

Social Work 951/PA 974/CS 901 - Economic Theory Applied to Social Problems

Spring, 2010

Tuesdays 1:20-3:50

Social Science 6310

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I. Course Overview

The primary objective of this seminar is to increase participants' ability to understand and critically evaluate the application of economic theory to social problems. The seminar includes a review of selected concepts in microeconomic theory and labor economics, and their application to social problems, including employment and welfare participation, family formation, investments in education and discrimination. In each area we will review basic theory and recent empirical research testing theory. We will also discuss related critiques that focus on methodological and measurement issues, as well as more fundamental critiques of standard microeconomic theory as a framework for analysis. In the final section students will have an opportunity to discuss the application of economic theory to their own areas of interest/research.

This theory proseminar is part of the Social Welfare doctoral course sequence, and is also open to students in Public Affairs, Consumer Science, and other related areas. The course presumes a basic familiarity with economics (at least one semester of previous coursework), but seminar sessions, readings, and assignments are structured to allow motivated students with less preparation to participate. Students with an interest in using an economic model in their prelim and/or dissertation will be encouraged to review related literature in their problem area as part of their final project.

This is a new course. The outline that follows shows my current plans. I will not make revisions that involve additional major written assignments or tests, but I may adjust the assignments, readings and/or seminar structure as the semester progresses.

II. Readings

We will use a text for general reference: *Modern Labor Economics: Theory and Public Policy*, 10th Edition. By Ronald G. Ehrenberg and Robert S. Smith.

Other required readings will be finalized and posted on the class web site at Learn@UW at least one week in advance. Note that readings listed on the syllabus (and currently posted) are tentative and subject to revision.

III. Assignments and Evaluation of Student Outcomes

Almost every week's activities include a combination of reading, writing, and seminar discussion.

1) Readings and regular seminar meetings. To prepare for active seminar discussion, participants are asked to:

- Complete assigned readings prior to the seminar meeting.

- Complete a weekly critique of the readings (or respond to suggested review questions). Reading responses should be a single page, about half devoted to summary comments demonstrating familiarity with the required readings for the week, and about half to critical responses or questions. In weeks when the text provides the core reading you may instead be asked to respond to review questions. Regardless of format, responses should be received by the instructor as a one-page e-mail attachment no later than **1:20 pm Monday**-- 24 hours prior to the seminar. Reading critiques will generally not be returned with comments. Either a reading critique or review question responses are due most weeks (exceptions: Weeks 1, 8, 14). You may skip two assigned weeks without penalty.
- Prepare to discuss/present your answers to review questions (from the text and/or as posted on the class web site).

2) Outside seminar series attendance. Participants are asked to attend at least 3 outside “economics” seminar sessions, and complete a related reading (the seminar paper, if available) for each session.

You may mix and match from different seminars or attend a regular series. The only requirement is that the presenter be an economist (have a PhD in economics and/or hold an appointment in an economics department) and the topic of the seminar be related to a “social problem”. For example, see listings for the IRP seminar, Thursdays 12:15-1:30 (<http://www.irp.wisc.edu/newsevents/seminars.htm#beem>), with relevant seminars on 1/28, 2/11, 3/4, 3/11, 3/18, 4/29; Economics Department workshops (<http://www.ssc.wisc.edu/econ/workshop/Index.htm>), especially the Labor Economics Workshop on Mondays 3:45-5:15 and Public Finance: Tuesdays 3:45-5:15; and La Follette seminars (<http://www.lafollette.wisc.edu/calendar.html>) Tuesdays at noon. This is an opportunity to choose a set of seminars that will address your particular area of interest, especially if it is not adequately covered in regular class sessions. Please ask in advance if you have concerns about the relevance of a given talk or series.

Participants are asked to assemble a seminar portfolio that includes:

- List of seminars attended (with presenter name, title of presentation, and time/date).
- Copy of the paper that you read related to each seminar (if there is no paper provided for the seminar, you may select a related paper by the same author, or referenced by the author).
- Short (no more than one page) review of the application of economic theory. Was the underlying model made explicit in the seminar and/or paper? How was the analysis facilitated/limited by the application of economic theory—i.e. how would the analysis have differed if a _____ (sociologist, psychologist, historian, political scientist, etc) had addressed the same issue?

Seminar portfolios, including materials for at least two seminars, should be submitted in class on **March 23rd**. Final portfolios (for those who do not complete three seminars by 3/23) are due no later than **May 4**.

