

APPLIED WELFARE AND POLICY ANALYSIS

AREC 507
MWF 1:00 – 1:50pm

Spring 2018
Eddy 118

Instructor: Jordan Suter

E-mail: jordan.suter@colostate.edu

Office Hours (B-306 Clark): Tues. 2–3pm, Thurs. 10–11am, and by appointment

Description:

The primary objective of this course is to link microeconomic theory with the assessment of social outcomes and policy impacts. To accomplish this, we will begin by covering methods for measuring welfare outcomes of consumers and producers. Using these measures, we will characterize market outcomes, highlight common types of market failure as well as policy solutions, and investigate the implementation of cost benefit analysis. In assessing economic policy options, we will discuss distributional and political economy considerations as well as the role of behavioral economics in influencing policy design and assessment. As a critical component of the course, students will be expected to write a research plan for assessing the welfare effects of a specific policy or program.

Course Objectives:

- (1) Learn how to measure welfare outcomes for consumers and producers and identify the magnitude of specific market failures.
- (2) Develop an ability to rigorously compare the benefits and costs of competing policies or projects, including distributional, behavioral and political economy considerations.
- (3) Improve ability to conduct and disseminate original research by developing and presenting a plan to assess the welfare implications of a specific economic policy or market.

Readings:

The readings will come from the textbook listed below or made available on Canvas. The readings that are required for a given class are indicated in the course schedule and will be announced in class. All documents, including the course schedule, problem sets, and exams will be posted on Ram CT.

Just, R.E, D.L. Hueth, and A. Schmitz, *The Welfare Economics of Public Policy: A Practical Approach to Project and Policy Evaluation*. 2004. Edward Elgar Publishing.

Grading (out of 100%):

4 Problem sets (10%) – You will be given one week to complete each problem set. Each problem set that is turned in will be assessed a grade of check, check minus, or incomplete. *Late assignments will not be accepted.* You can work on an assignment with, at most, one other classmate, but if you do so please only turn in one problem set with both of your names at the top.

Midterm exams (30%) – Two in-class exams will be given during the semester that will test the material covered in class and the assigned readings.

Final exam (30%) – A *comprehensive* final exam will be given during the exam period.

Research plan and presentation (25%) – You will be expected to define a research question related to the welfare effects of a particular policy, program or market and propose a plan for rigorous economic research to address the question. The plan should include a literature review, a description of the theoretical incentives faced by producers and consumers, as well as how economic welfare

could be empirically measured. The research plans will be presented to the rest of the class during the last two weeks of the semester.

Participation (5%) – Participation in all class discussions is valued. We will cover at least one reading from the literature each week and for most readings one student will be assigned to lead the class discussion.

Academic Integrity:

This course will adhere to the Academic Integrity Policy of the CSU General Catalog and the Student Conduct Code. I expect all of your work to be your own, with the exception of problem sets, where you can work with one other student. Cases of plagiarism in written work will be taken seriously, so please familiarize yourself with CSU's guide to avoiding plagiarism (<http://writing.colostate.edu/guides/researchsources/understandingplagiarism/plagiarismoverview.cfm>).

Documented Disabilities:

If you have a documented disability and wish to discuss academic accommodations, please contact me as soon as possible to set up appropriate arrangements. Further info- <http://rds.colostate.edu/students>

Principles of Community:

The Principles of Community support the Colorado State University mission and vision of access, research, teaching, service and engagement. A collaborative, and vibrant community is a foundation for learning, critical inquiry, and discovery. Therefore, each member of the CSU community has a responsibility to uphold these principles when engaging with one another.

Inclusion:

We create and nurture inclusive environments and welcome, value and affirm all members of our community, including their various identities, skills, ideas, talents, and contributions.

Integrity:

We are accountable for our actions and will act ethically and honestly in all our interactions.

Respect:

We honor the inherent dignity of all people within an environment where we are committed to freedom of expression, critical discourse, and the advancement of knowledge.

Service:

We are responsible, individually and collectively, to give of our time, talents, and resources to promote the well-being of each other and the development of our local, regional, and global communities.

Social Justice:

We have the right to be treated and the responsibility to treat others with fairness and equity, the duty to challenge prejudice, and to uphold the laws, policies and procedures that promote justice in all respects.

Need Help?

CSU is a community that cares for you. If you are struggling with drugs or alcohol and/or experiencing depression, anxiety, overwhelming stress or thoughts of hurting yourself or others please know there is help available. Counseling Services has trained professionals who can help. Contact 970.491.6053 or go to <http://health.colostate.edu>. If you are concerned about a friend or peer, tell someone at by calling 970.491.1350 to discuss your concerns with a professional who can discreetly connect the distressed individual with the proper resources (<http://supportandsafety.colostate.edu/tellsomeone>). Reach out and ask for help if you or someone you know is having a difficult time.

