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 2018

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Office: 226 Sac State Downtown Center Building (3rd and S Streets)

Class Location: Monday, 6 - 8:50 p.m., 105 Sac State Downtown Center Building
The classroom presentation is also available as a re-broadcast on SacCT after live meeting. Look under the "My MediaSite" tab. **Everyone needs to attend (in person) the first-class meeting on August 27.**

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

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

Textbooks:

(1 – Required) *Contemporary Policy Analysis*, 2012, Michael Mintrom, Oxford University Press, available for purchase on web at Amazon.Com (link provided, used ~$30),

(2 – Required) *The Economics Anti-Textbook*, 2010, Rod Hill and Tony Myatt, Fernwood Publishing, available for purchase on web at Amazon.Com (used ~ $10),

(3 – Required) *Simple"r"*, 2013, Cass Sunstein, Simon and Schuster, available for purchase on web at Amazon.Com (used ~$6),

(4 – Required and used in PPA 200) *A Practical Guide for Policy Analysis: The Eightfold Path to More Effective Problem Solving,* 5th Edition (or an earlier edition is also fine), Eugene Bardach, CQ Press, available for purchase on web at Amazon.Com (used ~ $27)

(5 – Suggested for review of undergrad microeconomics) *The Economics Companion*, 2011, Graham Mallard, Palgrave Macmillan Publishing, available for purchase on web at Amazon.Com (used ~ $13).

Course Objectives:

Sacramento State's Department of Public Policy and Administration has established 10 learning objectives for this course. These are part of a broader set of learning objectives for the MPPA (view here). Column 1 in the table below contains the general learning objective for the PPA Program. Column 2 contains its application in this course.

PPA LEARNING OBJECTIVE	HOW APPLIED IN PPA 220A
1 a. Construct clear definition of problems	Using the methods of Bardach and CAM analysis, learn to effectively construct and use a clear definition of a policy problem.
1 b. Identify reasonable alternatives to address problems	Using the methods of Bardach and CAM analysis, identify reasonable alternatives to address a clearly defined policy problem.
1 c. Analyze and evaluate alternatives and offer solutions	Using the methods of Bardach and CAM analysis, identify and use appropriate criteria to evaluate these alternatives.
1 e. Draw upon multiple disciplines to understand and address policy and administrative problems	Understand the significant role of economic concepts (i.e., supply, demand, markets, perfect competition, monopoly, consumer and producer surplus, externalities, public goods) in public policy.
2 e. Write clearly and succinctly as appropriate to various audiences	Practice writing clearly and succinctly as appropriate to various audiences to summarize the application of economic concepts to policy issues.
3 c. Understand the difference between analysis and advocacy	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 ethical and value neutrality are desired in policy analysis. If personal values enter a policy analysis, note them.
Writing intensive: Understand the major research and/or professional conventions, practices, and methods of inquiry of the discipline	Understand the major research and/or professional conventions, practices, and methods of inquiry used in economics for policy analysis.
Writing intensive: Understand the major formats, genres, and styles of writing used in the discipline	Understand the major formats, genres, and styles of writing used in economics for policy analysis.

Writing intensive: Practice reading and writing within the discipline	Understand the major research and/or professional conventions, practices, and methods of inquiry of economics for policy analysis.
Writing intensive: Practice reading and writing as a learning process that involves peer and instructor feedback, revision, critical reflection, and self-editing	Practice reading and writing as a learning process that involves peer and instructor feedback, revision, critical reflection, and self-editing.

A survey at the end of the semester will gather your opinion on how well this course has satisfied the learning goals in column two. I will refer to these goals throughout the course.

Graduate Writing Intensive Course

Anyone receiving a B or better in this course automatically satisfies his or her graduate writing intensive requirement at Sacramento State.

Internet and SacCT Access:

Before 5 p.m., on the Wednesday before the week covered in class, I will post on SacCT the PowerPoint slides covering material discussed in the following week's class. Information on SacCT is at http://www.csus.edu/sacct/student/sacct-ready.stm . Please visit the site after you have secured a SacLink account number and password from Sacramento State. I will also correspond with you by e-mail through SacCT and ask you to read material from the Internet. Thus, I require access to the Internet and SacCT 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:

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.

I will also take a digital picture of everyone the first night of class and post this with names on SacCT to assist in you attaching a name to a face of your fellow classmates. We will also post these at the PPA website with your undergrad institution and major to publicize where our students come from.

Overview:

PPA 220A continues your exposure to the basic concepts and tools of microeconomics (from your previous introductory 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. We will also spend a considerable amount of time extending your basic knowledge of microeconomics to the new thinking offered through the field of behavioral economics that combines insights from psychology and economics to offer important considerations for the formulation of public policy. This course also reinforces your knowledge of Bardach's *Eightfold Path to More Effective Problem Solving* covered in PPA 200.

