

ECON672
PROGRAM ANALYSIS AND EVALUATION

University of Maryland
Summer 2015

Syllabus (Version 5/18/2015)

Professor Laura Kawano

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Course meeting: M 6:45-9:30pm, 1400 16th Street Suite 140

Office hours: M 6:15-6:45pm, by appointment

Course pre-requisites: ECON 641; ECON 645 is a co- or prerequisite

Course description: The objective of this course is to learn the tools that are used to evaluate the effectiveness of public policies. A tremendous amount of money is spent on program evaluations, and they are difficult to conduct successfully. All evaluations have weaknesses; some have more weaknesses than others. You will learn how to distinguish high from low quality evaluations. We will discuss the economics and econometrics of program evaluation, focusing on the methods used for causal inference in public policy contexts. We will examine published evaluation research with the intent of showing how research does or does not lead to clear conclusions regarding program performance.

Course objectives:

- Learn the basics of the economics and econometrics of program evaluation
- Learn the basics of how the evaluation industry functions and how evaluations affect and are affected by policy
- Critically review the evaluation literature via written comments, formal discussant presentations and general class discussion 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 effects
- Critically evaluate how research is presented in the public domain (e.g., media) to be a better consumer of reported findings

Course materials:

Official text: Angrist, Joshua and Jorn-Steffen Pischke. 2015. *Mastering 'Metrics*. Princeton University Press.

You will also be responsible for all of the journal articles that are listed in the syllabus accompanying lecture. These can be accessed through the library.

The following is a related book that is a bit more technical.

Angrist, Joshua and Jorn-Steffen Pischke. 2009. *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton.

Another useful reference book, written by non-economists, is:

Morgan, Stephen and Christopher Winship. 2007. *Counterfactuals and Causal Inference: Methods and Principles for Social Research*. New York: Cambridge University Press.

The following book is pretty standard in evaluation courses taught outside of economics. You may find it of interest. It provides a broader analysis of the evaluation field than will be apparent from this course, which focuses specifically on estimating policy impacts using large datasets and econometric methods.

Rossi, Peter, Mark Lipsey, and Howard Freeman. 2003. *Evaluation: A Systematic Approach*. 7th Edition. Sage.

The following provides good background on basic regression. Any edition will do as the material does not change much over time. I assume that you come into this course with a basic understanding of the main principles of this book taught in the pre-requisite econometrics courses of this program.

Wooldridge, Jeffrey. *Introduction to Econometrics: A Modern Approach*. (any edition).

Required software: Stata

Course Website: Copies of the course syllabus, your grades, and other relevant links and documents will be posted on the course's ELMS/Canvas website. You can access the site via www.elms.umd.edu. You will need to use your University of Maryland "directory ID" and password.

Email: Email is the primary means of communication outside the classroom, and I will use it to inform you of important announcements. Students are responsible for updating their current email address via <http://www.testudo.umd.edu/apps/saddr/> AND for paying attention to messages I send to the class via ELMS. Failure to check email, errors in forwarding email, and returned email due to "mailbox full" or "user unknown" will not excuse a student from missing announcements or deadlines. I will do my best to respond to email within 36 hours.

Contact Hours: Three credit courses at the University of Maryland require a minimum amount of contact between instructors and students. Our courses' 12 weekly 3-hour meetings only satisfy 80% of the university's contact requirement. The other 20% is usually satisfied by mandatory and graded online contact. Instructors have some discretion in how they structure the online component of their course. In principle, the contact hours requirement could also be satisfied by scheduling 3 additional 3-hour meetings per term, or one additional 45-minute meeting per week. The online components of our courses are a more flexible way to ensure

that our program's courses provide the same level of student-instructor contact as a traditional 15-week, face-to-face, 3-credit course at the University of Maryland.

Work Load: Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time. The courses in our program are 12-week courses that cover all the same material as a traditional semester-long 3-credit course. The compressed schedule makes it possible to complete our degree in just 15 months if you take 2 courses each term. But the compressed schedule also implies an accelerated pace. If we're going to cover all the same material as a traditional semester-long 3-credit masters-level course, we need to cover the material quickly.

Academic Integrity: The University of Maryland has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards applicable to all undergraduate and graduate students, and you are responsible for upholding these standards as you complete assignments and take exams in this course. Please make yourself aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information see www.studenthonorcouncil.umd.edu.

