METHODS OF POLICY ANALYSIS
POLITICAL SCIENCE
FALL 2017

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Course Description

Policy analysis is the discipline of thought that considers how to make and implement choices in the public interest, based on a comparison of the advantages and disadvantages of the options at hand, including the possibility of inventing new options. It is a pragmatic discipline, in the original sense of that term: it focuses on action rather than on description. It is thus analogous to engineering rather than physics and to medicine rather than biology: it uses the social (and natural) sciences as inputs, but its output is advice to decision-makers (including citizens) rather than new empirical discoveries or theoretical insights. Policy analysis differs from policy advocacy in that it regards policy choices as instrumental: it reaches a policy conclusion at the end of its argument, rather than starting with a preferred policy and seeking arguments in its support.

In a single semester, we can barely scratch the surface of the topic. Our focus will be on the circumstances that justify government action and on techniques for making the comparison of advantages and disadvantages: benefit-cost analysis, cost/effectiveness analysis, discounting (choice over time), and decision analysis (choice under uncertainty). Case studies will illustrate both the principles involved and the pitfalls of practice.

Course Materials

Policy Analysis by David L. Weimer and Aidan R Vining
What the Numbers Say by Derrick Niederman and David Boyum
Choice and Consequence by Thomas C. Schelling
Scarcity by Sendhil Mullainathan and Eldar Shafir
A Practical Guide for Policy Analysis by Eugene Bardach
Course Reader
      (available on the course website, under the "resources" tab)

Additional course materials, such as Problem Sets and extra readings, will be posted on the CCLE website. Also, each week will have its own discussion board with questions that will be discussed that week. Students are encouraged to post comments, thoughts, and questions in advance of the class meeting that will discuss that topic.

Discussion Section

There will be a weekly discussion section to review the materials covered in class.

Study Groups

Study groups are highly recommended for this class as the material can sometimes be dense and quantitatively heavy. Though not mandatory, it would highly benefit you all to study in groups of three or more. Study groups also allow you to see how you interact with your fellow classmates and assess who you might want to work with on future projects.

Methods of Evaluation

Your work in this course will be evaluated in a variety of ways:

> **Problem Sets (20%):** There will be one problem set each week until approximately week 11. These problem sets are due on the day of class during which we will discuss the skills, so they will require advance work and consideration of the topic before the class meeting. You are encouraged to work with others on the problem sets, but must turn in your own, complete, assignment. The problem sets are graded on a Satisfactory/Unsatisfactory basis. S/U grades are given based on whether submitted answers show a good faith effort in figuring out the problems. Complete and on-time submission is required for a satisfactory grade on a problem set.
>
> **Class Participation (10%):** Your participation in class and on the course website, and your work within your team (as evaluated by your teammates).
>
> **Final Project/Group Exercise (20%)**
> **Take-home Midterm Exam (20%)**
> **Take-home Final Exam (30%)**

Read before first class:
- *Scarcity* by Sendhil Millainathan and Eldar Shafir
  What the Numbers Say by Derrick Niederman and David Boyum
  A Practical Guide for Policy Analysis by Eugene Bardach

WEEK 1

Introduction to Policy Analysis: Dueling Failures

Reading:
- COURSE READER
  Kleiman and Teles: "Dueling Failures"
  Kleiman, Mark: "Policy Analysis: A Checklist"
  O'Hare, Michael: "A Typology of Government Action"

WEEK 2

Reading:
- COURSE READER:
  Letter from Benjamin Franklin to Joseph Priestley
  Bardach: A Practical Guide For Policy Analysis, pp. xiii-xvi; 1-7
  Rhoads: "Benefit-Cost Analysis," pp. 124-132
  "Condorcet's Paradox"
  "On Not Being a Money Pump"
  Stokey & Zeckhauser: pp. 22-32; 115-130; 270-273 top

- Weimer & Vining: Policy Analysis
  Chapter 15: "Solution Analysis," pp. 359-376
  Chapter 18: "Doing Well and Doing Good," pp.448-449

- Schelling, Thomas: Choice and Consequence
  Chapter 1: "Economic Reasoning & the Ethics of Policy," pp. 1-26

Due in Class: Problem Set 1

WEEK 3

Willingness to Pay & Benefit-Cost Analysis;
the Project Choice Rules

Reading:
▪ COURSE READER:
> Machiavelli, Nicolo: The Prince: Chapter 16
> Cochran and Malone, Public Policy: Perspectives and Choices, pp. 6-8

▪ Weimer & Vining: Policy Analysis
> Chapter 15: "Choosing a Solution Method," pp. 354-359
> Chapter 16: "Cost-Benefit Analysis" pp. 383-423

Due in Class: Problem Set 2

WEEK 4

Cost-effectiveness Analysis and Budgeting

Reading:
▪ COURSE READER:
> Stokey & Zeckhauser: pp. 177-197
> Levin & McEwan: pp. 10-26, 31-42, 59-76, 80-90, 155-181, 217-239

▪ Weimer & Vining: Policy Analysis
> Chapter 18: "Doing Well and Doing Good," pp.448-449 (review from 4/1)

WEEK 5

Discounting

Reading:
▪ COURSE READER:
> Levin & McEwan: 90-95, 129-131, 174-175, 212

▪ Weimer & Vining: Policy Analysis
> Chapter 16: "Discounting for Time and Risk," pp. 399-408

Due in Class: Problem Set 3

WEEK 6

<u>Choice Under Uncertainty: Basic Decision Analysis</u>

Reading:
- COURSE READER:
  - Levin & McEwan: pp.137-151
  - Stokey and Zeckhauser: pp. 201-225

