. You are encouraged to discuss course material, including problem sets, with other students. However, you are expected to turn in your own individual solutions for each assignment. In fairness to those who complete assignments on time, late problem sets will not be accepted and will receive a zero grade. Assignments are always due electronically on Canvas no later than the start of class, 2:30pm. All problem sets are submitted by uploading them to Canvas Assignments as a single pdf file (which will occasionally include pages from an Excel document – please put these in the same single file as your write-up!).

Problem sets are graded on the following four-tier scale:

1. check-plus: all problems completed, few errors (10/10);
2. check: all problems completed, numerous errors OR almost all problems completed, few errors (8/10);
3. check-minus: almost all problems completed, numerous errors (6/10);
4. no credit (0/10): largely incomplete.

Students who complete the entire problem set and put forth their best efforts are well-positioned to receive full credit. As said above, I will drop your lowest problem set score.

Cost-Benefit Analysis Case Exercise (25%)

There will be a benefit-cost analysis case exercise that you’ll work on for the last four weeks of the course. You should think of this as taking the place of and requiring an equivalent amount of work as about two regular homework assignments. This will be done in small groups of 3 students. This project is meant to give you the opportunity to apply the economic principles and tangible methods of evaluation we presented in class to a specific policy decision. Your submission will be made as a single pdf file and an Excel spreadsheet that you post to Canvas.

Exams (25% x 2 = 50%)

There will be two in-class (≤ 80-minute) exams in this class. Both exams will have the same weight towards your overall grade, and are non-cumulative (except to the extent that, for example, Chapter 21 material depends on comprehension of Ch 2 material). You will be permitted to bring a calculator and hand-written notes to each exam.

**Ford School Inclusivity**

Members of the Ford School community represent a rich variety of backgrounds and perspectives. We are committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask all members to:

* share their unique experiences, values and beliefs
* be open to the views of others
* honor the uniqueness of their colleagues
* appreciate the opportunity that we have to learn from each other in this community
* value one another’s opinions and communicate in a respectful manner
* keep confidential discussions that the community has of a personal (or professional) nature
* use this opportunity together to discuss ways in which we can create an inclusive environment in Ford classes and across the UM community

**Ford School Public Health Protection Policy:**

In order to participate in any in-person aspects of this course--including meeting with other students to study or work on a team project--you must follow all the public health safety measures and policies put in place by the State of Michigan, Washtenaw County, the University of Michigan, and the Ford School.  Up to date information on U-M policies can be found [here](https://campusblueprint.umich.edu/).  It is expected that you will protect and enhance the health of everyone in the Ford School community by staying home and following self-isolation guidelines if you are experiencing any symptoms of COVID-19

**Student Mental Health and Well-Being Resources**

The University of Michigan is committed to advancing the mental health and wellbeing of its students.  We acknowledge that a variety of issues, both those relating to the pandemic and other issues such as strained relationships, increased anxiety, alcohol/drug problems, and depression, can directly impact students’ academic performance and overall wellbeing. If you or someone you know is feeling overwhelmed, depressed, and/or in need of support, services are available.

You may access counselors and urgent services at [Counseling and Psychological Services](https://caps.umich.edu/) (CAPS) and/or [University Health Service](https://www.uhs.umich.edu/mentalhealthsvcs) (UHS).  Students may also use the Crisis Text Line (text '4UMICH' to 741741) to be connected to a trained crisis volunteer.  You can find additional resources both on and off campus through the [University Health Service](https://uhs.umich.edu/stressresources) and through [CAPS](https://caps.umich.edu/article/um-mental-health-resources).

**Accommodations for Students with Disabilities:**

If you believe you need an accommodation for a disability, please reach out to U-M [Services for Students with Disabilities (SSD)](https://ssd.umich.edu/) office to help determine appropriate academic accommodations and how to communicate about your accommodations with your professors. Any information you provide will be treated as private and confidential.

**Academic Integrity:**

The Ford School academic community, like all communities, functions best when its members treat one another with honesty, fairness, respect, and trust. We hold all members of our community to high standards of scholarship and integrity. To accomplish its mission of providing an optimal educational environment and developing leaders of society, the Ford School promotes the assumption of personal responsibility and integrity and prohibits all forms of academic dishonesty, plagiarism and misconduct. Academic dishonesty may be understood as any action or attempted action that may result in creating an unfair academic advantage for oneself or an unfair academic advantage or disadvantage for any other member or members of the academic community. Plagiarism involves representing the words, ideas, or work of others as one’s own in writing or presentations, and failing to give full and proper credit to the original source. Conduct, without regard to motive, that violates the academic integrity and ethical standards will result in serious consequences and disciplinary action. The Ford School's policy of academic integrity can be found in the [MPP/MPA,](https://www.dropbox.com/s/oxbgig3kw5dwjzy/FINAL%202022%20Masters%20Handbook.pdf?dl=0) [BA](https://www.dropbox.com/s/i3eiituwsblsncc/FINAL%202022%20BA%20Handbook.pdf?dl=0), and [PhD program](https://www.dropbox.com/s/31d5lihoviiloqs/FINAL%202022%20PhD%20Handbook.pdf?dl=0) handbooks. Additional information regarding academic dishonesty, plagiarism and misconduct and their consequences is available at:   <http://www.rackham.umich.edu/current-students/policies/academic-policies/section11#112>

**Use of Technology**

I do *NOT* ban the use of electronics, computers, tablets, and so on. They can be useful tools. That said, they are generally NOT the best tool for learning in the classroom. Taking notes by typing is simply a bad idea in economics. The evidence is VERY clear that hand-writing notes is superior to typing notes, in terms of retention and understanding. I will occasionally write equations, and I will often draw graphs. Typing makes these tasks extraordinarily difficult in real-time. (This is all to say nothing about the potential distractions contained within your technology.)

