

PPA 220B – APPLIED ECONOMIC ANALYSIS II

**GRADUATE PROGRAM IN PUBLIC POLICY AND ADMINISTRATION
CALIFORNIA STATE UNIVERSITY, SACRAMENTO
SPRING 2020**

Professor: Rob Wassmer, Ph.D.

E-Mail: rwassme@csus.edu

Faculty Web-Page: <http://www.csus.edu/faculty/w/rwassme/index.html>

Twitter: @rwassme

Office: 230 Sac State Downtown (3rd and S Streets)

Class Location: Thursday, 6 - 8:50 p.m., 108 Sac State Downtown

Office Phone: (916) 278-6304 (campus) or (916) 278-4556 (downtown)

Downtown Office Hours: Monday and Thursday and Friday, 4:00 – 5:30 p.m.; and by appointment if necessary

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

Required Texts:

(1 - Required) *Cost-Benefit Analysis for Public Sector Decision Makers*, 1999, Diana Fuguitt and Shanton Wilcox, Quorum Books; purchase at [Amazon](#) or other internet bookseller (used ~ \$60).

(2 - Required) *The Cost-Benefit Revolution*, 2018, Cass Sunstein, MIT Press; purchase at [Amazon](#) or other internet bookseller (new ~ \$15).

(3 – Used in PPA 220A) *Policy Analysis as Problem Solving*, 2019, Rachel Meltzer and Alex Schwartz.

(4 – Used in PPA 220A) *Behavioral Economics (The Basics)*, 2018, Philip Corr and Anke Plagnol, Routledge.

Canvas:

This course requires that you have access to the Internet and Canvas at Sac State. On Canvas I will post an outline of material covered, and homework due at the next Thursday meeting. These will be available by the Friday evening before the class meets. Canvas will also have grades on every assignment you complete.

Course Objectives:

At the end of PPA 220B, if you attend all meetings, I expect that you will:

- (1) Understand the basic process of how to conduct a cost-benefit analysis (CBA) and have a working knowledge of some of the specific techniques necessary to do it.
- (2) Learn to apply the concepts of cost-benefit analysis (CBA) to a California public policy (for example a public works construction project) and to appreciate this policy tool's relevance to gaining a better understanding of whether to pursue a policy intervention.
- (3) Be able to apply a specific public policy "tool" (Bardach's Eight-Step Path, Metzer and Schwartz's Rational Policy Analysis, Munger's Triangle, Government Failure, Microeconomic Based Market Analysis, Market Failure Approach, Cost-Benefit Analysis, Rational Prioritization, etc.) to a California relevant public policy concern to gain a better understanding of how "best" to deal with it.
- (4) Gain a greater comfort in your ability to make a public presentation and engage with an expert panel in a discussion on a public policy topic.
- (5) Explore further how the framing of a policy problem in terms of "what is fair" or "what is efficient" results in the choice of a different "best" solution.
- (6) Compose an effective PowerPoint presentation on a public policy problem.

This course further exposes you (after PPA 220a) to the study and application of economics and CBA to public policy interventions specific to California. You will learn and apply theoretical concepts. The goal in doing so is to increase your ability to better understand, analyze, and critique existing and proposed public policies.

Method:

Besides the first meeting, I divide this class into three distinct thirds. In the first third we will use class time to further formulate your public policy problem statement chosen in PPA 220A, derive alternatives to consider, discuss background information on the issue, and interact with client/stakeholders. The second third covers CBA for public policy formulation and evaluation. I will be responsible for this in the form of lectures, classroom discussions, and homework assignments. **For some of the CBA classes you will need to bring your own laptop with Excel installed. If you do not have this, please arrange to share with another student.**

For the last third of the course, I am turning it over to you to practice presenting policy advice. Each group of five or six students is responsible for one class meeting on the topics chosen in PPA 220A.

