

# Economic Analysis of Social Problems: Intro to Public Programs [ECP 3000]

Dr. Nicholas A. Wright

Assistant Professor

## Contact Information

- **Class Time:** Tues & Thurs, 11AM - 12:15PM
- **Class Room:** Comp, Arts, Sci & Education; Rm 145
- **Office:** DM 307A
- **Office Hours:** Tues & Thurs, 1PM - 3:30PM (or appointment)
- **Email:** nicwri@fiu.edu

## Course Overview

**Course Description:** This course utilizes economic principles to explore the main issues surrounding poverty around the world. The course focuses on the empirical evaluations of various welfare programs such as SNAP, Unemployment Insurance, AFDC/TANF, CHIP, and Medicaid. The course also examines the relationship between poverty and homelessness, crime, and health in the US.

**Course Objectives:** By the end of this course, students should be able to:

1. Describe the extent of poverty in the United States and assess how it is measured.
2. Critically analyze the causes of poverty.
3. Synthesize the main empirical evidence on poverty alleviation programs and experimental interventions.
4. Evaluate the actual and potential responses of the private and public/government sectors to the problem.

**Pre-requisites:** No required courses. Strongly recommended are intermediate microeconomics and a course in statistics. This course will use math with some calculus and include data analysis.

## Suggested Textbooks:

1. Banerjee, A., Banerjee, A. V., & Duflo, E. (2011). Poor economics: A radical rethinking of the way to fight global poverty. Public Affairs. (ISBN: 1610390938)
2. Wolff, E. N. (2009). Poverty and income distribution. Blackwell Pub. (ISBN: 1405176601)
3. Angrist, J & Pischke, J. (2015). Mastering ‘Metrics. Princeton University Press. (ISBN: 0691152845)

## Readings

Because this is a seminar, participation is key. Weekly readings will be assigned for exams and problem sets. Check Canvas regularly for important course information.

## Course Assessments

- Attendance and Class Participation: 5%
- Reading Quizzes: 10%
- Problem sets: 30%
- Two Exams: 40% (each exam is 20%)
- Group Cost-Benefit Policy Exercise: 15%

# 1 Introduction, Definitions, and Measurement

## 1.1 Poverty vs. Inequality

- What is the difference between poverty and inequality? Why might we care?
- The War on Poverty: overview, then and now
- Examining the trends in poverty over time
- **Reading:** Norton & Ariely (2011). Building a Better America—One Wealth Quintile at a Time.
- Quiz #1: Methods Review

## 1.2 Distributions

- Using various statistics (Means, Medians, Standard Deviations, Percentiles) to provide a descriptive summary of poverty, education, and income data.
- Understanding the income distribution in the U.S.

### 1.3 Measuring poverty and Counting the Poor

- Definition and measurement of poverty in the US (consumption versus Income based approach, absolute versus relative measures)
- The official poverty measure
- Comparing the official and supplemental poverty measures
- Methods used to count the poor: Head count, PGI, PGI Squared, Foster-Greer-Thorbecke indices
- Measuring Inequality: Gini coefficient and Lorenz Curve
- **Reading:** Johnson & Smeeding (2012). A consumer's guide to interpreting various U.S. poverty measures. Institute for Research on Poverty.
- **Reading:** Short (2011). "Who is Poor? A New Look with the Supplemental Poverty Measure."

### 1.4 Income Inequality and Social Mobility

- The relationship between GINI and GDP Per Capita
- The Gatsby Curve: Income Inequality and Intergenerational Mobility

### 1.5 Stata Workshop

**Assessment:** Homework 1, using STATA to analyze data from the Current Population survey.

## 2 Human Capital Theory and the Returns to Education

### 2.1 Causal Methods I: Experiments

- What is a casual relationship?
- Using OLS regression to get casual estimates
- Omitted variables bias
- The gold standard: Experiments
- Program evaluation and selection bias
- Average treatment effect, intent to treat, and treatment effect on the treated

## 2.2 Education I: Long-Term Benefits of Early Childhood Education

- Skill gaps developed by age 5
- Early Childhood Interventions: Perry Preschool Project and Head start
- Long-Term cost-benefit analysis of early childhood interventions
- Early childhood interventions impact on Cognitive and Non-Cognitive Skills
- **Reading:** (Strongly recommended) Belfield, Nores, Barnett & Schweinhart (2005). The High/Scope Perry Preschool Program: Cost–Benefit Analysis Using Data from the Age-40 Follow-up.
- **Reading:** (Strongly recommended) Walker et al., (2021). Cognitive, psychosocial, and behaviour gains at age 31 years from the Jamaica early childhood stimulation trial
- **Reading:** Garcia, Heckman, Ronda (2021). The Lasting Effects of Early Childhood Education on Promoting the Skills and Social Mobility of Disadvantaged African Americans.
- **Reading:** Duncan, Ludwig & Magnuson. Reducing Poverty through preschool interventions.
- **Reading:** Cascio & Schanzenbach. Expanding preschool access.

