

**ECONOMICS 495
EVALUATION OF SOCIAL PROGRAMS
COURSE OUTLINE**

*Department of Economics
University of Michigan
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Prof. Jeffrey Smith
Office: 306 Lorch Hall
Phone: 764-5359
Email: econjeff@umich.edu
Web page: <http://www-personal.umich.edu/~econjeff>
Office hours: M 3:00-4:00 and by appointment

Course meetings: MW 10:00-11:30 Lorch 171

Prerequisites

The prerequisites for this course are a good grade in Economics 401 and completion of Economics 404, Economics 405 or Statistics 426. Completion of, or simultaneous enrolment in, Economics 406 is also very useful.

Course Goals

- (1) Introduce the basics of how the evaluation industry functions;
- (2) Introduce the basics of the underlying economics and econometrics;
- (3) Critically review the evaluation literature on three programs in class via presentations of published evaluation research with the aim of showing how the process of knowledge creation through research does or does not lead to clear conclusions regarding program performance;
- (4) Teach how to write a serious analytical literature survey (rather than just an annotated bibliography) or an original research paper through lectures, interaction during office hours and the writing of multiple drafts of such a survey or research paper.

Course Content

The course will have three main components:

- (1) An introduction to the problem of evaluation of social programs as economists address it along with a summary of the basic econometric methods used to address these problems.

(2) Seminar-style presentation and discussion of the literature on three substantive evaluation questions.

Course Format

This course is intended to be a seminar, with active participation by everyone. The class format will be about 10 percent lecture and about 90 percent presentation of papers. There will be two or three lectures at the start to provide a context for the course and to introduce the basic questions addressed in economic research on the evaluation of social programs. Papers will be presented both by the instructor and by students in the class. A (guided) discussion will follow the presentation of each paper.

Course grade

The course grade will depend on (1) attendance and participation (both quality and quantity); (2) presentation of papers; (3) completion of a research paper (including both a draft and a final version); and (4) completion of a problem set on regression. The fractions for each component are:

0.15 Attendance and participation

0.25 Presentations

0.25 Draft research paper

0.35 Final version of research paper

Course paper

Each student is required to write a course paper. The paper can take one of two forms:

(1) The paper can be an analytic survey of the literature on a particular applied evaluation problem. Examples are the effects of providing training to prison inmates on later earnings or later criminal behaviour, or the effects of social assistance benefit levels and implicit tax rates on earnings or labour supply or fertility. The paper should be analytic; that is, they should evaluate and synthesize the literature in the course of reaching some conclusions about the sign and size of the effects (if any) of the programs under consideration. The paper should not be an annotated bibliography.

(2) The paper can be an original research paper that evaluates some treatment. This type of paper can take several forms. In the most ambitious version of this type of paper, you would design and implement your own treatment, collect data on participants and outcomes, and perform an evaluation. Or you could collect data on a treatment not yet studied in the literature and analyze it. Or you could extend an existing published evaluation study by collecting additional data (e.g. for more recent time periods) and repeating the analysis, or you could apply new methods not used in the published study or you could examine subgroups of interest not studied in the original analysis and so on.

Both types of paper feed naturally into the production of an honors thesis paper. Papers may be up to 25 pages in length.

A course paper proposal is due in class on **Monday, February 2**. The proposal should include a description of the proposed paper of up to one page in length. Specific requirements for the two papers types are:

(1) For an analytic literature survey, the proposal must include a clear and precise description of the program or treatment whose evaluation is to be considered, as well as a clear statement of the outcome variable or variables (e.g., earnings, labour supply, or mental health) that is of interest. It must also include at least four citations to papers that will be included in the survey.

(2) For an original research paper, the proposal must clearly specify the research question of interest, the data you will employ to analyze it (and how you will obtain those data) and the types of analyses that you will perform. You must also include at least one citation to a published paper on the same topic or convince me that there are no published papers on the topic.

A complete draft of the course paper is due by **5 PM on Monday, March 23**. This draft will be returned with comments shortly thereafter. A final version of the course paper is due on **Wednesday, April 15 at 5 PM**.

The late paper penalty is 10 points per 24 hours or fraction thereof. This penalty applies to both the draft paper and the final paper. All papers should be submitted by email as Word or PDF files.

