GRADUATE PROGRAM IN PUBLIC POLICY AND ADMINISTRATION
CALIFORNIA STATE UNIVERSITY, SACRAMENTO

PPA 220B – APPLIED ECONOMIC ANALYSIS II

SPRING 2014

Professor: Pierre H. duVair, Ph.D.

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Class Location: Thursdays, 6:00 p.m. - 8:50 p.m., Room: 1007 ARC

Office: Tahoe Hall - Room 3039

Daytime Phone: (916) 653-8685 or (530)-902-0376

Office Hours: Thursday, 4:30 – 5:45 p.m., after class, and by appointment

Prerequisite: Grade of B- or higher in PPA 220A

Required Texts

(1) Cost-Benefit Analysis for Public Sector Decision Makers, Diana Fuguitt and Shanton J. Wilcox, (1999), Quorum Books; can be purchased at CSUS bookstore or online at Amazon.com, Google Play eBooks, or other internet textbook websites.


There will be additional readings assigned throughout the semester. Copies of these readings will be posted in the PPA 220B SacCT website, in advance of class sessions during which they will be discussed.

SacCT (http://www.csus.edu/sacct/)

This course requires you to have access to the internet and a SacCT account. If you do not have an account at home or work that allows this, you can get one through CSUS. I will post on SacCT an outline of material covered in each class meeting. These will be available by the Friday before the class meets. Answers to weekly discussion questions should be submitted via e-mail to pduvair@csus.edu, prior to the start of each class. All of your course grades will be accessible through SacCT.
Primary Course Objectives

At the end of PPA 220B, it is expected that students attending all meetings will:

1. Be able to draw upon multiple disciplines to better understand and address a wide range of public policy and administrative issues.
2. Use different analytical skills and tools strategically, including cost-benefit analysis and some of the techniques used by analysts.
3. Understand the critical role of effective leadership in the public sector.
4. Increase your comfort in making presentations and engaging in discussions of policy topics.
5. Work effectively within a group setting.
6. Understand your obligation to advance public value.

This course exposes you to the basic study and application of public economics and cost-benefit analysis to public policy issues specific to California. You will be expected to learn and apply basic economic theory to policy analysis. The goal of studying topics in applied economics is to better understand, analyze, and critique existing and proposed solutions to public policy concerns.

Active Participation

Your attendance and active participation each week is critical to the success of this course, both for you and your colleagues. It is essential that you come to class prepared to participate in class discussions. A total of 45% of your course grade will be based on your efforts to read the weekly assigned materials, respond to questions, and actively discuss them in class. You will need to submit answers to questions about the readings, in advance of each class session. Your answers will be limited to a typed, double-spaced, two-page maximum response. Answers to discussion questions must be submitted prior to the start of the class session they will be discussed. I will read and grade your answers by the next class meeting. Grading will be based upon your insights and references to the readings, writing style (grammar, punctuation, organization, etc.), degree of thought demonstrated, effort, and thoroughness that I find you have put into your answers.

Your overall grade on answers to discussion questions will be based on the highest 10 of 12 weekly grades received, so you can drop two scores. Answers to discussion questions will be due our first class meeting. I will not accept late submissions, unless prearranged with me at least 24 hours before the class session it is due.

Course Grade

Besides your answers to weekly discussion questions and participation in class discussions, your final grade will be based upon a midterm, and a group final project.

- Answers to Discussion Questions 25%
- Participation in Class Discussions 20%
- Midterm 20%
- Group Final Project 35%
If there are concepts or ideas that were covered in a class session that you do not understand, it’s important that you get clarifications or a better understanding prior to the next class. I encourage you to form study groups or electronic study networks, speak with your classmates about topics that are not clear to you, visit me during my office hours, send me an e-mail question at pduvair@csus.edu or telephone me at (916)-653-8685 or (530)-902-0376. I will make every effort to respond to your communications within 24 hours.

Questions, comments, and discussion about material assigned for a class are very much encouraged. I welcome other questions during office hours, via e-mail, or by telephone regarding how the class is going, various economics or public policy topics, the PPA Master’s Program (I am new to the department), or activities related to your work or career. I strongly encourage you to visit me at least once during my office hours this semester.