Sexual Assault and Violence Elimination:

CSU's Student Sexual Harassment and Violence policy, following national guidance from the Office of Civil Rights, requires that professors follow CSU policy as a "mandatory reporter" of any personal disclosure of sexual harassment, abuse, and/or violence related experiences or incidents shared with the professor in person, via email, and/or in classroom papers or homework exercises. These disclosures include but are not limited to reports of personal relational abuse, relational/domestic violence, and stalking. While professors are often able to help students locate appropriate channels of assistance on campus, disclosure by the student to the professor requires that the professor inform appropriate CSU channels to help ensure that the student's safety and welfare is being addressed, even if the student requests that the disclosure not be shared.

For counseling support and assistance, please see The CSU Health Network, which includes a variety of counseling services that can be accessed at: <http://www.health.colostate.edu/>. And, The Sexual Assault Victim Assistance Team is a confidential resource for students that does not have a reporting requirement and that can be of great help to students who have experienced sexual assault. The web address is <http://www.wgac.colostate.edu/need-help-support>.

Course Outline:

- Weeks 1 – 3: *General equilibrium analysis* - Pareto efficiency, Kaldor-Hicks criterion, social welfare functions.
- Weeks 4 – 7: *Welfare measurements* – measuring welfare for consumers, producers, and factor owners, aggregation and welfare analysis of market policies.
- Weeks 8 – 10: *Market failure* –externalities, public goods, nonmarket valuation.
- Weeks 11 – 12: *Cost benefit analysis* – discounting, distributional concerns, cost-effectiveness analysis, job creation and welfare impacts of local development programs.
- Weeks 13 – 14: *Empirical policy evaluation* – randomized controlled trials, identification of policy impacts and causality.
- Weeks 14 – 15: *Behavioral economics and political economy* –nudges and other policy considerations from behavioral economics, policy implications of political economy.
- Week 16: *Student presentations*

Course Schedule

Week	Monday	Wednesday	Friday
1 Jan. 15		JHS Ch. 1	JHS Ch. 2
2 Jan. 22	JHS Ch. 2	JHS Ch. 2	Hayek 1945
3 Jan. 29	JHS Ch. 3	JHS Ch. 3, PS 1 due	Abasolo and Tsuchiya 2004
4 Feb. 5	JHS Ch. 4	JHS Ch. 4	Qaim and Traxler 2005
5 Feb. 12	JHS Ch. 5	JHS Ch. 5	Exam 1
6 Feb. 19	JHS Ch. 6	JHS Ch. 6, Research proposal due	Darby et al. 2008
7 Feb. 26	JHS Ch. 8	JHS Ch. 8, PS 2 due	Lichtenberg and Zilberman 1986
8 Mar. 5	JHS Ch. 13	JHS Ch. 13	Damigos et al. 2017
9 Mar. 12	Spring Break	Spring Break	Spring Break
10 Mar. 19	JHS Ch. 14	JHS Ch. 14, PS 3 due	Howe 1986
11 Mar. 26	Boardman Ch. 19	Boardman Ch. 18	Exam 2
12 Apr. 2	JHS Ch.11	JHS Ch.11, Lit review due	Haveman and Weimer 2015
13 Apr. 9	Kline and Moretti 2014	Athey and Imbens 2017, PS 4 due	Burde and Linden 2013
14 Apr. 16	Athey and Imbens 2017	Bhargava and Lowenstein 2015	Research draft due (no class)
15 Apr. 23	Salanie and Treich 2009	Fredriksson et al. 2011	Presentations
16 Apr. 30	Presentations	Presentations	Presentations

Reading details

Athey and Imbens, 2017 “The state of applied econometrics: causality and policy evaluation”

Abasolo and Tsuchiya, 2004 “Exploring social welfare functions and violation of monotonicity: an example from inequalities in health”

Bhargava and Loewenstein, 2015 “Behavioral economics and public policy 102: beyond nudging”

Boardman, 2010 Cost-Benefit Analysis, Pearson. Saddle River, NJ.

Burde and Linden, 2013 “Bringing education to Afghan girls: a randomized controlled trial of village-based schools”

Damigos et al., 2017 “Revealing the economic value of managed aquifer recharge: evidence from a contingent valuation study in Italy”

Darby et al., 2008 “Decomposing local: a conjoint analysis of locally produced foods”

Fredriksson et al., 2011 “Are politicians office or policy motivated? The case of U.S. governors' environmental policies”

Haveman and Weimer, 2015 “Public policy induced changes in employment: valuation issues for benefit-cost analysis”

Hayek, 1945 "The use of knowledge in society"

Howe, 1986 "Project benefits and costs from national and regional viewpoints: methodological issues and study of the of Colorado-Big Thompson Project”

Kline and Moretti, 2014 “People, places, and public policy: some simple welfare economics of local economic development programs”

Lichtenberg and Zilberman, 1986 "Welfare economics of price supports in U.S. agriculture"

Qaim and Traxler, 2005 "Roundup Ready soybeans in Argentina: farm level and aggregate welfare effects"

Salanie and Treich, 2009 "Regulation in Happyville"