

## SOC POL 330: ECONOMICS AND SOCIAL POLICY

Spring 2010

Class meets Wednesdays from 9-11:50am in Annenberg 345

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Welcome to my class! The purpose of this course is to provide students with a grounding in how economists think about social policy issues. We will explore the basic economic foundations of individual decision-making and discuss the ways in which economists hypothesize that individuals respond to the incentives embedded within social policies. We will pay particular attention to the nature and detail of existing social policy, and use economic analysis to predict how these policies might influence behavior. While the course is largely theoretical, at times we will consider the empirical evidence on the topics at hand. It is hoped that by the end of the course students will understand the theoretical frameworks economists bring to their analyses of public policy issues. Students need not be convinced that these frameworks are the only ones that could be applied to program analysis. But they should understand them sufficiently to be able to analyze a policy issue in the way that an economist would.

Rather than teaching classes on an economic subject-by-subject basis, I will introduce economic concepts through the context of specific public policy questions. Each week we will discuss an important public policy issue. I will typically introduce the policy question at the end of the preceding Wednesday's lecture, so that students will have the opportunity to begin to think about the question between Wednesdays. Students should read the relevant sections of the textbook between the weeks.

Mastering the material will require a careful reading of the course text, frequent class participation, and attention to the recommended problem sets. The required textbook, available at the Norris Bookstore, is *Public Finance and Public Policy*, third edition, by Jonathan Gruber (Worth Publishers). This is an excellent textbook, and is well worth reading. I strongly encourage you to keep up with a daily newspaper as well, as we will discuss current events from an economics perspective from time to time. Some weeks I have assigned a reading from a recent issue of the *Journal of Economic Perspectives*, a journal of the American Economic Association aimed to educate its readership on important economic and policy questions in as jargon-free a manner as possible. I may also assign one or two additional short readings not listed on the syllabus.

Students will write a paper, to be handed in on the last day of class, in which a public policy issue is analyzed in the manner of an economist. The paper need not be long (e.g., 10 pages) but should (1) describe a current education or social policy problem of your choice, but one that has not been explicitly discussed in the class; (2) explain the current state of this policy issue in the geographic area of your choosing (e.g., the United States, some state, or some foreign country); and (3) present an economic analysis of the key issues involved in evaluating the policy.

Students should appeal to economic concepts discussed in the class, but may need to look outside the class for other economic concepts as well.

There will be a cumulative final exam and two quizzes. The final will be held at the scheduled time during exam week (Friday, June 11 from 12-2.) Your class grade will be based on the following criteria: 10% quality of contributions to class discussion; 20% better of the two quizzes; 10% worse of the two quizzes; 30% final exam; 30% paper.

### Class schedule

#### I. Introduction to the Economics of Social Policy

April 7: Class introduction, review of the elements of economics  
Readings: Gruber chapter 2

#### II. Social Insurance and Anti-Poverty Programs

April 14: Policy question: *Can public policy alleviate poverty?*  
Readings: Gruber chapter 17

Hilary Hoynes, Marianne Page and Ann Stevens, "Poverty in America: Trends and Explanations," *Journal of Economic Perspectives*, Winter 2006, pp. 47-68.

April 21: Policy question: *Should government mandate retirement savings?*  
Readings: Gruber chapters 12, 13

Peter Diamond and Peter Orszag, "Saving Social Security," *Journal of Economic Perspectives*, Spring 2005, pp.11-32.

April 28: Policy question: *What is the best way to help the temporarily jobless?*  
Readings: Gruber chapter 14

Walter Nicholson and Karen Needels, "Unemployment insurance: Strengthening the relationship between theory and policy," *Journal of Economic Perspectives*, Summer 2006, pp. 47-70.

May 5: Quiz #1 at beginning of class  
Policy question: *Will health care reform work?*  
Readings: Gruber chapters 15, 16

Alan Garber and Jonathan Skinner, "Is American Health Care Uniquely Inefficient?" *Journal of Economic Perspectives*, Fall 2008, pp. 27-50.

#### III. Education

May 12: Special visit by NU President Morton Schapiro  
Policy question: *What is the role of government in higher education?*  
Readings: Gruber chapters 5, 11; potential reading assigned by President Schapiro

May 19: Policy question: *What will market-based education reforms do?*  
Readings: no new readings for this week

May 26: Quiz #2 at beginning of class

Policy question: *Should government subsidize early childhood education?*

Readings: Janet Currie, "Early childhood education programs," *Journal of Economic Perspectives*, Spring 2001, pp. 213-238.

#### IV. The Role of Extra-governmental Organizations

June 2: Policy question: Policy question: *What is the role of non-governmental organizations in policy settings?*

Readings: Eric Werker and Faisal Ahmed, "What do nongovernmental organizations do?" *Journal of Economic Perspectives*, Spring 2008, pp. 73-92.

June 11: Final exam in Annenberg 345, 12-2pm