**Structure of Class Meetings**

The course consists of sixteen 2 hour and 50 minute meetings on Thursday nights. For the first half of the course, each meeting will consist of two parts. From 6:00 pm to 6:20 pm you will break up into assigned groups and discuss your answers to the discussion questions related to reading material for that week. Amongst your group I will also ask you to come up with two additional topics covered in the readings that were not mentioned in the discussion questions. On a rotating basis, your group will appoint two members to be spokespeople on these issues for later in class. At 6:20 we will reconvene as a class and discuss answers to discussion questions and the additional topics identified within your groups, amongst us all. This will take us till 7:10 where we will take a 15 minute break and come back at 7:25 to do the same process with reading topics designated for the second half of the class. The final 15 minutes of class will be reserved for discussion of your group projects, status reports on research findings, coordination of team activities, strategies for progress to be made by your group the following week.

**Group Projects**

The second half of the semester will be devoted to group projects and the application of economic principles to specific public policy issues facing California today. Students will form teams of two and select a preferred policy issue as the group topic during the first week of classes. An initial list of policy topics is included in the table below, but other topics may be substituted depending upon student interests and instructor approval. Each student will prepare an 8-page white paper on their policy topic and the team will provide a list of readings for the week, discussion questions to be answered by classmates, and grade the students’ answers and class participation by the following class session. Additional details of group projects, in particular the white paper, will be provided at the first class session.

**Schedule**

This class will meet a total of 16 times throughout the semester, including May 22nd of finals week. There will be no class meeting on March 27th (Spring Recess). The weekly topics, readings, and discussion questions are provided below for the first half of the semester.
<table>
<thead>
<tr>
<th>Week</th>
<th>Course Topics</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Jan. 30th</td>
<td>Uses of and steps to Cost-Benefit Analysis; Group projects and topics</td>
<td>Introductions; Identify groups</td>
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<tr>
<td>Feb. 6th</td>
<td>Microeconomic Foundations for CBAs; Basic Investment Calculations</td>
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<tr>
<td>Feb. 13th</td>
<td>Decision criteria, net present values, discounting, inflation, time value of money</td>
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<tr>
<td>Feb. 20th</td>
<td>Risk and uncertainty, principles of CBA, identifying costs and benefits</td>
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<tr>
<td>Feb. 27th</td>
<td>Techniques to value societal benefits; Costs of privatization</td>
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<tr>
<td>Mar. 6th</td>
<td>Value of human life; Cost-Effectiveness Analysis; Life-Cycle Costing</td>
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<tr>
<td>Mar. 13th</td>
<td>OMB guidance on impacts of regulations; Social Cost of Carbon; Value of clean air</td>
<td>Midterm study guide</td>
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<tr>
<td>Mar. 20th</td>
<td>Tasks Related to Group Projects; Midterm Exam</td>
<td>Midterm Exam</td>
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<tr>
<td>Mar. 27th</td>
<td><strong>SPRING BREAK</strong></td>
<td><strong>NO CLASS</strong></td>
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<tr>
<td>Apr. 3rd</td>
<td>DOF and Standardized Regulatory Impact Analysis (SRIAs); Impacts on competitiveness, innovation, and jobs</td>
<td>Reading lists for case studies due</td>
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<td>Apr. 10th</td>
<td>GROUP 1 – Case Study: High Speed Rail</td>
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<td>Apr. 17th</td>
<td>GROUP 2 – Case Study: Delta Tunnels</td>
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<td>Apr. 24th</td>
<td>GROUP 3 – Case Study: Health Care</td>
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<td>May 1st</td>
<td>GROUP 4 – Case Study: Prisons</td>
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<td>May 8th</td>
<td>GROUP 5 – Case Study: Climate Change</td>
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<td>May 15th</td>
<td>GROUP 6 – Case Study: Fracking</td>
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<tr>
<td>May 22th</td>
<td>GROUP 7 – Case Study: Pensions</td>
<td>Finals Week</td>
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**Policies**

The midterm exam cannot be rescheduled or taken as a make-up. Late submission of assignments will be penalized. Plagiarism violations will be handled according to University policies. For details see: [http://www.csus.edu/umanual/AcademicHonestyPolicyandProcedures.htm](http://www.csus.edu/umanual/AcademicHonestyPolicyandProcedures.htm).

Please respect our time in the classroom and keep cell phones or other communication devices off or silenced during class. We should have only one person speaking at a time in class, except when working in groups on a particular task or assignment.