(1 – Illegal Cannabis) Even after the legalization of recreational marijuana use, there is far too much black-market cannabis activity. (Alexis, David, Logan, Michael, and Jenny)

(2 - Inclusive Development) More "inclusive development" needs to occur in the City of Sacramento's neighborhoods left behind regarding local economic opportunities for residents (Sareena, Vincent, Nicole, Simon, Gaby, and Sean)

(3 – Economic Wellbeing) There are too many California households where the sole or dual wage earners are working full time, but still struggling to meet the costs of essential living expenses. (Braden, Nick, Giselle, Aralyn, and Amy)

As noted in the schedule below, each group will meet with me for an hour before class on assigned dates to discuss their own presentations in class, and the selection of a speaker panel. If we cannot finish this discussion in an hour, we will continue it at the end of class. Before these meetings, we will devote time in class to start on this.

If there are concepts or ideas covered in a Thursday night session that you did not understand, it is important to your overall success that you resolve these misunderstandings 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 Monday or Thursday office hours, and/or sending an e-mail question to me at rwassme@csus.edu. I will respond to your Monday through Friday e-mail within 24 hours.

Please ask questions, offer comments, and engage in discussion about material assigned for a Thursday night class during that class. In office hours, I am pleased to answer any questions about material covered in class and discuss pedagogical suggestions, economics/public policy in general, the PPA/ULD Programs, and/or your career plans. To insure an adequate participation grade, visit me at least once during my office hours.

Students should come well prepared to class in the form of completing all reading assignments and looking over my posted notes. This will guarantee your adequate prepared to participate in discussion. I will not hesitate to call on students who do not voluntarily participate. Remember, if I attach your name to a topic in notes, make sure you are extra prepared to discuss during class.

Twitter:

We will again use Twitter to stimulate thought on the topics covered in class and to relate to contemporary events that arise throughout the semester. I evaluate your participation as part of the overall participation grade I assign you. Guidelines to follow: (1) post at least two tweets (but no more than four) on CBA and respond to at least two tweets on CBA from others (but no more than four), (2) post at least two tweets (but no more than four) on the specific policy area you are covering and respond to at least two other policy-area Tweets (but no more than four) on a policy area you are not covering. Remember, I evaluate these in terms of both quality and quantity.

Grading:

The grade you receive in this course comes from five different components. The first component counts 30 percent and is the average of highest grades received in ten of the 12 weekly homework (HW) assignments from the CBA material. **The first HW is due at our first meeting. I will post this on Canvas by the Friday before the Thursday that it is due.**

Note that HW format for 220B is not a two-page essay, but instead a series of questions that usually requires a one-paragraph answer for each. All answers should be in typed 11 font, with one-inch margins, and include a cover sheet with your name, date of class, and a reproduction of each of the numbered questions. The person completing them can only turn in a HW assignment on the night they are due in paper form. I will allow you to miss two HW assignments/classes without hurting your overall HW grade, by only using the highest grades you received on ten of the required 12 assignments. Average HW grade counts toward 35 percent of your course grade.

The second component of your course grade counts 15 percent and is an Excel spreadsheet representation and written explanation done separately for two CBAs. The first CBA is personal in nature and intended to assess the benefits of receiving your MPPA degree in comparison to the costs. The second CBA is a California-based public works construction project, and all will work on together and independently. The work for much of this done as HW and in groups during class time.

The third portion of your grade counts 30 percent and is based upon your class presentation in verbal and PowerPoint form. The fourth counts 10 percent and is my evaluation of your group's panel presentation. The fifth component of your overall grade counts 10 percent and is based upon the grade I assign for your participation on Twitter, during class, and in office hours. You must complete all five components of grading to receive a passing grade in this class. Thus:

$$\text{Course Grade} = 0.35 * (\text{average of ten highest HW assignments}) + 0.15 * (\text{average evaluation of your two CBA assignments}) + 0.30 * (\text{evaluation of PowerPoint presentation and content}) + 0.10 * (\text{evaluation of your group's expert panel presentation}) + 0.10 * (\text{evaluation of your classroom and Twitter participation})$$

See the end of this syllabus for the rubric used for grading your PowerPoint presentation.

