

PPA 220A: APPLIED ECONOMIC ANALYSIS

**MASTER'S PROGRAM IN PUBLIC POLICY AND ADMINISTRATION
MASTER'S PROGRAM IN URBAN LAND DEVELOPMENT**

CALIFORNIA STATE UNIVERSITY, SACRAMENTO

FALL 2009

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Office: Room 3037, Tahoe Hall

Class Location: Wednesday, 6 - 8:50 p.m., 1011 Academic Resource Center (ARC)
The classroom presentation is also available as a re-broadcast on SacCT two days after live meeting. **Everyone needs to attend (in person) the first class meeting on September 2.**

Office Phone: (916) 278-6304

Office Hours: Wednesday, 3:30 – 5:30 p.m.; and by appointment if necessary

Required Texts:

(1) *Analyzing Policy: Choices, Conflicts, and Practices*, 2000, Michael C. Munger, Norton (denoted as “Policy”), available for purchase at Sac State Bookstore or on web at Amazon.Com;

(2) *A Practical Guide to Policy Analysis: The Eightfold Path to More Effective Problem Solving*, Eugene Bardach, Third Edition, CQ Press, (denoted as “Practical”), available for purchase at Sac State bookstore or on web at Amazon.Com.

On July 21, 2009, the total price for these books at Amazon.Com was \$54 for new copies and \$24 for used copies.

Required Internet Learning Package:

We will be using web-based and interactive learning modules on introductory microeconomics available at <http://www.aplia.com/>. Go to this web site and click the “New Student” link and enter “Course Key” **75HH-KB2V-S42C**. Continue following the instructions to complete your registration. The registration cost is \$35.00.

I suggest you complete this registration ASAP, and begin working on the Aplia assignments that are later described under the weekly schedule. Aplia allows you to revisit questions and change

answers up to the time it is due. Once the clock strikes the time that an assignment is due, answers are final (including not doing it) and a score will be recorded. You have been given plenty of early warning on all assignments, there will be no exceptions allowed for the acceptance of late assignments.

Course Objectives:

The Department of Public Policy and Administration has established seven learning objectives for this course that are a part of a broader set of learning objectives for those who earn a MPPA or MSULD. These fall under four categories and are:

- Critical Thinking

- (1) Problem definition: Understand the appropriateness of beginning a policy analysis by first defining the policy problem in a statement that does not include solution option(s) to the “true” policy problem.
- (2) Delineation and evaluation of options: Understand the desirability of offering multiple solution options to a policy problem and evaluating these options in terms of criteria that include at least measures of efficiency and equity.

- Integrative Thinking

- (3) Techniques of policy analysis: Understand that wisdom to be drawn upon in making policy decisions comes from the market, experts, and politics; that this wisdom is usually conflicted from two of the sources, and mitigated by the third source (as illustrated by Munger’s triangle).
- (4) Economic concepts and analysis: Understand the important role that economic concepts (supply, demand, markets, perfect competition, monopoly, consumer and producer surplus, externalities, public goods, etc.) and thinking (rational prioritization, marginal analysis, equilibrium, probability, time discounting, benefit/cost, “bang for the buck, etc.) play in policy analysis.

- Understanding Professional Role

- (5) Role of public sector in democratic/market system: Understand that even competitive market systems can “fail” under certain circumstances (related to market structure, externalities, public goods, and information asymmetry), that a market system offers no guarantee that an outcome is viewed as “equitable” by society, and that the choice of different political institutions in a democracy yield different political/policy outcomes. Thus, there may be a role for public sector involvement in all these areas.
- (6) Role of policy analyst: Understand that the role of the policy analyst is to offer advice to policymakers on the desirability of alternative solutions to a policy

problem. Both ethics and value neutrality are desired in policy analysis. If personal values enter a policy analysis, they should be noted.

- Practical Applications

(7) Practical problem solving: Be able to conduct a basic policy analysis that involves the appropriate identification of the problem, the environment and sources of wisdom regarding the problem, solution alternatives, appropriate criteria to evaluate each alternative, and a recommendation on a course of action.

You will be given a survey at the end of the semester to get your opinion on how well this course has satisfied these learning goals. I will often refer to these goals throughout the course.