**Test/Course Accommodations:** As your instructor, I actively support a wide range of learning styles and abilities. Please feel free to discuss your progress in this course with me at any time. In addition, if you have a documented disability and require accommodations, please provide a copy of
your accommodation letter from Services to Students with Disabilities (SSWD) and contact me as early as possible so that your learning needs may be appropriately addressed. If you do not have an accommodation letter, please contact SSWD in Lassen Hall, 1008, (916) 278-6955; 278-7239 TDD, sswd@csus.edu to initiate the accommodation process.

Meeting #1 (Jan. 30th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 1-4
- Ammons Textbook – Chapters 6, 32

Discussions questions (answers due 6 pm on Jan. 30th):

1) How did the “Risk Assessment and Cost Benefit Act of 1995 (H.R. 1022) “turn what is a laudable goal – encourage better cost-benefit analysis – into an inflexible and unobtainable prerequisite for any regulation”?
2) Provide a few examples of how an analyst or an institution could “capture” a particular cost-benefit analysis.
3) How might the concept of “sustainability” be built into a cost-benefit study?
4) Describe two examples of how “demand analysis” might be applied to activities or services provided where you currently work or where you have worked in the past.
5) Describe a situation where you provided a decision maker with solid recommendations that were rejected or ignored. Explain why you believe your recommendations were not followed and what, if anything, you might do differently.

Meeting #2 (Feb. 6th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 5-8
- Ammons Textbook – Chapter 13

Discussions questions (answers due 6 pm on Feb 6th):

1) How can individual (firm or household) willingness-to-pay (WTP) to obtain or avoid the results of a government program or policy be used to estimate potential net benefits? Describe two reasons you think WTP provides a good estimate and two reasons it provides a poor estimate of net benefits of a government action.
2) Describe how you would set the boundaries for who has “standing” with the following projects: a) Sacramento downtown sports complex, b) California high speed rail, c) Delta twin water tunnels, and d) the Keystone XL oil pipeline.
3) Explain the importance of establishing a “baseline” when analyzing the costs and benefits of a public policy action. How might changes in California’s climate impact the estimation of baselines used to analyze state or local GHG emission policies?
4) Should distributional weights be used in cost-benefit analyses? Provide arguments for both sides.

5) Explain the following concepts: a) future value, b) compound interest, and c) an annuity. Using Microsoft Excel calculate the yield (simple interest) for an investment with the following parameters: 1) initial amount of $5,000,000 (present value), 2) interest rate of 5%, and 3) number of periods 4 years.

6) What is “ironic” about Cass Sunstein’s reference to conservative icon Ronald Reagan and potential solutions to climate change?

Meeting #3 (Feb. 13th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 9-12
- Ammons Textbook – Chapters 12, 14
- Benefit-Cost Analysis, by Paul R. Portney

Discussions questions (answers due 6 pm on Feb 13th): To be provided.

Meeting #4 (Feb. 20th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 13-16
- Ammons Textbook – Chapter 16
- Is there a Role for Benefit-Cost Analysis in Environmental, Health, and Safety Regulations, by Kenneth J. Arrow et al., 1996 Science
  http://www.hks.harvard.edu/fs/rstavins/Papers/Is%20There%20A%20Role%20for%20BenefitCost%20Analysis.pdf

Discussions questions (answers due 6 pm on Feb 20th): To be provided.

Meeting #5 (Feb. 27th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 17-20
- Ammons Textbook – Chapter 17

Discussions questions (answers due 6 pm on Feb 27th): To be provided.

Meeting #6 (Mar. 6th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 21-23
- Ammons Textbook – Chapters 18-21

Discussions questions (answers due 6 pm on Mar. 6th): To be provided.
Meeting #7 (Mar. 13th) Readings:


- *The Clean Air Act and the Economy.* US Environmental Protection Agency website:  
  [http://www.epa.gov/air/sect812/economy.html](http://www.epa.gov/air/sect812/economy.html)

Discussions questions (answers due 6 pm on Mar 13th): To be provided.

- Study guide for the midterm to be provided in class on March 13th (calculator needed, but not a bluebook).

- Readings for Meetings 10 through 16 will be provided at a later date.

- Class will meet during finals week on Thursday May 22nd.