Where relevant, grades are based on the following table:

<u>Percent Correct</u>	<u>Letter Grade</u>	<u>Number Grade</u>
100-97	A+	4.3
96-93	A	4.0
92-89	A-	3.7
88-85	B+	3.3
84-81	B	3.0
80-77	B-	2.7
76-73	C+	2.3
72-69	C	2.0
68-65	C-	1.7
64-60	D	1.0

<60	F	0.0
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Schedule:

This class meets 15 times throughout the semester. The readings for each meeting are below. I reserve the right to make minor changes to these readings provided I notify you at least a week in advance of their scheduled discussion in class.

Meeting 1 (Jan 23): Rational Prioritization and CBA Introduction

FugWil (Chapter 1) - A History of Application

Sunstein (Introduction) Where We Are, (Chapter 1) Triumph of Technocrats

FugWil (Chapter 2) - The Decision Maker, the Analyst, and Cost-Benefit Analysis

Sunstein (Chapter 2) Foreign Language

LAO, 2019-20 Budget California Spending Plan, <https://lao.ca.gov/Publications/Report/4083>

Fixing the World, Bang-for-the-Buck Edition (Podcast), <http://freakonomics.com/podcast/fixing-the-world-bang-for-the-buck-edition-a-freakonomics-radio-rebroadcast/>

A Better World by 2030 - Post-2015 Development Goals – YouTube, <https://www.youtube.com/watch?v=u5BDIBRwQ88>

Post-2015 Consensus / Copenhagen Consensus Center Website, <https://www.copenhagenconsensus.com/post-2015-consensus/>

The general problem of prioritization, <https://zipar.org/discussion-paper/general-problem-prioritization/>

Meeting 2 (Jan 30): Illegal Cannabis Background and Client/Stakeholders Visit

MeltzerSchwartz (Review Chapter 1) What is Rational Policy Analysis?

MeltzerSchwartz (Review Chapter 2) Defining the Problem

Even after the legalization of recreational marijuana use, there is far too much black-market cannabis activity.

(Alexis, David, Logan, Michael, and Jenny)

Meeting 3 (Feb 6), Inclusive Development Background and Client/Stakeholders Visit

MeltzerSchwartz (Review Chapter 3) Alternative Policy Options

**More “inclusive development” needs to occur in the City of Sacramento’ s neighborhoods left behind regarding local economic opportunities for residents.
(Sareena, Vincent, Nicole, Simon, Gaby, and Sean)**

Meeting 4 (Feb. 13), Economic Wellbeing Background and Client/Stakeholders Visit

MeltzerSchwartz (Review Chapter 4) Objectives and Criteria

**There are too many California households where the sole or dual wage earners are working full time, but still struggling to meet the costs of essential living expenses.
(Braden, Nick, Giselle, Aralyn, and Amy)**

Meeting 5 (Feb. 20), What is CBA?

CBA, <https://www.economist.com/news/2009/09/15/cost-benefit-analysis>

FugWil (Chapter 3) - Policy Advocates and Adversaries

FugWil (Chapter 4) - Economics and Cost-Benefit Analysis

Cost-Benefit Analysis 101 for Policymakers & Public Managers: An Interview with Henry Levin, Professor, Columbia University, http://govinnovator.com/henry_levin/

PODCAST: A Cost-Benefit Analysis for Playing in the NFL, <https://www.marketplace.org/2015/03/17/life/mid-day-update/podcast-costbenefit-analysis-playing-nfl>

Will College Pay Off?: A Surprising Cost-benefit Analysis, <http://knowledge.wharton.upenn.edu/article/will-college-pay-off-a-surprising-cost-benefit-analysis-ision-youll-ever-make/>

Red Tape Rising, <https://www.heritage.org/government-regulation/report/red-tape-rising-2016-obama-regs-top-100-billion-annually>

Meeting 6 (Feb 27), Methods of CBA (1)

Sunstein (Chapter 4) Welfare: The Master Value

FugWil (Chapter 5) - Economic Valuation of Individual Preferences

FugWil (Chapter 6) - Who is Society?

