

Amherst College
Department of Economics
Economics 64
Spring 2008

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ECONOMICS 64

EVALUATING SOCIAL POLICY

This is an upper-level seminar in social policy. We will examine a number of programs including the Earned Income Tax Credit, Temporary Aid to Needy Families, Medicaid, and the State Children's Health Insurance Program. The course will introduce you to the operation of these programs and will illustrate how economic and econometric tools can be used to evaluate them. A significant portion of the course will be devoted to careful reading and discussion of empirical research papers, including discussion of the relative merits of various empirical and econometric techniques. Students will be asked to participate actively in class discussion, to make oral presentations, to evaluate empirical data, and to write papers on specific social programs. Throughout the course, we will think broadly about the goals of social policy and the practical challenges policymakers face in designing effective policies.

The course is divided into four parts. In part 1, we will introduce social policy and discuss approaches to evaluation. In part 2, we will discuss anti-poverty programs, the earned income tax credit, and welfare. In part 3, we will discuss public health programs, particularly those for children. In part 4, we will investigate ways in which environmental policy can serve as social policy. When discussing a particular program, we will first learn about the goals and design of the program, and then think about how we might evaluate the program. Next, we will study several journal articles that attempt to evaluate the effectiveness of the program, paying particular attention to the use of econometric techniques in these studies. In some cases, we will use actual data from the program to perform our own analyses. We will engage in close, careful reading and discussion of current research papers. Student participation in the course is essential to making this an interesting and fruitful endeavor.

Readings: There is no textbook for this course. Instead, we will read journal articles and some book chapters. The readings are contained in a 4-volume reading packet that can be purchased at Collective Copies.

Prerequisites: This course requires Economics 55 (Econometrics). Economics 54/58 (Microeconomic Theory) is strongly recommended.

Grading: Grades for the course will be based on a variety of assignments, as follows:

- Reading, class participation, and response papers. (Throughout the semester) 25%
- Act as a discussant for "The Clinton Legacy for America's Poor." (~ Feb 14) 15%
- Paper and presentation on a particular policy or journal article. (Scheduled individually) 15%
- Short paper analyzing welfare-to-work data (due ~March 28) 15%
- Final paper on a particular policy (due ~May 8) 30%

COURSE SCHEDULE AND READINGS

I. Introduction

Weeks 1-4 (1/29-2/21)

Introduction to Social Policy

Weeks 1-2

Christopher Jencks. "Introduction," *Rethinking Social Policy: Race, Poverty, and the Underclass*, Cambridge, MA: Harvard University Press, 1992.

Robert Moffitt. "Introduction," *Means Tested Transfer Programs in the United States*, Robert Moffitt, ed., Cambridge, MA: MIT Press, 2003.

Rebecca Blank and David Ellwood, "The Clinton Legacy for America's Poor," *American Economic Policy in the 1990s*, J. Frankel and P. Orszag, eds. Cambridge, MA: Harvard University Press, 2002.

Robert Moffitt. "Four decades of antipoverty policy: Past developments and future directions." *Focus*, Spring-Summer 2007, 25(1): 39-44.

Methods: Experiments and Evaluation

Week 3

Alice Rivlin. "Producing effective services: What do we know?" *Systematic Thinking for Social Action*, 1971.

Alice Rivlin. "Can we find out what works?" *Systematic Thinking for Social Action*, 1971.

James J. Heckman and Jeffrey A. Smith. "Assessing the Case for Social Experiments" *Journal of Economic Perspectives*, Spring 1995, 9(2): 85-110.

Robert H. Frank. "Why is Cost-Benefit Analysis So Controversial?" *Journal of Legal Studies*, June 2000. 29: 913-930.

Methods: Econometrics

Week 4

Peter F. Kennedy. "Introduction," *A Guide to Econometrics*, 5th ed., Cambridge, MA: MIT Press, 2003.

Charles F. Manski. "Introduction," *Identification Problems in the Social Sciences*, Cambridge, MA : Harvard University Press, 1995.

Peter F. Kennedy. "Applied Econometrics," *A Guide to Econometrics*, 5th ed., Cambridge, MA: MIT Press, 2003.

Marianne Bertrand, Esther Duflo, and Sendhil Mullainathan. "How Much Can We Trust Differences-in-Differences Estimates," *Quarterly Journal of Economics*, February 2004, 119(1): 249-275.