Internet and SacCT Access:

I will post outlines on material covered in class and other course related material on SacCT. Information on SacCT can be found at <https://online.csus.edu/webct/entryPageIns.dowebct> . Please visit the site after you have secured a SacLink account number and password from Sac State. I will also correspond with you by e-mail through SacCT and ask you to read material from the Internet. Thus, access to the Internet and SacCT use is required for this class. If you do not have Internet access at work or home, the University's Library and its various computer labs offer access to students.

Student Name Placards:

One of my weaknesses is the ability to remember the names of people. I realize that this is a real hindrance to facilitating discussion in class. Thus, I ask that each of you create a first name placard (with material I will provide on first day of class), bring it to class each week, and place it in front of you for each class meeting. I know this will help me greatly in learning your names. I hope it will also assist you in a quicker learning of your classmates' names. The names of students I always remember are those that visit me regularly in office hours and actively participate in class activities.

Overview:

The course continues your exposure to the basic concepts and tools of microeconomics (from your previous microeconomics course) as they apply to public policy (and urban land development) analysis. We will study how economists think about household decisions, business decisions, and government decisions. We spend much of our time understanding the role that government can play in altering these economic decisions for the betterment of society.

The prerequisite for this course is the receipt of a B grade or above in a previous introductory (undergraduate) course in microeconomics. Even though this is the official requirement (and you should not be in the class unless you met it), Aplia will be used to review basic microeconomic principles throughout the course. **If your microeconomics is a bit rusty, be**

certain to follow my advice of doing the assigned Aplia exercises well before they are due (get started on them now).

Microeconomics offers many insights into understanding how business, government, and people interact. Some of the most serious challenges that individuals and society face are economic based. An understanding of economics is therefore an essential part of deriving solutions to these challenges. As future public policy (and urban land development) gurus, an understanding of the economic principles taught in this course is essential to your ability to offer good analysis and advice in your chosen professions.

A goal of mine has always been to try to improve the way that economics is taught to university students. I would consider myself a success if I could get you to learn some economics, appreciate its value to the career choice you have made, and to have a **part** of your brain think like an economist. Note that I emphasize only a part of your brain. Good analysts have to also consider relevant political and administrative issues, and the social/equity ramifications of proposed public and urban land development policies. The development of these other parts of your brain will be largely accomplished through the other courses you take in your Master's program, but at the same time not fully ignored here.

I encourage you to share with me, even before teaching evaluations are given, your opinion on any of my teaching methods and offer constructive suggestions on how to improve them. I truly appreciate such input and use it to try and continually improve the way I teach this course. To help in achieving this goal, I ask in week seven (October 14) of the course that you complete the teaching evaluation instrument that you will again fill out at the end of the course. Using the responses, I can consider adopting my teaching style to address your concerns in the remaining portion of the course.

PPA 220A consists of one 165 minute meeting a week. Each week you should also plan on devoting at least three hours of study outside of the classroom to this course. A 15 minute break will be given in the middle of each class. If I go past 7:30 p.m., without giving you this break, please remind me that it is due.

This course uses a "hybrid" distance education format. As of now, it is the only course taught in this manner in the MPPA or MSULD Program. I am well aware that there are both plusses and minuses to using this format. A big plus is that all class sessions will be recorded and allow you the option to watch them at a latter date. Since this is available, you need not attend all class sessions and can instead chose to view some of them through SacCT. To some, the downside of this is that there are cameras in the classroom and microphones were you sit. So others listening outside the classroom can hear you, you will need to turn on these microphones before speaking. Please do this for the benefit of those watching the recorded session. They cannot hear your comments if your microphone is off.

The official requirement is that you attend a minimum of seven of the 14 scheduled classes. To measure your attendance, and prepare you for participation in class discussions, I ask that you submit a typed, double-spaced, two-page maximum answer to the numbered discussion question (that corresponds to the first letter of your last name) that are listed below. These can only be

turned in by you on the night of the meeting you attend. I will look them over and return them to you by the next class meeting with a grade based upon how well you satisfy the rubric (included below) I have established for these. **Since you are only required to attend eight class meetings, your overall grade on these assignments will be based on the highest eight grades you receive. You may turn in one of these write ups at our first class meeting (September 2).** Throughout the semester, please feel free to turn in more than eight. I will only count your best eight grades.