## 2.3 Education II: Schooling Decision

- Human capital investment
- Net present value and college entry decision
- Optimal schooling decision
- Returns to schooling
- **Reading:** Ehrenberg, Ch. 9
- Quiz #2: Human Capital Theory

## 2.4 Education III: Paying for College

- Market failures in higher education
- College access: student loans, need- and merit-based grants/scholarships
- Trends in college affordability
- College financing options and student outcomes
- Class Debate: *Be it resolved, the government should offer merit-based instead of need-based grants.*
- **Reading:** Dynarski, S., Page, L. C., Scott-Clayton, J. (2022). College costs, financial aid, and student decisions

- **Reading:** Wright (2021). Need-based financing policies, college decision-making, and labor market behavior: Evidence from Jamaica

**Assessment:** Exam 1

**Assessment:** Homework 2

**Assessment:** Group Cost-Benefit Policy Assignment is posted

## 3 The Government's Impact on Work and Poverty

### 3.1 Moving to Opportunity

- The importance of neighborhoods
- Estimating neighborhood effects
- Moving to opportunity experiment and related studies
- **Reading:** Rothwell (2015). Sociology's revenge: Moving to Opportunity (MTO) revisited
- **Reading:** Chetty, Hendren, Katz (2016). The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment

### 3.2 Labor Supply Model

- Important labor market statistics
- The labor-leisure theoretical model
- Income and substitution effects
- Wage and non-labor income changes on labor supply (leisure demand)
- **Reading:** Labor economics pages 21-39
- Quiz #3: Labor Market Model

### 3.3 Policies and Programs that Affect Work

- The American tax system
- Determining individual's tax liability
- Average vs. Marginal tax rates.
- Details of the earned income tax credit (EITC) program
- Theoretical and empirical evidence linking EITC to employment and earnings

- Minimum Wage: History, Theory, and Empirical Evidence
- Arguments for and against minimum wage increases
- Class Minimum Wage Debate: *Be it resolved, the federal minimum wage should be increased to \$20 per hour.*
- **Causal Methods II:** Difference-in-Differences Design
- **Reading:** Labor economics pages 54-64

**Assessment:** Homework 3

**Assessment:** Exam 2

## 4 Course and University Policies

### Extra Credit

I reserve the right to provide opt-in extra credit opportunities to the class. These opportunities provide a unique way for students to engage with the concepts covered in the class, while improving your grade for the course.

### Curve

I reserve the right to curve grades (this can be upward or downward). In the past, grades have been consistently curved upward.

### Exams

The exams will not be rescheduled. If a student is unable to attend due to an unexpected emergency, and she/he can provide satisfactory written documentation of the emergency, her/his final exam will be weighed more heavily to make up for the missed exam.

### Instructor assessment

Your constructive assessment of this course plays an indispensable role in shaping education at FIU. Upon completing this course, please take time to fill out the online course evaluation.

### No electronics

I strongly urge a no electronics policy. This includes cell phones, tablets, etc. Any student needing an exception to this rule is welcome to discuss at office hours to make their case. If an exemption is provided, this will be removed if the item is used in a disruptive manner. Computers are only allowed for note-taking.

### Attendance

Students are responsible for obtaining any missed lecture notes from their classmates. The presumption of your registration for this course is that you are able to attend class, arrive on time, and stay for the full duration. Only medical emergencies will be considered as an excused absence.

### Academic honesty

All students are expected to demonstrate honesty in their academic pursuits. Florida International University is a community dedicated to generating and imparting knowledge through excellent teaching and research, the rigorous and respectful exchange of ideas, and community service. All students should respect the right of others to have an equitable opportunity to learn and to honestly demonstrate the quality of their learning. Therefore, all students are expected to adhere to a standard of academic conduct, which demonstrates respect for themselves, their fellow students, and the educational mission of the University. All students are deemed by the University to understand that if they are found responsible for academic misconduct, they will be subject to the Academic Misconduct procedures and sanctions, as outlined in the Student Handbook. Academic Misconduct includes (but is not limited to) giving or receiving assistance on a test, quiz, or homework assignment for which such assistance is not permitted, falsifying a document to obtain an excusal from a test, having another person use a phony ID to take a test for you, and using

unauthorized notes on a test or quiz. I encourage you to read FIU's academic integrity policy: <http://integrity.fiu.edu/misconducts.html>

### **Disability Accommodations**

If you have a documented disability, please bring your documentation to me as soon as possible so that I can make suitable accommodations for you. If you believe that you have a disability and desire accommodation, please register with the Disability Resource Center, GC 190 as soon as possible. The FIU Disability Resources Center strives to promote student success by working collaboratively with students, faculty and staff to create an inclusive educational environment. The university is committed to advancing students learning and enhancing personal development. Any information provided will be kept confidential. Documentation of your disability will need to be sent to the Disability Resource Center (GC 190).

### **Religious holidays**

Class instructors are required to reasonably accommodate students in class attendance and course work because of religious observances, practices, and beliefs. Students are responsible for any material covered or tested during an excused absence, but shall be given a reasonable amount of time to complete coursework including course exams and course assignments missed during their prior approved absence. The approved make-up assignment and examination must be equivalent in content, type, and grading scale to the missed coursework. Students who desire to be excused from class or coursework to observe or practice their religious beliefs should notify all instructors preferably upon receipt or access to the syllabus, but in no case later than two (2) weeks before the religious observance or practice. A student who has requested to be excused from class or coursework for a religious observance or practice is not required to provide a second party certification of the reason for the absence.

### **Nondiscrimination Statement**

FIU promotes a culturally diverse and inclusive working and learning environment where current and prospective faculty, staff, and students are treated fairly and valued for their individuality. If any applicant, employee, or student has a good faith belief that they have been discriminated against or harassed based on age, color, disability, gender, marital status, ethnic/national origin, race, religion, retaliation, sexual harassment, or any other protected category, the Office of Civil Rights Compliance and Accessibility (CRCA) encourages him/her to complete the Discrimination, Harassment, and Retaliation Form and submit it to our office on the Modesto A. Maidique Campus in PC-220. CRCA will investigate the complaint in accordance with University Policy and Procedures.

### **Course Syllabus Note**

The course syllabus provides a general plan for the course; deviations may be necessary.