This course begins by completing our survey of the institutions through which we create public value (following 501 coverage of market & community/society, and their failures) with coverage of the ways in which governments can fail to serve the collective interest. The goal is to provide a set of concepts and analytic tools for analyzing the limitations of each of these three institutions and therefore also the possibilities for policy intervention.

The course then turns to the normative question of how to define the collective good, i.e. what intervention might be trying to achieve, with a brief survey of social choice theory and alternative philosophies on ranking possible acts and their outcomes. We consider, in particular, the philosophical underpinnings of social cost-benefit analysis, perhaps the central tool of policy analysis, and we explore some of the issues that arise in using it.

Finally we turn to policy design given a goal definition and the three institutional options. We start by considering the broad menu of policies people have considered (drawing on discussions of a variety of problems) and, at the end, emphasize the possibilities for both complementarity and substitution/crowdout across institutions within any given problem.

The last portion of the class will revolve around discussion, in light of all of 501 and 502, of the problems and policies on which you will be writing your term papers (see below).

**Course Requirements**

1. Class participation, including weekly assignments. (20 percent)

2. A 8-10 page memorandum analyzing the causes of the problem of climate change as a manifestation of failures of markets, states, and society. (20 percent)

3. A 15-20 page policy design paper that explores a public problem for which there has been some failed governmental policy, analyzes the causes of the failure, and suggests what governmental policies, societal initiatives, and/or market mechanisms might be designed to address it. You will be expected to present your paper to the class. (30 percent)

4. A comprehensive take home final exam. (35 percent)
1. Markets (“invisible hands”) & Their Failures [in 501]

2. Communities (“handshakes”) & Their Failures [in 501]

3. Governments (“iron fists”) & Their Failures

January 14  
Society and the State: Parties, Interest Groups, and Public Policy

January 21

A. Special interests, rent seeking, and capture

B. The market for policy information and the problem of rational ignorance
James Hamilton, *All the News That’s Fit to Sell*, Chapter 1, “Economic Theories of News.”
Frank Oz, “What’s the matter with Kansas?” excerpts

January 28

A. Bureaucratic Behavior
March and Simon
B. The Problem of Global Governance

Karol Polanyi, *The Great Transformation*, excerpts

February 4  Climate Change: Explaining a Social Failure (Market, Society, and State)

Our goal is to answer: What is the (public policy) problem? We should push beyond description of the manifestations of the problem or descriptions of the consequences (some of this may be useful) to explore causes of the problem of policy relevance, e.g. in the form of failures of markets, states and society.

The assignment this year is to conduct such an analysis for the problem of future possible climate change and then present your assessment in the form of a background memorandum for President Obama (or some other well-placed policy maker if you prefer). It is not necessary in this memo to advise him of a course of action, rather to help him better understand the nature of the problem, and implicitly, at least of the range of possible policy options.

Rather than assigning common readings, given the extraordinary wealth of readily available information on climate change, you will explore the issue yourself.

4. What is the Public Interest?

February 11  4A. What is the collective good?

A/i. Size & Durability
Hindricks & Miles public sector statistics
Kamerman & Kahn on welfare
Bush Welfare Reform document

A/ii. Preferences & Aggregation
Hindriks & Miles pp.303-306
Hindriks & Miles pp.385-392
Gruber on Political Economy

A/iii. Alternative Conceptions

a. Poverty
Hoynes, Page, Stevens on poverty in America
Banerjee & Duflo on the lives of the global poor
Hindriks & Miles on inequality and poverty

b. Fairness
Richardson on health services evaluation
February 18

4A. What is the collective good? (finish up)

A/iii. Alternative Conceptions

c. Happiness
Easterling explaining happiness survey measures
Kahneman & Thaler on anomalies
Frank on gains that endure
DiTella & MacCulloch on happiness data
Frank on context and position
Colander on Edgeworth’s hedonimeter
Sunstein & Thaler on libertarian paternalism

d. Process
Hinman chapter on rights
Konow on process and impartiality
Herne & Mard on impartiality experiments

4B. Social Cost-Benefit Basics and Philosophical Underpinnings
Kelman critiquing cost benefit analysis
Frank on the controversies around CBA
Gruber on valuing time and lives
Valuing lives/nonmonetary chapter
Schelling thoughts on valuing life
Viscusi on litigation vs. legislation

February 25  Specific Cost-Benefit Issues

C/i. Standing
Whittington & McRae on standing
Tobin on rationing (quite generally)
Safier on public services rationing
Waldfogel on the gender pay gap

C/ii. Difficult Valuation
Portney on “some number”
Hanemann for “some number”
Hausman against “some number”
Anderson on shadow values (soil example)
Pearce on forestry (imperfect #s examples)
Cook & Ludwig on what counts and how
C/iii. Discounting
Heal review of climate change
Weitzman reviewing Stern Report on climate change
Newell Pizer on uncertainty about the discount rate
(background documents from Lind’s review book)

March 4  4D. Uncertainty: Intro to Decision Analysis
Behn & Vaupel reading on money and risk
Stokey & Zeckhauser on decision analysis
Mayer powerpoint intro to decision analysis
Swine Flu – two rather different viewpoints

March 11 – Spring Break

5. Policy Design

March 18  Policy Options
Bardach book.
Becker on incentives for organ donation.
Canning on HIV prevention vs. treatment
Wiener on participation & ranking policies
Parry on basic price versus quantity policies
Fell & Pizer on bankable quantities
Newell & Pizer on indexed regulation
Parry on the range of automobile policies.
Discussion of Coglianese’s ‘Regulation From The Inside’
Discussion of Sclar’s ‘Don’t Always Get What Pay For’

March 25  Institutional Interactions (“hybrid day”) 
Hoffman Spitzer on Coasian solution.
Ostrom 1990 Ch.4 on institutional change
Cardenas on institutional crowding out
Andreoni on public goods crowding out
Cox & Jakubson on transfers crowdout
Kazianga on transfers and motivation
Wolf on family provision of care
Ruhm on markets and family policy

Mayer on foundations as an actor.

Mayer readings on Green Revolution:
Wikipedia & IFPRI overviews
Conway pro & FoodFirst, FAO con
Gates Foundation initiative discuss
April 1  review of 502 course (as well as 501)
Students ask, everyone answers.

April 8  Policy design paper presentations
Students present & discuss & everyone asks.

April 15  Policy design paper presentations
Students present & discuss & everyone asks.