II. Anti-Poverty Programs

Weeks 5-8 (2/26-3/27)

The Earned Income Tax Credit

Weeks 5-6

Nada Eissa and Jeffrey Liebman. "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, May 1996, 111(2): 605-637.

Bruce D. Meyer and Dan T. Rosenbaum. "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," *Quarterly Journal of Economics*, August 2001, 116(3): 1063-1114.

David Neumark and William Wascher. "Using the EITC to Help Poor Families: New Evidence and a Comparison with the Minimum Wage," *National Tax Journal*, June 2001, 54(2): 281-317.

Stephen D. Holt and Jennifer L. Romich. "Marginal Tax Rates Facing Low- and Moderate-Income Workers Who Participate in Means-Tested Transfer Programs," *National Tax Journal*, June 2007, 60(2): 253-276.

Welfare

Weeks 7-8

Judith M. Gueron. "Work and Welfare: Lessons from Employment Programs" *Journal of Economic Perspectives*, Winter 1990, 4(1): 79-98.

Rebecca Blank and Ron Haskins, ed. *The New World of Welfare*, Washington, D.C.: Brookings Institution Press, 2001. (Chapters 3, 8, 10)

Rebecca Blank. "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, December 2002, 40: 1105-1166.

Robert Moffitt. "Welfare Programs and Labor Supply," *Handbook of Public Economics*, Auerbach and Feldstein, eds, Boston: Elsevier, 2002.

III. Health Policy

Weeks 9-11 (4/1-4/17)

Medicaid

Weeks 9-10

Sara Rosenbaum. "Medicaid," *New England Journal of Medicine*, February 21, 2002, 346(8): 635-40.

John K. Iglehart. "Medicaid Revisited – Skirmishes over a Vast Public Enterprise," *New England Journal of Medicine*, February 15, 2007, 356(7): 734-740.

Jonathan Gruber. "Medicaid," *Means Tested Transfer Programs in the United States*, Robert Moffitt, ed., Cambridge, MA: MIT Press, 2003.

David Cutler and Jonathan Gruber. "Does Public Insurance Crowd Out Private Insurance?" *Quarterly Journal of Economics*, May 1996, 111(2): 391-430.

Jonathan Gruber and Kosali Simon. "Crowd-Out Ten Years Later: Have Recent Public Insurance Expansions Crowded Out Private Health Insurance?" *Journal of Health Economics*, forthcoming 2008.

Mark Duggan. "Does Contracting Out Increase the Efficiency of Government Programs? Evidence from Medicaid HMOs," *Journal of Public Economics*, December 2004, 88(12): 2549-2572.

State Children's Health Insurance Program

Week 11

John K. Iglehart. "The Battle over SCHIP," *New England Journal of Medicine*, September 6, 2007, 357(10): 957-960.

John K. Iglehart. "The Fate of SCHIP – Surrogate Marker for Health Care Ideology?" *New England Journal of Medicine*, November 22, 2007, 357(21): 2104-2107.

Anthony T. Lo Sasso and Thomas C. Buchmueller. "The Effect of the State Children's Health Insurance Program on Health Insurance Coverage," *Journal of Health Economics*, 2004, 23: 1059-1082.

Anne Carroll, Hope Corman, Kelly Noonan, and Nancy E. Reichman. "Why Do Poor Children Lose Health Insurance in the SCHIP Era? The Role of Family Health," *American Economic Review*, May 2007, 97(2): 398-401.

IV. Environmental Policy

Weeks 12-13 (4/22-5/1)

Environmental Policy as Social Policy

Weeks 12-13

Jessica W. Reyes. "Environmental Policy as Social Policy? The Impact of Childhood Lead Exposure on Crime," *B.E. Journal of Economic Analysis and Policy*, October 2007, 7(1).

Kenneth Y. Chay and Michael Greenstone. "Air Quality, Infant Mortality, and the Clean Air Act of 1970," *NBER Working Paper* No. 10053, October 2003.

Douglas Almond, Lena Edlund, and Mårten Palme. "Chernobyl's Subclinical Legacy: Prenatal Exposure to Radioactive Fallout and School Outcomes in Sweden," *NBER Working Paper* No. 13347, August 2007.

Janet Currie, Eric Hanushek, E. Megan Kahn, Matthew Neidell, and Steven Rivkin. "Does Pollution Increase School Absences?" *NBER Working Paper* No. 13252, July 2007.