WEEK 7

<u>Classification, Testing, and Bayes' Rule</u>

Reading:
- COURSE READER:
  - Wonnacott and Wonnacott, <u>Introductory Statistics for Business and Economics</u>, pp. 75-79.
  - Yudkowsky, Eliezer: "An Intuitive Explanation of Bayesian Reasoning: Bayes' Theorem for the curious and bewildered; an excruciatingly gentle introduction"
  - Probability Definitions
  - Stokey and Zeckhauser: pp. 221-225

Due in Class: *Problem Set 4*

WEEK 8

<u>Risk Spreading and Distribution</u>

Reading:
- COURSE READER:
  - Zeckhauser, Richard: "Risk Spreading and Distribution," pp. 206-228
  - Hylland: "Consumer Insurance and Insurance Rates"

- Weimer and Vining: <u>Policy Analysis</u>
  - Chapter 6: "The Problem of Uncertainty," pp. 119-128

- Mullainathan and Shafir: <u>Scarcity </u>(the whole book)

Due in Class: *Problem Set 5*

<u>MIDTERM EXAM DISTRIBUTED; DUE ONE WEEK FROM THIS DATE.</u>****

Valuing Death Prevention

Reading:
- COURSE READER:
  Viscusi, W.K.: "The Value of Risks to Life and Health"
  Howard, Ron: "On Making Life and Death Decisions"
  "How to value life? EPA devalues its estimate"

- Schelling, Thomas: Choice and Consequence
  Chapter 5: "The Life You Save May Be Your Own," pp. 113-146

WEEK 10

Congestion and Exhaustion: Common Property Resources

Reading:
- COURSE READER:
  Hardin, Garrett "The Tragedy of the Commons"
  Cochran and Malone, Public Policy: Perspectives and Choices, pp. 60-61

- Weimer and Vining: Policy Analysis
  Chapter 5: "Public Goods," pp. 72-91

WEEK 11

Paying for Non-Rival Goods

Reading:
- COURSE READER:
  Kleiman and Teles: "Dueling Failures: Comparative Institutional Analysis
    and the Logic of Policy Choice"
  Olsen, Mancur: The Logic of Collective Action, pp. 1-22, 33-65, 165-167

Due in Class: *Problem Set 6*

WEEK 12

<u>Social Capital, Collective Efficacy, and Imperfectly Rational Behavior</u>

Reading:
- COURSE READER:
  Coleman, James S.: "Social Capital in the Formation of Human Capital"

- COURSE READER:
  Tversky and Kahneman: "Judgment under Uncertainty: Heuristics and Biases"

- Schelling, Thomas: <u>Choice and Consequence</u>
  Chapter 3: "The Intimate Contest for Self-Command"
  Chapter 4: "Ethics, Law, and the Exercise of Self-Command"

WEEK 13

Wednesday, May 27: <u>Economic Reasoning and the Ethics of Policy:</u>
<u>Where Willingness to Pay Gets Hard</u>

Reading:
- COURSE READER:
  Rhoads: "Economists and Equity" from <u>The Economist's View of the World</u>, pp. 82-112
  Kleiman, Mark: "Distributional Questions," pp. 1-8
  Kelman, Steven: "A Case for In-Kind Transfers," pp. 55-73

- Schelling, Thomas: <u>Choice and Consequence</u>
  Chapter 1: "Economic Reasoning and the Ethics of Policy"
  Chapter 5: "The Life You Save May Be Your Own"

WEEK 14

Monday, June 1: <u>The Baumol Cost Disease v. Moore's Law</u>

Reading:
- COURSE READER:
  Baumol, William J.: "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis"

- ONLINE:
  Stokes, Jon: "Understanding Moore's Law"
  http://arstechnica.com/gadgets/2008/09/moore/

WEEK 15

Quantitative Reasoning for Policy-Making and Advanced Guesstimation

▪ Niederman and Boyum: <u>What the Numbers Say </u>(read the whole book)

TAKE-HOME FINAL EXAM DISTRIBUTED

**Take-Home Final Exam Due Online by December 22

A CHECKLIST FOR POLICY ANALYSIS

A full policy analysis, if one were feasible, would answer the following questions:

1. What is the situation to be considered?
2. Why might this situation call for a specific policy intervention, rather than being left to individual choices, markets, and ordinary formal and informal social controls?
3. What dimensions describe the positively or negatively valuable outcomes of alternative policies?
4. On what basis should those dimensions be weighed against one another in choosing an outcome?
5. What options exist, or can be invented?
6. What is the probability distribution of the outcomes of each option on each of the identified dimensions?
7. Which option has the best weighted distribution of possible outcomes?
8. What actions would need to be undertaken to implement that option? What agencies exist that could undertake such actions? What changes would need to be made in those agencies if they were to do so? Are those changes feasible, and if so what would the costs be of bringing them about? Would the agencies in question then be more or less capable of producing public value in other ways?
9. Alternatively, what new institutions would need to be created, and what is the likelihood of doing so successfully? What would be the side-effects of creating such agencies?
10. What decision-makers would need to agree to the proposed course of action? What are the prospects of their doing so?
11. What social and political dynamics would the proposed policy set in motion? In particular, would the policy itself evolve appropriately over time, or would it instead tend either to degrade toward a less desirable policy or to fossilize as the conditions making it desirable changed?
12. Are there second-best options with greater administrative or political feasibility, or more desirable likely evolutionary paths, than the chosen policy?

Any actual analysis will fall short of giving a full answer to those questions, and is to be judged, among other things, by how carefully it indicates the questions it has omitted and the associated ranges of uncertainty.