ECONOMICS OF WELFARE REFORM

COURSE REQUIREMENTS AND OTHER USEFUL INFORMATION

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COURSE CONTENT

This course deals with the U.S. welfare system. The welfare system is a set of government programs that provide benefits to families and individuals with incomes below certain levels, albeit different levels for different programs. These programs account for more than 20 percent of U.S. government expenditure. Major programs that provide such assistance are Medicaid, Earned Income Tax Credit (EITC), Supplemental Security Income (SSI), Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), National School Lunch Program (NSLP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Housing Vouchers, and Public Housing. We’ll discuss the justifications for each major type of assistance, consider evidence on the effects of the programs covered, and use economic theory to understand why the programs have these effects. We’ll be particularly concerned with whether the programs have effects that are consistent with their justifications and how they can be redesigned to better achieve their goals.

GRADES

The midterm exam will be on Wednesday, March 1. It will count 20 percent of your final grade unless your grade on it is higher in percentage terms than your final exam grade. In this event, your midterm exam will count 30 percent of your final grade. There will be no makeup midterm exam. If you miss the midterm exam for any reason, your final exam will count 60 percent.

The final exam will be on Thursday, May 11 from 1400 to 1700. It will be comprehensive and will count 40 percent of your final grade unless your grade on it is lower in percentage terms than your midterm exam grade. In that case, your final exam will count 30 percent. The makeup final exam for those with a valid reason for missing the regularly scheduled final exam will be on Saturday, May 13 from 900 to 1200 unless another single time preferred by all students taking it can be found. Any student with a valid reason for missing the regularly scheduled final exam must contact me before this exam unless this is impossible. A student who wishes to take the makeup exam due to congestion in his or her exam schedule must complete the required paperwork by the deadline. You should not take this course if you know now that you would not be able to take a makeup exam at the scheduled time, and you should not schedule other activities at this time. In extraordinary cases such as severe illness or injury at the time of the final and makeup exams, a later time for the final exam will be arranged. This course must be taken for a letter grade. That is, it may not be taken on a CR/NC basis.

Most students in the class will work with two others to develop a 15-minute class presentation on how the welfare system should be changed to better serve the interests of
recipients and taxpayers. (If the number of students in the class is not an integer multiple of three, a few groups may be smaller or larger.) Each student in the group will speak for about 5 minutes. Other students will give presentations of the same length on one of several alternative topics provided that a sufficient number of students want to work together on that topic. These presentations will occur during the last four class periods, and they will count 30 percent of your final grade. Each group must submit its PowerPoint slides before its presentation. The groups for the presentation will be formed in early February. If you have one or two people that you would like to work with, I should be able to accommodate you. I’ll solicit your preferences before I assign students to groups. Before then, I’ll suggest some alternative topics for presentations to determine whether enough students would like to form a group to give a presentation on one or more of them.

Finally, members of each group will work together on two graded homework problems. The first will be distributed on February 15 and due at the beginning of class on February 20. The second will be distributed on March 22 and due at the beginning of class on March 27. Each group will submit one answer. Late answers will not be accepted. Each problem will count 5 percent of your final grade. Each student’s grade will depend on the grades on the answers submitted and his or her participation as judged by other members of the group.

READINGS

No textbook covers the material in this course. Robert Moffitt (ed.), Means-Tested Transfer Programs in the United States, 2003 and Economics of Means-Tested Transfer Programs in the United States, 2016 are the best single sources of information about the key features of welfare programs and their effects. However, they are too detailed and technical to be used as a textbook for this course. The readings for the class will be available in electronic form on the course’s homepage or other websites. The readings preceded by an asterisk contain the most important material for doing well in the course. If you want to know more about the topics covered, the other readings are good sources. However, most of the material needed to do well in the course isn’t in the readings. You will learn it by attending class regularly and paying close attention. I’ll post my notes for many lectures after class. However, this isn’t a substitute for class attendance because they don’t contain full explanations. They are designed to keep me on track. They are supplements to class attendance.

I. INTRODUCTION (January 18)

Garfinkel and McLanahan, Single Mothers and Their Children, 1986, Chapter 4

II. THEORY OF INDIVIDUAL CHOICE (January 23, 25, 30)

*Frank, Microeconomics and Behavior, 6th ed., 2006, Chapter 3 & pp. 111-114
III. JUSTIFICATIONS FOR REDISTRIBUTION (February 1, 6)


NPR, “The Charity that Gives Money to Poor People,” August 23, 2013


The Onion, “Woman a Leading Authority on What Shouldn’t Be in Poor People’s Shopping Carts,” May 1, 2014.

IV. WHAT IS POVERTY AND WHO ARE THE POOR? (February 8)

http://www.irp.wisc.edu/publications/focus/pdfs/foc141a.pdf

V. STATISTICAL METHODS IN POLICY ANALYSIS (February 13)

Gruber, Public Finance and Public Policy, 3rd ed., 2011, Chapter 3

VI. CASH ASSISTANCE (February 15, 20, 22, 27)


http://apps.npr.org/unfit-for-work/

VII. FOOD ASSISTANCE (March 13, 15, 20, 22)

*USDA, “Characteristics of SNAP Households: Fiscal Year 2015-Summary”
USDA, Supplemental Nutrition Assistance Program (SNAP), Eligibility & Benefits, 2016

*Fraker, Martini, and Ohls, “The Effect of Food Stamp Cashout on Food Expenditures,”
  *Journal of Human Resources*, Fall 1995, pp. 633-641

*Besharov and Germanis, *Rethinking WIC*, 2001, Book Summary
Besharov and Germanis, *Rethinking WIC*, 2001, Chapter 1, 2, 3, 12, 11


VIII. MEDICAL CARE AND HEALTH INSURANCE (March 27, 29, April 3, 5)

Fuchs, *Who Shall Live?* 1974, Chapter 2


*NPR, “Maybe You Should Skip That Annual Physical,” April 6, 2015
  [http://www.npr.org/sections/health-shots/2015/04/06/397100748/maybe-you-should-skip-that-annual-physical](http://www.npr.org/sections/health-shots/2015/04/06/397100748/maybe-you-should-skip-that-annual-physical)
IX. **HOUSING ASSISTANCE** (April 10, 12)


X. **MAJOR WELFARE REFORMS AND CROSSCUTTING ISSUES** (April 17)


*Edsall, ‘Cutting the Poor out of Welfare,’ *New York Times*, June 17, 2014


XI. **STUDENT PRESENTATIONS** (April 19, 24, 26, May 1)