FugWil (Chapter 7) - With and Without Analysis

FugWil (Chapter 8) - Aggregate Benefits and Costs

MeltzerSchwartz (Chapter 5, pp. 141-171) – Technical Aspects of Policy Analysis

A Benefit Cost Analysis on the Use of Fire Barriers in Upholstered Furniture, @ Canvas

Meeting 7 (March 5), Methods of CBA (2)

Sunstein (Chapter 5), Knowledge Problem

FugWil (Chapter 9) - Present Value of Benefits and Costs Over Time

FugWil (Chapter 10) - Decision Criteria

FugWil (Chapter 11) - Discount Rate

CBA Discounting, <https://www.youtube.com/watch?v=Mol1yT7tczY>

Meeting 8 (March 12), Methods of CBA (3)

Sunstein (Chapter 6), Moral Commitments

Putting a price tag on your descendants,

<https://www.npr.org/sections/money/2012/07/20/157105414/episode-388-putting-a-price-tag-on-your-descendants>

MeltzerSchwartz (Chapter 5, pp. 171-185) – Technical Aspects of Policy Analysis

FugWil (Chapter 12) – Inflation

FugWil (Chapter 13) - Time Horizon

FugWil (Chapter 14) – Uncertainty and Risk

FugWil (Chapter 15) - Principles of Cost-Benefit Analysis

Meeting 9 (March 19), Methods of CBA (4)

Sunstein (Chapter 3): WTP and the Value of Life, (Chapter7) Mandatory Labelling

FugWil (Chapter 21) -Valuation of Human Life

Why is CBA so controversial?, <https://www.slideserve.com/hashim/why-is-cost-benefit-analysis-so-controversial>

MeltzerSchwartz (Chapter 6) Analysis and Making Recommendations

CorrPlagnol (Chapter 7) Political World of Persuasion

Meeting 10 (March 26), Methods of CBA (5)

Illegal Cannabis Group meets at 5 pm in my Sac State Downtown Office

Sunstein (Chapter 8), Role of Courts

FugWil (Chapter 19) - Travel Cost Method

FugWil (Chapter 20) - Hedonic Pricing Method

Valuation of ecosystem services: travel cost method,

<https://www.youtube.com/watch?v=AjcQpzlBu1l>

Valuation of ecosystem services: hedonic pricing method,

<https://www.youtube.com/watch?v=LkXVCQam5kw>

The value of proximity to a vacation home rental in a resort community, @ Canvas

Meeting 11 (April 9), Methods of CBA (6)

Inclusive Development Group meets at 5 pm in my Sac State Downtown Office

Sunstein (Chapter 9) Privacy and National Security

Cost-benefit analysis for climate change adaptation policies and investments in the agriculture sectors, <http://www.fao.org/3/I8905EN/i8905en.pdf>

FugWil (Chapter 16) - Identifying Benefits and Costs

FugWil (Chapter 17) - Market Valuation

FugWil (Chapter 18) - Contingent Valuation

Valuation of ecosystem services: contingent valuation,

<https://www.youtube.com/watch?v=xzmlG4L8s>

Contingent valuation: a practical alternative when prices aren't available,

<https://www.aeaweb.org/articles?id=10.1257/jep.26.4.27>

Meeting 12 (April 16), Methods of CBA (7)

Economic Wellbeing Group meets at 5 pm in my Sac State Downtown Office

Sunstein (Chapter 10): Free Speech

FugWil (Chapter 22) - Cost-Effectiveness Analysis

FugWil (Chapter 23) - Principles for Identifying and Valuing Benefits and Costs

MeltzerSchwartz (Chapter 8) Policy Analysis in Practice

Stadiums: Last Week Tonight with John Oliver,
<https://www.youtube.com/watch?v=xcwJt4bcnXs>

Suggestions for the Needed Standardization of Determining the Economic Impact of Professional Sports, @ Canvas

EconTalk: Bent Flyvbjerg on Megaprojects,
<http://www.econtalk.org/bent-flyvbjerg-on-megaprojects/>

What You Should Know About Megaprojects and Why: An Overview,
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2424835