For those who miss a Wednesday night class in person, or for those who want further coverage of the material covered, I will offer a SacCT chat session that will be held from 7 to 8 p.m. on the Sunday after the session you missed. I will use this session to primarily cover the discussion questions from the previous week's meeting, but time will also be left to answer any general questions you may have from the meeting. I will record the names of all students who actively participate in these sessions and use this information in part to assign your participation grade for the course.

If there are concepts or ideas that were covered in a Wednesday night session that you did not understand, it is important to your overall success that you get these misunderstandings resolved before the next time we meet. You can do this by talking to your fellow classmates (I encourage you to form study groups or electronic study networks), visiting me in my Wednesday office hours, sending an e-mail question to me at rwassme@csus.edu (please do not send by SacCT because I check less often), participating in the Sunday night chat, or phoning me at 278-6304. My promise to you is that if I am not in my office, I will respond to your Monday through Friday e-mail or phone call within 24 hours.

Questions, comments, and discussion about material assigned for a Wednesday night class are always encouraged during that class. In office hours I am pleased to discuss a suggestion on how the class is taught, economics in general, the MPPA or MSULD Programs, or your career plans. To insure an adequate participation grade, please plan on stopping by to visit a few times during office hours.

Students will need to come well prepared to class in the form of completing all reading assignments, looking over my PowerPoint notes, formulating answers to the discussion questions posed each week (you should think about all of the questions asked and not just the one assigned to you that week), and being prepared to actively participate in the class discussion. I will not hesitate to call on students who chose to not voluntarily participate.

Examination Procedure:

Material for the midterm and final exams will be taken out of assigned reading, class time, and homework. I will provide a sample midterm exam early in the semester. If you have an illness or emergency, if at all possible, I expect to be notified before the midterm exam takes place. If you fail to show up for this exam without contacting me, or if you cannot provide written documentation of why you missed, you will receive a zero.

Midterm: The first 90 minutes of class on October 28 will be devoted to taking an in-class and closed-book midterm exam. More details and an example of a previous midterm will follow.

Final: I will give out a take-home final paper assignment in class (December 2). This is two weeks before it is due (December 16). More details will follow in class.

Grading Procedure:

Grades will be calculated using the following formula:

<u>Percent Correct</u>	<u>Letter Grade</u>	<u>Number Grade</u>
100-94	A+	4.3
93-89	A	4.0
88-84	A-	3.7
83-79	B+	3.3
78-74	B	3.0
73-69	B-	2.7
68-64	C+	2.3
63-59	C	2.0
58-54	C-	1.7
53-40	D	1.0
<40	F	0.0

A number grade will be assigned to everything you do. Your course grade will be calculated based on these number grades. Anything above a B- (2.7) in the course is a passing grade for credit towards your MPPA or MSULD (but be aware you need to earn an overall gpa of 3.0 (B)). Your midterm exam grade accounts for 25 percent of your course grade. Your final paper grade accounts for 25 percent of your course grade. The average grade earned on the eight weekly-required answers to discussion questions is worth 20 percent. All discussion questions are graded based upon the rubric at the end of this syllabus. The grade earned on your Aplia assignments account for 20 percent of your grade. Classroom, chat room, and office hour participation makes up the remaining 10 percent of your final grade.

University policy for dropping this course will be followed. You must complete both the midterm and final paper to receive a passing grade.

The following schedule lists the topics covered and the assigned reading that accompanies them. I reserve the right to make minor changes and additions to the schedule. Underlined material is hyper linked and is obtained by clicking on it from your web browser. The format of the schedule is that column 1 contains the topic, column 2 contains the source, and column 3

“Bjorn Lomborg Sets Global Priorities”

[TED Video](#)

(1) Last Name A-I: Describe the economic approach of “rational prioritization” to solving the World’s public policy challenges? Do you support it?

“Deciding How to Decide”

Policy

Chapter 2

(2) Last Name J-S: Pick a side of Munger’s Policy Triangle (Figure 2.1) and describe to a layperson how a specific public policy gets worked out among your choice of one of three broad types of policies (efficiency, equity, institutional reform)?