3) Summary Assignments

Participants may select either one of two options for summary exercises:

A. Write an original paper, or develop a draft prelim or dissertation section, applying economic theory to a social problem of your choice.

- Abstract, outline, and copies of 2-5 articles to be referenced due in seminar March 2 (10 percent reduced credit for each day late).
- Paper/section (8-15 pages), and copy of the original abstract, outline and articles, due May 4. (Papers may be submitted May 5-11 without penalty, but no comments will be provided beyond the grade; no credit (without an incomplete) for papers submitted after May 11.)
- Seminar presentation in week 13 or 15 (note: Week 15 meeting may be rescheduled)

B. Exams (Question options distributed in advance.)

- Midterm essay exam 3/9
- Final essay exam 4/27

Final grades will be based on the reading critiques and problem sets (20% total), contributions to class discussion (15%), outside seminar portfolio (15%), and summary assignments (50% for paper and presentation, 20% and 30% for midterm and final exams). This is a graduate seminar. The hope and expectation is that the seminar will provide a collaborative learning environment. For that reason, substantial credit is given for assignments aimed at preparing us for a substantive discussion. Students consistently completing the assignments at the expected graduate level will receive a final grade of AB. Students completing outstanding assignments will receive an A. Students generally completing assignments, but not consistently meeting graduate level standards, will receive a B.

Academic honesty is a core requirement for graduate study. If you are uncertain of academic standards, please review the School of Social Work guidelines: http://socwork.wisc.edu/new_web/ProgramGuidelines2008-2009final.pdf (p 31-32). If a student intentionally misrepresents another author's work as their own on any assignment, or intentionally disregards the limits regarding sources on an exam, the student will receive no credit for the assignment or exam and a final semester grade no higher than a C.

IV. Course evaluations and adjustments

The syllabus lays out a tentative plan for the course and topics to be covered. As noted above, this is a new seminar, and I expect to make adjustments in readings and course content along the way, though I will not add any major written assignments.

There will be two opportunities for formal course evaluation (mid term and at the end of class) and many opportunities for students to offer suggestions-- in seminar, office hours, or by e-mail. I welcome your suggestions on how to enhance the learning experience.

V. Seminar Schedule and Readings

Required readings not appearing in the text book will generally be posted on the class web site at Learn@UW. Occasionally assignments will be announced and materials made available in seminar. If you miss a seminar meeting, please contact the professor or another seminar participant to check on additional materials or assignments.

Week 1 (1/19) What does it mean (and not mean) to apply economic theory to social problems?

- Readings:
 - E&S Chapter 1 (skim to review terminology)
 - Review for those who have not recently taken a course in microeconomic theory (as per e-mail of 12/19/09): Lewis and Widerquist. 2002. *Economics for Social Workers: the application of economic theory to social policy and the human services* Chapters: 1-3, 5-6, 8, 9, and 11.

Week 2 (1/26) Introduction to supply and demand and the market for labor

- Readings:
 - E&S Chapter 2, p. 42-53, RQ 3,6; Chapter 3 p. 58-63 and 76-81, RQ 4, 5, 6; Chapter 1, App 1.A. p 16-24
 - Gruber, Jonathan. 1994. "The Incidence of Mandated Maternity Benefits" *The American Economic Review*, 84(3): 622-641.

Week 3 (2/2) The Decision to Work

- Readings:
 - E&S Chapter 6, p. 166-200, RQ 3, 7, 10
 - Grogger, J. & L. A. Karoly. 2005. Chapter 3 "An Economic Model" in *Welfare Reform : Effects of a Decade of Change*. Harvard University Press. Pp. 43-56.
 - Gruber, Jonathan. 2000. "Disability Insurance Benefits and Labor Supply." *The Journal of Political Economy*. 1089(6): 1162-1183
 - OPTIONAL for those who want an introduction to current income support policies: Scholz, John Karl, Robert Moffitt, and Benjamin Cowan. 2009. "Trends in income support" *Focus* 26(2).

Week 4 (2/9) Public Policy and the Labor Supply

- Readings:
 - E&S Chapter 4, 108-116; Chapter 6, p. 202-206
 - Meyer, B.D. and D.T. Rosenbaum. 2001. "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers." *The Quarterly Journal of Economics*, Vol.116, No. 3, pp. 1063-1114.
 - Romich, Jennifer L. 2006. Difficult Calculations: Low-Income Workers and Marginal Tax Rates. *Social Service Review* 80:1, 27-66.