Washington State Institute of Public Policy, Examples of Benefit-Cost Results
<https://www.wsipp.wa.gov/BenefitCost>

Transportation BCA, <http://bca.transportationeconomics.org/home>

Benefit-Cost Analysis of The California Water Fix, <https://www.pacific.edu/Documents/school-business/BFC/WaterFix%20benefit%20cost.pdf>

Cost–Benefit Analysis of Proposed California Oil and Gas Refinery Regulations,
https://www.rand.org/pubs/research_reports/RR1421.html

2014 California High-Speed Rail Benefit-Cost Analysis
https://www.hsr.ca.gov/docs/about/business_plans/BPlan_2014_Sec_7_CaHSR_Benefit_Cost_Analysis.pdf

California's High Speed Rail System Just Isn't Economic: Kill It, Kill It Now,
<https://www.forbes.com/sites/timworstall/2016/03/18/californias-high-speed-rail-system-just-isnt-economic-kill-it-kill-it-now/#3f4deb216c20>

Meeting 13 (April 23, Inclusive Development)

Even after the legalization of recreational marijuana use, there is far too much black-market cannabis activity.

(Alexis, David, Logan, Michael, and Jenny)

6:00-6:15: Student 1 Presentation (Introduction)
6:15-6:30: Student 2 Presentation (Alternative 1)
6:30-6:45: Student 3 Presentation (Alternative 2)
6:45-7:00: Student 4 Presentation (Alternative 3)
7:00-7:15: Student 5 Presentation (Conclusion)
7:15-7:30: Break
7:30-8:50: Outside Expert Panel Discussion

Meeting 14 (April 30 – Illegal Cannabis)

More “inclusive development” needs to occur in the City of Sacramento’ s neighborhoods left behind regarding local economic opportunities for residents

(Sareena, Vincent, Nicole, Simon, Gaby, and Sean)

- 5:45-6:00: Student 1 Presentation (Introduction)
- 6:00-6:15: Student 2 Presentation (Alternative 1)
- 6:15-6:30: Student 3 Presentation (Alternative 2)
- 6:30-6:45: Student 4 Presentation (Alternative 3)
- 6:45-7:00: Student 5 Presentation (Alternative 4)
- 7:00-7:15: Student 6 Presentation (Conclusion)
- 7:15-7:30: Break
- 7:30-8:50: Outside Expert Panel Discussion

Meeting 15 (May 6 – Economic Wellbeing)

There are too many California households where the sole or dual wage earners are working full time, but still struggling to meet the costs of essential living expenses.

(Braden, Nick, Giselle, Aralyn, and Amy)

- 6:00-6:15: Student 1 Presentation (Introduction)
- 6:15-6:30: Student 2 Presentation (Alternative 1)
- 6:30-6:45: Student 3 Presentation (Alternative 2)
- 6:45-7:00: Student 4 Presentation (Alternative 3)
- 7:00-7:15: Student 5 Presentation (Conclusion)
- 7:15-7:30: Break
- 7:30-8:50: Outside Expert Panel Discussion

Final Powerpoint Due (May 13)

Name: _____

Grading Rubric for Student PowerPoint Presentations

Based Upon <http://www.ncsl.org/legislators-staff/legislative-staff/legislative-staff-coordinating-committee/tips-for-making-effective-powerpoint-presentations.aspx>

**PPA 220B – Applied Economic Analysis II
Spring 2020**

Excellent = 10, Good = 9, Acceptable = 8, Needs Improvement = 7, Poor = 6, Absent = 0

Required Content	10	9	8	7	6	0
No more than 12 slides, with limited words on each slide, and one diagram/picture max per slide						
Did not read from slides, made eye contact with audience						
Moved during presentation, “worked” all areas of the room						
Well-timed presentation using full 12 minutes, with 3 minutes of clarifying questions at end handled appropriately						
Spoke clearly and comfortably in a conversational tone						
Command of the material / appropriate knowledge of the subject (Five times other values)	50	45	40	35	30	0

Total score (100 possible)

Comments for Student (Three Positive and One Area to Work On):

1.

2.

3.

4.