(3) Last Name T-Z: Does every Californian feel that the right of “Whom should I marry?” is an “individual” and “private” decision as Munger characterizes in Figure 2.4?

Week 3 (September 16)

Aplia assignment due at 12:15 a.m., September 16.

“A Benchmark for Performance: The Market”

Policy

Chapter 3 (pp. 54 – 69)

(1) Last Name A-F: Consider that the world’s population is reduced to 5,000 people living in Sacramento. All means of production and exchange have been wiped out. Would you expect families in this new society to be entirely self sufficient, or to develop markets and trade? Offer the reasoning behind your choice.

(2) Last Name G-L: Suppose two concert tickets cost \$400 and you chose not to purchase them. Your friend gives you these tickets and tells you that you may do with them whatever you want; she would not even be offended if you sold them on Craig’s List. What would an economist think about your decision to attend the concert?

(3) Last Name M-Q: Would a Democrat in the California Legislature be more likely to be a believer in Pigou or Coase? What about a Republican?

(4) Last Name R-Z: The allocation of scarce resources is something that must be done in society. Describe the advantages of queuing, chance, and authority in comparison to the market. Is it sometimes better to rely upon one of these methods instead of the market? If so, offer an example of when.

Week 4 (September 23)

Aplia assignment due at 12:15 a.m., September 23.

“A Benchmark for Performance: The Market”

Policy

Chapter 3 (pp. 69 – 88)

(1) Last Name A-M: Suppose that society has two people (Amy and Bill) and consumes only two goods (food and shelter). Amy is carpenter with the appropriate tools and many trees on the land she owns. Bill is a farmer with the appropriate tools who lives on treeless fertile land. Draw an Edgeworth Box for this society with the most likely initial allocation of food and shelter between Amy and Bill with no trade between them. Draw the indifference curves for both that goes through this initial allocation and construct a contract curve. Explain why trade would occur between Amy and Bill and why the final allocation of food and shelter would fall on the contract curve.

(2) Last Name N-Z: Consider that your family and all of your directly surrounding neighbor families are the last on earth. Offer some specific economic reasons why markets would arise among these families and trade is very likely to occur among them.

Week 5 (September 30)

Aplia assignment due at 12:15 a.m., September 30.

“The Welfare Economics Paradigm”

Policy

Chapter 7

(1) Last Name A-F: How would an economist technically explain the feeling that we all get when we go to the mall expecting to pay \$60 for a pair of Levi 501 Jeans and we find that they are on sale for \$40. Use a diagram in your explanation and also describe the relevance of this concept to public policy analysis.

(2) Last Name G-L: Resolve a dinner table conversation that arises regarding why diamonds are so expensive if they are irrelevant to human survival; while water is so inexpensive and highly relevant to human survival.

(3) Last Name M-R: How does the “Lindahl Equilibrium” diagram resolve the issue of different types of people desiring different amount of a public good if priced the same to all of them? Is this solution relevant in the real world? What is another way of resolving this dilemma?

(4) Last Name S-Z: Choose either a per-unit tax or subsidy on a specific good and describe in economic terms, using a graph and description, the “good” and the “bad” that arises.

Week 6 (October 7)

Aplia assignment due at 12:15 a.m., October 7.

“Evaluation and Market Failure: Criteria for Intervention”

Policy

Chapter 4 (pp. 101 - 113)

(1) Last Name A-H: Would it be practical to insist that all public policies pass the “Pareto Criterion”? Do you have any concerns with only using the “Kaldor-Hicks Compensation Principle” to evaluate the desirability of a public policy?

(2) Last Name I-P: In your mind, is the issue of eminent domain best framed as “Tyranny of the Majority” or “Theft by the Minority” (as described in Munger’s Figure 2.4); or does it depend?

(3) Last Name Q-Z: Describe the First and Second Welfare Theorems in layperson terms and their relevance to policy analysis.

Week 7 (October 14)

Aplia assignment due at 12:15 a.m., October 14.

Preliminary teaching evaluation done at end of class

“Evaluation and Market Failure: Criteria for Intervention” Policy Chapter 4 (pp. 113 - 133)

(1) Last Name A-F: Describe the four major characteristics of a perfectly competitive market. Now describe the market for two goods or services that best fit the characteristic of being perfectly competitive.

