



Goldman School of Public Policy  
University of California, Berkeley

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## PP101: Introduction to Public Policy Analysis

Spring 2014

Professor Hilary Hoynes, [hoynes@berkeley.edu](mailto:hoynes@berkeley.edu)

**Lecture Time/Place**– Tuesday, Thursday 12:10p-1:30p, 250 GSPP (1893 LeRoy St)

**Instructor Office Hours**– Tuesday 3-5pm and (and by appointment) in Room 345 GSPP (1893 LeRoy St)

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Discussion section 101, M 3-4 285 Cory

Discussion section 102, W 1-2 3102 Etcheverry

Discussion section 103, M 12-1 3105 Etcheverry

**Course Web Site**– <https://bcourses.berkeley.edu>. There you will find class information and announcements, the syllabus, a lecture and reading schedule, readings and handouts. Check it often for all updates and current information.

**Course Grade**– The final grade will be determined as follows:

Homework	25%
Midterm #1 (February 27)	25%
Midterm #2 (April 24)	25%
Paper (policy memo)	25%

### Required Readings

Krugman and Wells, Microeconomics, Third Edition

Bardach, "A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem Solving"

Readings on Bcourses

Course Reader, available at Vick Copy, 1879 Euclid St

**Required Homeworks**– Economics is best learned through practice. The course will include 8 required homeworks (in determining your homework grade, we will drop the lowest scoring homework, so 7 of the 8 will count). All homeworks will be done on the web using [Econportal](#). Students are REQUIRED to subscribe to the PP101 EconPortal course to get credit for the homework.

Cost saving options for the required text & online homework:

- Any edition of Bardach is fine, purchase in bookstore or elsewhere
- Krugman and Wells; BOOKSTORE OPTION #1: paperback version of the book BUNDLED with the Econportal access \$153.25
- Krugman and Wells; BOOKSTORE OPTION #2: loose leaf version of the book BUNDLED with the Econportal access \$100.00.
- Krugman and Wells: E-BOOK OPTION: Through the [Econportal](#) website you can gain access to the digital version of the book and the required homeworks. This is the cheapest option (\$79.99).

### **EconPortal Homework and E-Book:**

If you purchase the book in the bookstore, it will come bundled with an “activation code” to grant access to the website. If you want the E-book and all-digital access, you will pay by credit card online. In either case, to sign up for an account go to:

<http://courses.bfwpub.com/krugmanwellsmicro3.php>

Click on either “Students: » PURCHASE access to EconPortal” or “Students: » REGISTER an Activation Code.”

You can gain FULL ACCESS to the book and homework through Feb 28 by using the following temporary access code 7v7-ikj-e9g22t86. This will help during the first weeks of the course when you do not yet know if you are in the course. You will LOSE ALL WORK unless you pay in full by Feb 28.

### **Course Purpose and Scope:**

This course introduces students to the fundamental skills of policy analysis and to some of the difficult choices involved in identifying, addressing and resolving public policy problems. It is designed to help you think creatively and critically about public policy issues.

The organizing principle of the course is to evaluate the role of the government in society. We will analyze the theoretical justifications for public action with an eye on the dividing line between problems that merit public intervention and those that do not. The proper role of government is a subject of great debate with those who believe that government should have less influence than in the status quo and others who envision greater roles for public intervention. We study cases where government remedies market failure, and others where government intervention is guided by principles of redistribution.

The core theory of the course comes from micro economics, in particular demand, supply and market outcomes as well as consumer choice under constraints. Throughout the course, we will illustrate and explore these issues through a wide range of policy topics.

### **Learning Objectives:**

Students will gain sufficient insight into microeconomic theory to be able to evaluate claims that a problem is reasonably the business of government. They will learn how government works and about the various strategies available to government to address policy problems. Further, they will use policy analysis tools to compare the merits and disadvantages of different policy approaches to a particular problem, and estimate what will be the likely consequences of proposed policies. While we will be illustrating many of the methods, theories, frameworks with policy examples, a chief goal of the course is for each student to develop a set of general conceptual skills for thinking about policy problems and solutions.

### **Course Structure**

The class meets twice a week as a lecture, and once a week in small sections. For each topic, we start with a lecture with professor-led discussion of the theory. We then follow with readings on a policy application; this class meeting will take the form of a “case study” with significant class discussion. The general approach of the course is to learn by actively contributing to the class discussion and listening to your peers, not by passively listening to the professor lecture.

**Term paper:**

As a final course project (and in lieu of a final exam) each student will complete a policy memo, a 12-15 page (double spaced) paper. You will be presented with a menu of choices for policies. Each student will rank these choices and be assigned a topic via lottery (this ensures a distribution of papers across the topics). The paper should be written as though for a particular decision-maker in government or a non-profit organization, with the writer assuming the role of a staff assistant to this decision-maker. Clear, grammatically-correct, well-organized, and succinct presentation is expected. Note that this is not a typical term paper that explains why something happened in the past or reports what other people have said about an issue.

**Academic Honesty**

It is important that you give appropriate credit for ideas and text you use in your work that came from your reading of books, articles or the internet. You must put quotation marks around any sentence or part of a sentence that you did not write yourself, and indicate the source. (You should also, of course, provide citations to facts that are not common knowledge.) The penalty for plagiarism is a failing grade and possible disciplinary action depending on the nature of the plagiarism. If you have questions about how to cite work appropriately, please stop by my office hours or e-mail me for a private appointment.

## **COURSE SYLLABUS**

Readings come from required texts (Bardach or Krugman & Wells), individual readings on BCourses (indicated by **B**), and the course reader (indicated by **R**).