Student Conduct: Students are expected to treat each other with respect. Disruptive behavior of any kind will not be tolerated. Students who are unable to show civility to one another or myself will be referred to the Office of Student Conduct. You are expected to adhere to the Code of Student Conduct.

Medical Excuses: If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility – not the instructor's – to get yourself caught up in the course.

If you need to miss an exam or other course deadline because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an "Incomplete". Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

School Closings and Delays: Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669). Since our program is an evening program in downtown Washington, DC, rather than a day program in College Park, we do not always cancel classes on the same days as the College Park campus.

The program director will always announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue.

Students with Disabilities: The University of Maryland does not discriminate based on differences in age, race, ethnicity, sex, religion, disability, sexual orientation, class, political affiliation, and national origin. Reasonable accommodations will be made to students with documented disabilities. I will make every effort to accommodate students who are registered with the Disability Support Services (DSS) Office and who provide me with a University of Maryland DSS Accommodation form.

Academic Progress: The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program's director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student's GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree.

Building Access: The door to the building at 1400 16th Street is unlocked on weekdays until 7:00 p.m. Students who arrive after 7:00 p.m. or on weekends will find the door locked. The building's security guard is stationed at a desk just inside the door until 11:00 p.m. and will let you in. You can also call the phone on the security guard's desk by dialing (202) 328-5158. If the security guard happens to be away from his or her desk when you arrive, you can pick up the black phone to the right of the door at 1400 16th Street. You will be connected to the company that handles security for our building. If you tell them you are with the University of Maryland, they should ask you for a password. The password is "Drawbridge". When you tell them the password, they will be able to unlock the door for you.

Courses that require students to do empirical work should include the following about Stata:

Purchasing Stata: Our program's curriculum is designed to use Stata as the statistical software. Other leading statistical software packages include SAS and R. We have decided to focus on one package to enhance the continuity across courses in our program. A more superficial familiarity with multiple packages might be just as good as a deep understanding of a single package. But working with multiple packages would also result in less time to learn econometrics.

Students in our program should purchase Stata. Stata offers different "flavors" and different lengths of license. Price varies according to these two factors. A description of the flavors is given here: <http://www.stata.com/products/which-stata-is-right-for-me/>
Stata offers student discounts via the "Gradplan":

<http://www.stata.com/order/new/edu/gradplans/>

The least expensive appropriate option is \$69 for a 6-month license for “Stata IC”. A one-year license is \$98, and a perpetual license (which never expires) is \$198. We do not recommend “Small Stata”. Small Stata is too limited for the course work our program.

Under the Gradplan, you may install Stata on up to three different computers. You may also eventually upgrade your version of Stata and your license, at a discount, if you wish.

Grading and assignments (% of grade)

Problem sets: due June 15 and August 3 (10% each)

Online discussions: due weekly (5% total)

Written memo: due July 13 (10%)

Course presentation: August 10 (10%)

Midterm exam: June 29 (20%)

Final exam: August 17 (35%)

Details

Problem sets: There will be two problems sets assigned during this course. These problem sets will introduce you to the basic econometric evaluation estimators and how they are implemented in Stata using real data. You be asked to estimate econometric models and interpret the results. It is expected that you have a basic understanding of Stata from your previous econometrics courses, and that you are able to utilize Stata help files to learn new code. Your grade will depend both on whether you estimate what you are asked to estimate correctly and how well you interpret the results. Both of these are valuable skills. My experience is that interpretation is the more difficult of these two tasks to master.

You may work together on problem sets, but each student must turn in his or her own version of the assignment. These problem sets will be submitted electronically. You should turn in two separate documents: one that contains your typed answers to the problem set questions, and another that consists of a well-organized and well-commented Stata log file.

The following books provide very useful references for Stata:

Mitchell, Michael N. 2010. *Data Management Using Stata: A Practical Handbook*, Stata Press.

Acocck, Alan. 2008. *A Gentle Introduction to Stata, 2nd Edition*. College Station: Stata Press.

Online discussions: I will post a question/series of questions relevant to the course material every Wednesday at noon. The discussion will be open until Friday at noon for you to comment/respond. I will check in twice a day to participate/respond/redirect.