(2) Last Name G-L: Use a diagram and a description to describe how a Pigouvian tax can be used to correct a negative externality.

(3) Last Name M-R: As an alternative to a Pigouvian tax to correct a negative externality, describe the strength and weaknesses of Coase’s Conjecture. Offer an example of this conjecture in real-world use today.

(3) Last Name S-Z: What are the two characteristics of public goods that make them nearly impossible to produce in a private market? What if only one of these characteristics hold? Offer some examples of public goods. Is Highway 50 a public good?

Week 8 (October 21)

Aplia assignment due at 12:15 a.m., October 21.

“Experts and Advocacy: The Limits of Policy...” Policy Chapter 5

(1) Last Name A-F: Discuss the plusses and minuses of using a technical command economy to solve the “problems” of the market? Is there another alternative besides just pure market capitalism or pure command socialism?

(2) Last Name G-L: How would go about investigating whether “regulatory capture” is occurring in oversight committees and boards appointed by the California Governor?

“Waste Tires in CA” [CIWMB Tire Study](#) Chapter 1
“The Environment Surrounding...” [CIWMB Tire Study](#) Chapter 2

(3) Last Name M-R: Is there any evidence in your reading of the background chapters for the CIWMB Study that “concentrations of economic power can be translated into (illegitimate) concentrations of political power.”

(4) Last Name S-Z: Explain Figure 5.1 in Munger and then write an explanation of why you believe the study should be placed in a specific quadrant (1 – 4) were in your opinion it best fits.

Week 9 (October 28)

Aplia assignment due at 12:15 a.m., October 28.

Midterm Given First 90 Minutes of Class

“Discounting I: Expected Values, Probability...” Policy Chapter 9 (pp. 280–309)

(1) Last Name A-I: Write a short essay for the Sacramento City Council that explains the difference between a “bad decision, good outcome” and “good decision, bad outcome”. Offer a real world example of both that is relevant to them.

(2) Last Name J-Q: Explain the three basic rules of probability to a California Assemblyperson by using an example that is relevant to her.

(1) Last Name R-Z: When deciding public policy do you feel that policymakers should be “risk accepting,” “risk neutral,” or “risk averting”? Do you ever pursue any activities that exhibit risk accepting behavior? Why is your personal behavior in this regard not necessarily the best guide for policy formulation?

Week 10 (November 4)

Aplia assignment due at 12:15 a.m., November 4.

“Discounting II: Time” Policy Chapter 10 (pp. 322–336)

(1) Last Name A-G: If you go to a bank to borrow money for a year they are going to want more than what you borrowed to be paid back at the end of the year. What are the three reasons that they want more than what you borrowed? Are all three of these reasons present when a government policymaker asks to borrow your money now (in the form of tax payments) and pay you back later with a policy outcome that you desire?

(2) Last Name H-M: Write an essay that introduces the concept of time preference using examples from your own experiences. Do you have a high or low discount rate? Does it depend on the activity/outcome under consideration?

(3) Last Name N-R: In policy analysis, is the value of a future payment always worth less than a current payment? How do elections and term limits play into your answer?

“Choice of Regulatory Form: Efficiency, Equity, or Politics?” Policy Chapter 8 (pp. 238 - 245)

(4) Last Name S-Z: Comment on the statement “unless the institutional environment is properly constructed, the organizations that give markets their dynamic power may do more harm than good.”

Week 11 (November 11) Preliminary

Aplia assignment due at 12:15 a.m., November 11.

Climate Change

Possible Guest Speakers Invited

Climate Change - Our Approach	Stern Report Video Presentation	Part 1
Al Gore Warns on Latest Climate Trends	TED	
Assembly Bill 32	ARB	
Climate Change Scoping Plan	ARB	Executive Summary
What’s a Carbon Tax?	Carbon Tax Center Fox News Video	
Cap and Trade: How it Works	Audubon You Tube Video	
Putting a Price on Carbon: An Emissions Cap or a Tax?	Environment360 You Tube Video	

Week 12 (November 18) Preliminary

Aplia assignment due at 12:15 a.m., November 18.