PLEASE REFER TO the online schedule for daily plan of readings and assignments, which will be updated throughout the term. <https://bcourses.berkeley.edu>

### **Introduction to Public Policy Analysis**

Course lecture notes

### **The Eight Fold Path**

Bardach, pp 1-79

[B] "Towards a ceasefire: Experiments in legalization are showing what a post-war approach to drug control could look like," *The Economist*, 2013

### **Challenges for policy evaluation**

[R] Gruber *Public Finance*, Ch 3

[R] Murnane & Willett, *Methods Matter*, Ch 1

[B] Chetty, "Yes, Economics Is a Science," New York Times 2013

### **Econ Principles I: Supply and Demand**

Krugman and Wells Ch 3, 4

### **Application: Minimum Wages**

Krugman and Wells Ch 5

[R] Card & Krueger, *Myth and Measurement*, Ch 1-2

[B] Hamilton Project, "The ripple effect of a minimum wage increase on low wages in America"

[B] Economic Policy Institute "Raising the federal minimum wage to \$10.10 would lift wages for millions and provide a modest economic boost," 2013

### **Economic Principles II: Taxes**

Krugman and Wells Ch 7

### **Application: Tax reform**

[R] Slemrod and Bakija, *Taxing Ourselves*, Ch 1-2

[B] Picketty and Saez, "How Progressive is the U.S. Federal Tax System? A Historical and International Perspective," *Journal of Economic Perspectives*, 2007

Tax Policy Center, Debunking Myths About Who Pays No Federal Income Tax,"  
<http://www.youtube.com/watch?v=nM7orhQizKM>"

## **Economic Principles III: Externalities**

Krugman and Wells Ch 16

### **Application: Congestion pricing**

- [B] Leape, "The London Congestion Charge", *Journal of Economic Perspectives*, 2006
- [B] Arnott & Small, "The Economics of Traffic Congestion," *American Scientist*, 1994
- [B] U.S. Dept. of Transportation, "Congestion Pricing A Primer", 2013

### **Application: Environmental Policy**

- [B] Hamilton Project, "The Many Benefits of a Carbon Tax," 2013
- [B] Tol, "The Economic Effects of Climate Change," *Journal of Economic Perspectives*, 2009
- [B] Goulder, "Markets for Pollution Allowances: What Are the (New) Lessons?" *Journal of Economic Perspectives*, 2013
- [B] Mankiw, "A Carbon Tax That America Could Live With," New York Times, 2013

## **Economic Principles IV: Consumer choice**

Krugman and Wells Ch 10 (including appendix)  
[R] Gruber *Public Finance*, Ch 2

### **Application: Cash vs in-kind transfers**

- Class notes
- [B] Hoynes et al, "SNAP and Food Consumption", 2014
- [B] Fraker et al, "The Effect of Food Stamp Cashout on Food Expenditures: An Assessment of the Findings from Four Demonstrations," *Journal of Human Resources*, 1995

## **Economic Principles V: Why Redistribute?**

- [R] Okun, *Equity versus Efficiency*, Ch 4
- Krugman and Wells Ch 18
- [B] Hamilton Project, "A Dozen Facts about America's Struggling Lower-Middle Class," 2013

### **Application: Poverty**

- Krugman and Wells Ch 18
- [B] Prof Hoynes Poverty Lecture
- [B] U.S. Census, "The Research Supplemental Poverty Measure: 2012," 2013

### **Application: Inequality**

- [R] Saez, "Income Concentration in a Historical and International Perspective," in *Public Policy and the Income Distribution*, 2006
- [B] Saez, slides, Arrow lecture, 2013

## **Economic Principles VI: Theory of Labor Supply**

Krugman and Wells, Ch 19, section on “The Supply of Labor”

[R] Gruber, *Public Finance*, Ch 2

## **Economic Principles VI: Theory of Labor Supply, EITC v welfare**

[R] Gruber, *Public Finance*, Ch 17

[B] Eissa and Hoynes, “Behavioral Responses to Taxes: Lessons from the EITC and Labor Supply,” *Tax Policy and the Economy*, 2006

### **Application: Antipoverty Successes**

[B] Blank, “Declining Caseloads Increased Work: What Can We Conclude about the Effects of Welfare Reform?” 2001

[B] Center for Budget and Policy Priorities, “Policy Basics, the Earned Income Tax Credit,” 2013

[B] Center for Budget and Policy Priorities, “The War on Poverty at 50,” 2013

## **Economic Principles VII: The Government and Health Insurance**

Krugman and Wells Ch 18

[B] Krugman, “Health Care 101,” *New York Times*, 2005

[B] Kaiser Family Foundation, “The Uninsured A Primer,” 2013

### **Application: Lessons from History, Medicare and Medicaid?**

[B] Chay et al, “Health Insurance, Hospital Utilization and Mortality: Evidence from Medicare’s Origins”

[B] Center for Budget and Policy Priorities, “Policy Basics: Medicaid”

[B] Gruber, “Health Insurance for Poor Women and Children in the U.S.: Lessons from the Past Decade,” *Tax Policy and the Economy*, 1996

### **Application: Oregon Experiment**

[B] Allen et al, “What the Oregon Health Study Can Tell Us about Expanding Medicaid,” *Health Affairs*, 2010

[B] Baicker et al, “The Effects of Medicaid Coverage — Learning from the Oregon Experiment,” *New England Journal of Medicine*, 2011

[B] Oregon Project, “Summary of Findings,” <http://www.nber.org/oregon/>

## **The Great Recession and the Safety Net**

[B] Center for Budget and Policy Priorities, “The Legacy of the Great Recession,” 2014

[B] Center for Budget and Policy Priorities, “Stimulus Keeping 6 Million Americans Out Of Poverty in 2009, Estimates Show,” 2009

[B] Bitler and Hoynes, “The Safety Net, Living Arrangements, and Poverty in the Great Recession”