

Version 2: 9.26.2019

SOC POL 330: ECONOMICS OF SOCIAL POLICY

Fall 2019

Class meets Tuesdays & Thursdays, 9:30-10:50 AM, Annenberg G15

Professor: Diane Schanzenbach
Office: 2040 Sheridan Road (Institute for Policy Research)
Phone: 847.491.8704
Email: dws@northwestern.edu
Office hours: Mondays 2:00–3:00 and by appointment (just email! Copy my assistant Cynthia at c-kendall@northwestern.edu)

Teaching assistant: Sarah Collier-Villaume
Office: Annenberg 104
Email: sarahcollier@u.northwestern.edu
Office hours: 11-12 Tuesdays and by appointment

Teaching assistant: Nicole Guarino
Office: Annenberg G22
Email: nicoleguarino@u.northwestern.edu
Office hours: 10:30-12:00 Wednesdays and by appointment

Teaching assistant: Courtenay Kessler
Office: Annenberg G08
Email: CourtenayKessler2013@u.northwestern.edu
Office hours: 12:30-2:00 Thursdays and by appointment

Welcome to Economics of Social Policy! The purpose of the course is to think about social policy issues through an economic lens. 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. We will also explore some of the relevant empirical literature on a set of policy topics. I hope that by the end of the course you will understand the theoretical frameworks and some of the empirical tools that economists bring to their analyses of public policy issues. You need not be convinced that these frameworks are the best approach to analyzing policies, but you should understand them sufficiently to be able to analyze a policy issue in the way that an economist would.

Policy analysis involves both positive and normative aspects. Even when presented with the same sets of facts, people can have different opinions about the best policy responses to particular issues—indeed, that’s one of the factors that makes policy so much fun to study! The purpose of this class is to teach you *how* to think, not *what* to

think. When you are asked to analyze a policy issue, you will be evaluated on your reasoning, not on the position you take.

The course is broadly divided into two topics: income support programs and social insurance.

Course requirements will include 2 problem sets, 2 policy memos, a midterm exam, and a final exam. Your course grade will be determined as follows:

- Final exam (30%)
- Policy memos (40%)
- Midterm (20%)
- Problem sets (10%)

Required texts:

Gruber, Jonathan *Public Finance and Public Policy* (Worth Publishers)

ISBN-10: 1429219491

ISBN-13: 978-1429219495

Note: *any edition is fine.*

I will also post some articles on the course Canvas website.

Academic Integrity

Students in this course are required to comply with the policies found in the booklet, "Academic Integrity at Northwestern University: A Basic guide". All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content. For details regarding academic integrity at Northwestern or to download the guide, visit: <http://www.northwestern.edu/provost/policies/academic-integrity/index.html>

Accommodations for students with disabilities

Any student requesting accommodations related to a disability or other condition is required to register with AccessibleNU (accessiblenu@northwestern.edu; 847-467-5530) and provide professors with an accommodation notification from AccessibleNU, preferably within the first two weeks of class. All information will remain confidential.

Version 3: 10.28.2019

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COURSE SCHEDULE

1. TUESDAY, SEPTEMBER 24

Introduction to class

Overview of the U.S. Safety Net

2. THURSDAY, SEPTEMBER 26

Designs of income assistance programs

Friedman: The negative income tax (reading on course website)

Problem set 1 posted

3. TUESDAY, OCTOBER 1

Constrained utility maximization

This class session will largely be review for students who are familiar with indifference curves.

Consumption responses to income transfer programs

4. THURSDAY, OCTOBER 3

Labor supply responses to income transfer programs (Gruber 2.1-2.2)

Policy memo assignment 1 distributed

5. TUESDAY, OCTOBER 8

Review of Income & Substitution Effects

Measuring the Impacts of the EITC (Hoynes EITC reading on Canvas)

6. THURSDAY, OCTOBER 10

Guest Lecture: Robert Doar, President of the American Enterprise Institute

Attendance required

Problem set 1 due: 4:30 PM

7. TUESDAY, OCTOBER 15

Empirical approaches: Difference in differences (Gruber c 3)

Minimum wage

8. THURSDAY, OCTOBER 17

Guest Lecture: Bill Gale, the Brookings Institution

Attendance required

Policy memo #1 due: 4:30 PM Canvas

9. TUESDAY, OCTOBER 22
Designing SNAP
Current policies: UBI, SNAP changes, Work requirements (readings on website)
10. THURSDAY, OCTOBER 24
*** MIDTERM EXAM ***
11. TUESDAY, OCTOBER 29
Social insurance (Gruber chapter 12)
12. THURSDAY, OCTOBER 31
Social security + changes in life expectancy (Gruber chapter 13)
Problem set 2 distributed
13. TUESDAY, NOVEMBER 5
More Social security
Overview of other insurance programs: Unemployment insurance + Wage insurance + Disability Insurance (Gruber chapter 14)
14. THURSDAY, NOVEMBER 7
Guest speaker: Ben Harris (Kellogg & former chief economist to Joe Biden)
15. TUESDAY, NOVEMBER 12
Health insurance I (Gruber chapter 15)
16. THURSDAY, NOVEMBER 14
Health insurance II (Gruber chapter 16)
Problem set 2 due by 4:30 PM
Policy memo assignment 2 distributed
17. TUESDAY, NOVEMBER 19
Immigration
18. THURSDAY, NOVEMBER 21
TBD
19. TUESDAY, NOVEMBER 26
no class

Policy memo #2 due: Wednesday December 4 by 4:30 PM

FINAL EXAM
MONDAY DECEMBER 9
3 PM TO 5 PM