“Choice of Regulatory Form: Efficiency, Equity, or Politics?” Policy Chapter 8 (pp. 261 - 265)

(1) Last Name A-F: Consider the institutional reform debate that exists in California regarding how to craft and pass an annual budget. Comment on the fairness of the current process in

terms of: (a) both “process” and “outcomes,” (b) the role that concentrations of economic power plays, and (c) the Madisonian view of the desirability of expanding the scope of conflict.

CA Budget Issues

Possible Guest Speakers Invited

California’s Revenue Roller Coaster after Proposition 13	State Tax Notes	Wassmer
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Our Issues	California Forward	
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Coping through California’s Budget Crisis in Light of Proposition 13 and California’s Fiscal Constitution	SCRIBD You Tube Video	Gamage
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California: The Ungovernable State	The Economist	
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Week 13 (November 25)

Class Cancelled Due to California State University Furlough Day

Week 14 (December 2)

Final Paper Assignment Distributed

“Part I, Steps 2 - 8”	Practical	Pp. 10 – 64
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(1) Last Name A-E: Pick any one of the two through eight steps described by Bardach and write a description to a layperson about what it is and how to accomplish the desired goal in your chosen step.

“Waste Tire Management Alternatives”	CIWMB Tire Study	Chapter 3
“Criteria for Evaluating Alternatives...”	CIWMB Tire Study	Chapter 4

(2) Last F-I: Using Bardach’s suggestions regarding “Step Three: Construct the Alternatives,” evaluate how well the CIWMB Tire Study has put forth its alternatives for its given policy problem statement.

(3) Last J-N: Using Bardach’s suggestions regarding “Step Four: Select the Criteria,” evaluate how well the CIWMB Tire Study has put forth its criteria for its given policy problem statement.

“Analysis of Policy Alternatives”	CIWMB Tire Study	Chapter 5
“Recommendations”	CIWMB Tire Study	Chapter 6
“Addendum”	CIWMB Tire Study	Chapter 7

(3) Last Name O-T: How does a qualitative CAM (Table 8) differ from a quantitative CAM (Table 9)?

(4) Last Name U-Z: Based upon the information in the Addendum to the CIWMB Tire Study, and using what you learned from Munger and his triangle, comment on the reaction from stakeholders to the report.

Week 15 (December 9) Preliminary

“Choice of Regulatory Form: Efficiency, Equity, or Politics?”

Policy

Chapter 8 (pp. 247 - 260)

(1) Last Name A-F: Munger describes three different concepts of equity. Offer your own defense of what you feel is the most appropriate. Does it depend upon the good/services in question, or can one concept be applied universally?

(2) Last Name G-N: Find a more recent measure of inequality in wealth distribution in the United States in 1996 that is given in Figure 8.2 in Munger. Has inequality increased or decreased in our country? As a policy “expert” observing this, do you recommend public intervention to do something about this? What would be the market and politics reaction?

(3) Last Name O-S: React to the “Ant and Grasshopper” fable as a partial explanation for poverty in the United States? What are its implications for public policy?

CA Health Care Reform

Possible Guest Speakers Invited

Week 16 (December 16)

Final Paper Due

Name: _____ Grade: _____

Grading Rubric for Weekly Discussion Questions

PPA 220A, Fall 2009

Excellent = 5, Good = 4, Acceptable = 3, Needs Improvement = 2, Poor = 1, Absent = 0

Required Content	5	4	3	2	1	0
Name and discussion question at top of document that is no more than two typed pages long, with one inch margins and 11 font						
Begins with an appropriate introductory paragraph that describes topic and layout of write-up						
Finishes with an appropriate concluding paragraph that summarizes answer to discussion question asked						
Paragraphs and transitions between them flow smoothly						
Appropriate writing style and language use for a college educated reader not familiar with the topic						
No grammar or spelling errors						
Answer appropriately draws upon outside material relevant to the discussion question and cites this material using APA style						
Answer appropriately addresses discussion question by drawing upon assigned reading related to it (Three times other value)	<u>15</u>	<u>12</u>	<u>9</u>	<u>6</u>	<u>3</u>	<u>0</u>

Total score (50 possible)
