

17P027

Public Policy: Health and Education

Fall Term - 3 ECTS

Elective Course

Prof. Caterina
Calsamiglia

Overview and Objectives

Data can be used for three main reasons: 1) description of the world, 2) forecasting and 3) identifying and estimating causal effects. This course introduces the important challenge of identification in doing prediction and guiding decision making in public policy. We characterize problems of selection, simultaneity and the general reflection problem faced by social scientist, understand how they limit our capacity to identify causal effects of policy changes, and show how these problems can be reduced with proper experimental or observational data and analysis. The course evolves over a series of specific policy questions such as, 'what is the effect of having better peers?'; 'what is the effect of reducing class size?'; 'does providing free medical care lead to better health?'; or 'what is the effect of implementing school choice?'. It then uses these policy questions to present the identification problems and its potential solutions.

Course Outline

- I. Selection and extrapolation. The case of class size.
- II. Selection and moral hazard. The case of health care.
- III. Reflection. The case of peers in school, neighborhoods or jail.
- IV. Preference elicitation and selection. The case of school choice.

Evaluation

Assignments, 30%, Presentation 30%, and Final Exam, 40%

Competences

X To (be able to) communicate with determination and in the English Language, the results and implications of the required analytical study using a language that the receiver can relate to.

X To work within a heterogeneous team of researchers as economic analyst using specific group techniques.

X To possess and understand the knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.

X That students know how to apply the acquired knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study.

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X That the students be able to integrate knowledge and face the complexity of making judgments based on information that, being incomplete or limited, include reflections on the social and ethical responsibilities linked to the application of their knowledge and judgments.

X That the students be able to communicate their conclusions and the knowledge and the ultimate reasons that sustain them to both, specialized and non-specialized publics in a clear and unambiguous way.

X That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

X To identify and apply the insights of the theory, the models, and the analytical tools of modern economy to its global dimension.

X Understand and apply the Economic Theory and statistical models of the design of the evaluation of public policies.

X Evaluate, with theoretical and quantitative instruments, complex realities of the economy to understand its functioning.

Learning Outcomes

X Knows rigorously the economic theory of design and evaluation of public policies.

X Applies the empirical tools of economic analysis to evaluate public policies.

X Knows the institutional frameworks in which public policies are designed and implemented.

Materials

Manski, C. "Identification Problems in the Social Sciences", Harvard University Press, 1999.

Manski, C. "Identification for Prediction and Decision", Harvard University Press, 2007.

Angrist J.D. & J.F Pischke (2009). "Mostly Harmless Econometrics: An Empiricist Companion". Princeton University Press.

I.

Angrist, J.D. & V. Lavy (1999). "Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement". Quarterly Journal of Economics, 114 (4).

Boyd, D., P. Grossman, H. Lankford, S. Loeb and J.

Lyckoff (2005) "How changes in Entry Requirements Alter the Teacher Workforce and Affect Student Achievement"

De Giorgi, G. & M. Pellizzari and W.G. Woolston (2012), "Class size and class heterogeneity" Journal of the European Economic Association.

Dieterle, S. "Class Size Reduction Policies and the Quality of Entering Teachers" mimeo

Hoxby, C. M. (2000). "The Effects of Class Size on Student Achievement: New Evidence from Population Variation". Quarterly Journal of Economics, 115 (4).

Kruger, A.B. & D.M. Whitmore (2001). "The Effect of Attending a Small Class in the Early Grades on

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College-Test taking and Middle School Test Results: Evidence from Project STAR", *Economic Journal*, 111 (468)

LaLonde, Robert J. (1986) "Evaluating the Econometric Evaluations of Training Programs with Experimental Data", *American Economic Review*.

Hanushek, E. And S. Rivkin, (2012) "The Distribution of Teacher Quality and Implications for Policy" *Annual Review of Economics*.

Rivkin, S. E. Hanushek and M. Kain (2005) "Teachers, Schools and Academic Achievement", *Econometrica* 73 2

Rockoff, J. (2009) "Field Experiments in Class Size from the Early Twentieth Century" *The Journal of Economic Perspectives*, 23 4.

II.

"The Health Insurance Experiment", RAND health, Research highlights"

(http://www.rand.org/pubs/research_briefs/2006/RAND_RB9174.pdf)

Chiappori, P-A., and B. Salanie (2000) "Testing for Asymmetric Information in Insurance Markets". *Journal of Political Economy*, 108.

Gine, X., J. Goldberg and D. Yang (2012), "Credit Market Consequences of Improved Personal Identification: Field Experimental Evidence from Malawi" *American Economic Review*, 102 6.

Fang, H. and A. Gavazza (2011), "Dynamic Inefficiencies in an Employment-Based Health Insurance System: Theory and Investment" *American Economic Review*, 101.

Fang, H., M. Keane and D. Silverman, "Sources of Advantageous Selection: Evidence from the Medigap Market" *Journal of Political Economy*, 116 2.

Fang, H., L. Nicholas and D. Silverman, "Cognitive Ability and Retiree Health Expenditure" mimeo.

Finkelstein, A. and K. McGarry (2006). "Multiple Dimensions of Private Information: Evidence from Long-term Care Insurance Market". *Journal of Political Economy*, 112.

Tyler, J., R. Murnane and J. Willett (1998). "Estimating the Impact of the GED on the Earnings of Young Dropouts using a series of Natural Experiments"

III.

Bandiera, O. & I. Baranki & I. Rasul, (2010). "Social Incentives in the Workplace". *Review of Economic Studies*, 77 (2).

Bayer, P. R. Hjalmarsson and D. Pozen (2008). "Building Criminal Capital Behind Bars: Peer Effects in Juvenile Corrections" *Quarterly Journal of Economics*, 124 (1).

Calvó-Armengol, A. & E. Patacchini and Y. Zenou (2008). "Peers and Social Networks in Education", *Review of Economic Studies*.

Kremer. M. & D. Levy (2008). "Peer Effects and Alcohol Use Among College Students". *Journal of Economic Perspectives*, 22 (3).

Mas, A. And E. Moretti (2009), "Peers at Work". *American Economic Review* 99 1.

IV.

Abdulkadiroglu, A., J. Angrist and P. Pathak. "Elite schools: Achievement Effects at Boston and New York Exam Schools"

Calsamiglia, C., G. Haeringer & F. Klijn (2011). "Constrained School Choice: An Experimental Study" *American Economic Review*, 84 1.

Calsamiglia, C. & M. Güell "Do parents choose school under the Boston Mechanism?: evidence from Barcelona"

Hastings, Justine, and Jeffrey Weinstein, (2008) "Information, School Choice and Academic Achievement: Evidence from two Experiments", *Quarterly Journal of Economics*.

Hastings, J. T. Kane and D. Staiger. "Heterogeneous Preferences and the Efficacy of Public School Choice". Combines and replaces NBER working paper n. 12145 and n. 11805.

Lavy, V., (2010). "Effect of Free Choice Among Public Schools", *Review of Economic Studies*.