Week 5 (2/16) Labor v. Leisure? Household Economics

- Readings:
 - E&S Chapter 7, RQ 6, 8, 10
 - Lundberg, Shelly and Robert A. Pollak. 2007. "The American Family and Family Economics." *The Journal of Economic Perspectives*. 21(2): 3-26.
 - Goldin, Claudia and Lawrence F. Katz. 2002. "The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions" *Journal of Political Economy*. 10(4):730-770.

Week 6 (2/23) Application: marriage, fertility and public policy

- Readings:
 - Stevenson, Betsey and Justin Wolfers. 2007. "Marriage and Divorce: Changes and Their Driving Forces." *The Journal of Economic Perspectives*. 21(2): 27-52.
 - Bergstrom, Theodore. 1996. "Economics in a Family Way." *Journal of Economic Literature*. 34(4):1903-1934.

Week 7 (3/2) Human Capital

- Readings:
 - E&S Chapter 9, RQ 7, 8, 9
 - G. Becker. 1962. "Investment in human capital: A theoretical analysis." *The Journal of Political Economy*, 70(5):9-49.
 - Berndt, Ernst R. 1991. "Chapter 5: Analyzing Determinants of Wages and Measuring Wage Discrimination: Dummy Variable in Regression models." Especially pages 150-178. In *The Practice of Econometrics: Classic and Contemporary*.
- Assignments:
 - Paper proposals due in seminar (for paper option)
 - Sign up for meetings during class time on 3/9 (for paper option)

Week 8 (3/9) Midterm exam/Meetings on paper proposals

- Midterm exam in class (exam option) or individual meeting (paper option)

Week 9 (3/16) Optimal investments in education

GUEST LECTURE: Bob Haveman

- Readings/assignments:
 - Explore the web site: <http://payback.wisc.edu/>
 - Additional readings TBA

Week 10 (3/23) Signaling Models

- Readings:
 - Spence, Michael. 1973. "Job Market Signaling." *The Quarterly Journal of Economics*, 87(3):355-374.
 - Altonji, Joseph G. and Charles R. Pierret. 2001. "Employer Learning and Statistical Discrimination." *The Quarterly Journal of Economics* 116(1):313-350.
 - Holzer, H.J., S. Raphael, and M.A. Stoll, "Perceived Criminality, Criminal Background Checks, and the Racial Hiring Practices of Employers," *Journal of Law and Economics* 49 (2) (October 2006): 451-480.
 - Raphael, Steven. 2008. "The employment prospects of ex-offenders" *Focus* 25(2).
- Assignment: Outside seminar portfolios due (with at least two seminar reports)

Week 11 (4/6) Nonmonetary returns to education

- Readings:
 - Currie, Janet and Enrico Moretti. 2003. "Mother's Education and the Intergenerational Transmission of Human Capital." *The Quarterly Journal of Economics*, 118(4):1495-1532.
 - Oreopoulos, Philip, and Kjell G. Salvanes. 2009 (September). "How large are returns to schooling? Hint: Money isn't everything." NBER Working Paper No. 15339.

- Deming, David. 2009. "Better schools, less crime?" Harvard Kennedy School job market paper.

Week 12 (4/13) Discrimination

- Readings:
 - E&S Chapter 12, RQ 5, 6, 9
 - Berndt, Ernst R. 1991. "Chapter 5: Analyzing Determinants of Wages and Measuring Wage Discrimination: Dummy Variable in Regression models." Especially pages 170-191. In *The Practice of Econometrics: Classic and Contemporary*. (See readings for 3/2).
 - Pager, Devah. 2004. "The Mark of a Criminal Record" Focus. 23(2)
 - Bertrand, Marianne, and Sendhil Mullainathan. 2004 (June). "Are Emily and Greg More Employable than Latisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review*, Vol. 94, No. 4 (Sep., 2004), pp. 991-1013.
 - Austen-Smith, David and Roland Fryer. 2005. "An Economic Analysis of "Acting White".' *Quarterly Journal of Economics* 120 (2): 551—83

Week 13 (4/20) Student presentations

- Readings: TBA (students not making presentations will be asked to read and respond to selected background readings related to the student presentations)

Week 14 (4/27) Final Exam

- Final exam for students taking exam option; no seminar meeting

Week 15 (5/4) Student presentations

(Note: we may reschedule this session for the week of 4/18, but the due dates for portfolios and papers will remain 5/4)

- Readings: TBA (students not making presentations will be asked to read and respond to selected background readings related to the student presentations)
- Assignments:
 - Final outside seminar portfolio due (if not submitted earlier)
 - Final paper due for students taking paper option