All course materials (including slides, assignments, handouts, and recordings of class) are to be considered confidential material and are not to be shared in full or part with anyone outside of the course participants. Likewise, your own personal recording (audio or video) of your classes or office hour sessions is allowed only with the express written permission of your instructor.  If you wish to post course materials or photographs/videos of classmates or your instructor to third-party sites (e.g. social media), you must first have informed consent. Without explicit permission from the instructor and in some cases your classmates, the public distribution or posting of any photos, audio/video recordings or pre-recordings from class, discussion section or office hours, even if you have permission to record, is not allowed and could be considered academic misconduct.

**Please review additional information and policies regarding academic expectations and resources at the Ford School of Public Policy at:** [**https://intranet.fordschool.umich.edu/academic-expectations**](https://intranet.fordschool.umich.edu/academic-expectations)

**Topics & Assignment schedule**

On the following page, I list lecture topics, readings, and assignments on a weekly basis. The modules on Canvas also organize and share materials in weekly groupings. You’ll notice there is some uncertainty/flexibility near the end of the course. I expect to maintain the pace and structure stated, and I will share materials as soon as I can, but as of the printing date of this document, details are not finalized and I reserve the right to make adjustments.

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| **Week of** | **Lecture topics** | **Reading** | **Submissions** |
| Jan 2 | *No class Tuesday*  Lecture 1: Class Intro |  | None  *No GSI section* |
| Jan 9 | Lecture 2: Utility Analysis  Lecture 3: Tax incidence | Gruber Chapter 2  Gruber Chapter 19 & DC Office of the Budget Director Report | None |
| Jan 16 | Lecture 4: Tariffs  Lecture 5: Macro Stats | Amiti, Redding & Weistein (2019 JEP)  OpenStax Macro, selections of Chs 6, 8 & 9 | None  *No GSI section* |
| Jan 23 | Lecture 6: Budgeting  Lecture 7: Public Goods 1 | Gruber Ch 4 and CBO analysis of ARRA (2015)  Gruber Ch 7 | Problem set 1 |
| Jan 30 | Lecture 8: Public Goods 2  Lecture 9: Political Economy | OpenStax Micro, selections of Ch 11 and Knowledge Ecology Int’l  Gruber Ch 9 | Problem set 2 |
| Feb 6 | Lecture 10: CBA intro  Lecture 11: Externality 1 | Boardman et al Ch 1  Gruber Chapter 5 & CBO “Alternate Approaches to Funding Highways” | Problem set 3 |
| Feb 13 | Lecture 12: Externality 2  *Thurs: Review session* | Gruber Chapter 6 & Ann Arbor Observer “Ready for Takeoff” | None |
| Feb 20 | **Exam 1, Tues Feb 21**  Lecture 13: Insurance 1 | Gruber Chapter 12 | In class Tues Feb 21:  Exam 1  *No GSI section* |
| Feb 27 | Spring Break: no class Feb 27 – March 3 | | | |
| Mar 6 | Lecture 14: Insurance 2  Lecture 15: Insurance 3 | Gruber Ch 12 and Ch 14 selections  Stone and Chen (2014 CBPP) “Intro to UI” and Ganong, Noel and Vavra (2020 JPubE) “US UI Replacement rates in the Pandemic” | None |
| Mar 13 | Lecture 16: Return to CBA  Lecture 17: CBA costs 1 | Australian Handbook of CBA, Chs 4 & 5, & Varian (2006) NYT article  Boardman et al Ch 6 | Problem set 4 |
| Mar 20 | Lecture 18: CBA costs 2  Lecture 19: Valuing Labor | Boardman et al Ch 3.5  Gruber Chs 21.1, 21.2, 21.3, and 17.3 & CRS (2018) – “The Earned Income Tax Credit, an Economic Analysis” | None |
| Mar 27 | Lecture 20: CBA benefits 1  Lecture 21: CBA benefits 2 | Boardman et al Ch 5.2 & Deming (2019 EFIP) “The Economics of Free College”  Gruber Ch 8 & Rubin Helfand, and Loomis (1991) “CBA of the Northern Spotted Owl” | Problem set 5 |
| Apr 3 | Lecture 22: CBA distribution  Lecture 23: Cost effectiveness | Australian Handbook of CBA, Chs 6.5 & 7, & Arsen, Delpier & Nagel (2019) sections 2 & 3  McEwan (2012) “Cost effectiveness analysis of education and health intervensions…” | Problem set 6 |
| Apr 10 | *Tuesday: review session*  **Exam 2, Thurs Apr 13** |  | In class Thurs Apr 13: Exam 2  *No GSI section* |
| Course wrap | CBA Case study due at centrally-scheduled finals time, Thurs Apr 20, 4pm. | | | |