Written memo: Every day, findings from studies and evaluations are reported in popular press. In an attempt to generate headlines, the press often turns to evaluations based on very weak research designs. The objective of this assignment is to challenge you to be a critical consumer of research findings. It is healthy to approach articles as though the basic claims being stated are wrong, and to think of ways to debunk the claims being made.

The assignment asks you to write a 1-2 page memo assessing the findings of a recent program evaluation study. This should consist of a concise summary and critique of a study reported on in popular press (e.g., New York Times, Washington Post, or the Wall Street Journal). This critique should be based solely on the description in the article, not on the original research.

Assume that you work for the Secretary of a branch of government under whose purvey this program or policy would fall. For example, if you select an article on tax policy, you would be writing a memo for Jack Lew. The memo should have four sections: objective of the study, design of the study, findings from the study, and critique. The first three sections should be very short (half a page to a page). The majority of the memo should focus on the weaknesses of the study. A copy of the article must be also be submitted with the memo.

Course presentation: You will each formally discuss a small number of papers. There will be two formal discussants per paper. The formal discussant remarks should resemble those at academic conferences, and we will discuss what this means in on July 20. Discussant remarks should last no more than 15 minutes per discussant. Following the formal discussant remarks, there will be a (guided as lightly as possible) discussion of the paper.

It is advisable that you start preparing for the formal discussant remarks well in advance, in case you have questions about the economics or the econometrics of the paper you are assigned to discuss. Practicing your formal discussant remarks is also a good idea. You can send your draft slides to Prof. Kawano in advance for comment, but this must be done at least 24 hours prior to class.

The papers for presentation, along with assignments, will be announced later.

Calculation of final grades:

The problem sets and exams will be graded out of 100 points each. The memo and course presentation will be graded out of 10 points. Each discussion session will be graded on a 5 point scale. The discussion grade will be computed as a sum of your discussion grades over the course, translated to a 100-point scale. Your final grade will be calculated by taking a weighted sum of these grades, where weights on each assignment are provided above. Final grades will be assigned under the following scale:

93-100	A
90-92	A-
83-89	B+
75-82	B
65-74	B-
55-64	C+
45-54	C
35-44	C-
25-34	D+
15-24	D
0-14	F

Schedule of Topics (subject to change):

1. Introduction to the course; Evaluation institutions (June 1)

2. Introduction to evaluation methods ; Experimental design (June 8)

Angrist and Pischke, Chapter 1

Burtless, Gary. 1995. "The Case for Randomized Field Trials in Economic and Policy Research." *Journal of Economic Perspectives*. 9(2): 63-84.

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

3. Experimental design and applications (June 15)

Katz, Lawrence F., Jeffrey R. Kling, and Jeffrey B. Liebman, "Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment," *Quarterly Journal of Economics* (May 2001) 607-654.

Slemrod, Joel, Marsha Blumenthal, and Charles Christian. "Taxpayer Response to an Increased Probability of Audit: Evidence from a Controlled Experiment in Minnesota," *Journal of Public Economics*, 2001, v79, 455-483.

First problem set due at the beginning of class

4. Introduction to quasi-experimental design; Regression (June 22)

Angrist and Pischke, Chapter 2

5. **MIDTERM EXAMINATION** (June 29)

6. Regression and Matching (July 6)

LaLonde, Robert. 1986. "Evaluating the Econometric Evaluations of Training Programs with Experimental Data." *American Economic Review*. 76(4): 604-620.

Dehejia, Rajeev and Wahba, Sadek. "Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs." *Journal of the American Statistical Association*, December 1999, 94(448): 1053-62.

7. Instrumental variables and regression discontinuity (July 13)

Angrist and Pischke, Chapter 3 and 4

Angrist, Joshua and William Evans (1998). "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size, *The American Economic Review*.

Memo due at the beginning of class

8. Guest lecturer: Oded Gurantz, Stanford University; Before-after estimation and Difference-in-differences; How to discuss a paper (July 20)

Angrist and Pischke, Chapter 5

Card, David and Alan Krueger (1994). "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania." *American Economic Review*.

9. Advanced topics: Quantile Regression and Quantile Treatment Effects (July 27)

Angrist and Pischke (2009), Chapter 7 and 8

Second problem set due at the beginning of class

10. Program theory and cost-benefit analysis (August 3)

11. Course presentations (August 10)

- 12. FINAL EXAMINATION (August 17)**