I will provide one or more examples of literature surveys of the sort that I have in mind.

Plagiarism

A discussion of plagiarism can be found here:

<http://www.lib.umich.edu/handouts/plagiar.pdf>.

I have absolutely no tolerance for plagiarism. If you plagiarize in your course paper for this class and I detect it you will receive a failing grade for the course as well as any other more general punishments the university allows.

Course presentations

Students will present one or two papers during the semester. The presentations should be like a short workshop presentation; that is, they should be as if you had written the paper and were presenting it, except that you may include comments about features of the paper that you disagree with or think could be improved upon. Presentations are expected to last about 50 minutes, which is to say that they should cover the paper thoroughly rather than just

summarizing the main points. Following each presentation there will be a (guided) discussion of the paper. Presentations may be interrupted at any time for questions from the audience.

It is advisable to start preparing your presentation well in advance, in case you have questions about the economics or econometrics in the paper you are assigned to present.

Background readings

The lecture notes from my Economics 406 course, which I will post on the CTools page, provide good background on the basics of regression, as does the text from that course, *Econometrics: A Modern Approach* by Jeffrey Wooldridge. Any edition will do as the material does not change much over time.

For the evaluation literature, I recommend the following readings. I will post them on the CTools page.

Moffitt, Robert. 1991. "Program Evaluation with Nonexperimental Data." *Evaluation Review*. 15(3). 291-314.

Moffitt, Robert. 2005. "Remarks on the Analysis of Causal Relationships in Population Research." *Demography* 42(1): 91-108.

Ravallion, Martin. 2006. "Evaluating Anti-Poverty Programs." In T.P. Schultz and John Strauss, eds. *Handbook of Development Economics Volume 4*. Amsterdam: North-Holland.

Smith, Jeffrey. 2000. "A Critical Survey of Empirical Methods for Evaluating Employment and Training Programs." *Schweizerische Zeitschrift für Volkswirtschaft und Statistik* 136(3): 247-268.

Smith, Jeffrey. 2004. "Evaluating Local Economic Development Policies: Theory and Practice" in Alistair Nolan and Ging Wong (eds.), *Evaluating Local Economic and Employment Development: How to Assess What Works Among Programmes and Policies*. Paris: Organization for Economic Cooperation and Development, 287-332.

Heckman, James and Jeffrey Smith. 1995. "Assessing the Case for Social Experiments." *Journal of Economic Perspectives* 9(2): 85-110.

Blundell, Richard and Monica Costa-Dias. 2008. "Alternative Approaches to Evaluation in Empirical Microeconomics." IZA Discussion Paper No. 3800.

Smith, Gordon and Jill Pell. 2003. "Parachute Use to Prevent Death and Major Trauma Related to Gravitational Challenge: Systematic Review of Randomized Control Trials." *British Medical Journal* 327: 1459-1461.

Papers for presentation

These will be made available on the CTools page.

Course schedule

- 1/7 Introduction to the course
- 1/12 Further introduction to the course
- 1/14 Econometric evaluation methods lecture
- 1/19 No meeting – MLK Day
- 1/21 No meeting – Prof. Smith out of town
- 1/26 Econometric evaluation methods lecture
- 1/28 No meeting – Prof. Smith out of town
- 2/2 Econometric evaluation methods lecture
Paper proposal due
- 2/4 Lecture on giving presentations
- 2/9 Topic 1: presentation
- 2/11 Topic 1: presentation
- 2/16 Topic 1: presentation
- 2/18 Topic 1: presentation
- 2/23 No meeting – winter break
- 2/25 No meeting – winter break
- 3/2 Topic 1: presentation
- 3/4 Topic 1: presentation
- 3/9 Topic 2: presentation
- 3/11 Topic 2: presentation
- 3/16 Topic 2: presentation
- 3/18 Topic 2: presentation
- 3/23 Topic 2: presentation
Draft paper due
- 3/25 No meeting – Prof. Smith out of town
- 3/30 Topic 3: presentation
- 4/1 Topic 3: presentation

4/6 Topic 3: presentation
4/8 Topic 3: presentation

4/13 Topic 3: presentation
4/15 Topic 3: presentation
Final paper due

4/20 Topic 3: presentation