The prerequisite for this course is the receipt of a B grade or above in a previous introductory (undergraduate) course in microeconomics. **If your microeconomics is a bit rusty, review your undergraduate microeconomics text, the microeconomics portion of *The Economics Companion* (pp. 1 - 150), or Chapter 9 in *Contemporary Policy Analysis.***

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 a future public policy (or urban land development) analyst, an understanding of the economic principles taught in this curse is essential to your ability to offer good analysis and advice in your chosen profession.

A goal of mine has always been to try to improve the teaching of microeconomics to university students. I would consider myself a success if I could get you to learn some microeconomics, 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 must consider relevant political and administrative issues, and the social/equity ramifications of proposed public and urban land development policies. We accomplish this through the other courses you take in your master's program; however, at the same time, I do not fully ignore it here.

I encourage you to share with me, even before teaching evaluations 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 15) 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 pedagogy to address your concerns in the remaining portion of the course.

PPA 220A consists of one 175-minute meeting a week for 13 weeks (we lose two classes due to Labor Day and Veterans Day). **Each week you should also plan to devote at least 4.5 hours of study outside of the classroom to this course.** A 15-minute break occurs in the middle of each class. If I go past 7:30 p.m., without giving you the break, please remind me that it is due.

This course uses a hybrid (distance and in class education) format. I understand there are both plusses and minuses to using this format. A big plus is the recording of all class sessions. This offers you the option to watch and review them later. 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 flexibility is that there are cameras and microphones in the classroom so fellow classmates listening later can hear you. But remember, this only recorded for our use.

The official requirement is that you attend a minimum of seven of the 13 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 (paper copy) answer to the numbered discussion question (that corresponds to the first letter of your last name) posted on SacCT by Wednesday at 5 pm before they are due. You can only turn these in 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) for these. **Since I only require you to attend seven class meetings (necessarily including the first and midterm exam class), your overall grade on these assignments will be based on the highest seven grades you receive. You may turn in one of these write ups at our first-class meeting (August 27 – of which the questions to answer are below).** If possible, I strongly encourage you to attend all class meetings in person and turn in more than seven assignments.

If there are concepts or ideas covered in a Monday 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: (1) talking to your fellow classmates (I encourage you to form study groups or electronic study networks), (2) visiting me in my Monday office hours, (3) tweeting a question that I or anybody in class can answer, (4) sending an e-mail question to me at rwassme@csus.edu, and/or (5) phoning me at 278-6304. My promise to you is that if I am not in my office to answer your phone call, I will respond to your Monday through Friday e-mail within 24 hours.

I encourage questions, comments, and discussion about material assigned for a Monday night class during that class. In office hours I am pleased to discuss a suggestion on pedagogy, economics in general, the MPPA or MSULD Programs, and/or your career plans. To insure a passing participation grade, please stop by to visit at least once during office hours.

A well-prepared student for class will complete all reading and listening assignments, look over my PowerPoint notes, formulate answers to the discussion questions poised each week (you should think about all the questions asked and not just the one assigned to you that week), and prepare to **actively participate** in the class discussion. I will call upon those who do not participate willingly.

Given that you are graduate students, I assume you have done the assigned readings before coming to class, have looked over my Power Point notes that summarize the important concepts from the reading, and desire to become working professionals that can apply the concepts covered in the readings to real world situations in California state and local government, the appropriate pedagogy is not https://www.youtube.com/watch?v=uhiCFdWeQfA .

I will do my best to conduct this class instead in an active-learning, discussion-based, and full-participatory format. This means I will not run through the Power Point slides word-for-word. We will instead rely upon classroom discussions of your prepared answers to the weekly questions, additional discussion questions I pose in class, and various class discussion strategies described at https://www.cultofpedagogy.com/speaking-listening-techniques .

Laptops should only be open in class if used for notetaking. I will walk around and confirm that is what you are doing. But if doing this, you should read https://www.theatlantic.com/technology/archive/2014/05/to-remember-a-lecture-better-take-notes-by-hand/361478 and instead consider downloading PP notes and taking notes directly on them.

Homework Question Feedback, Revision, Reflection, and Self-Editing:

This course qualifies for Graduate Writing Intensive approval only if a component of it involves you receiving comment on your written work from the instructor and a peer, reflecting on these comments, and then self-editing your previously written material. We accomplish this through your weekly homework questions.

I offer two examples at the end of this syllabus of HW submitted by PPA 220A students in fall 2016 that received a grade of A (4.0). Look these over before writing up your HW for meeting one and try your best to mimic format and style. We will discuss this further at first meeting. Also, look carefully over the rubric (offered also at end of this syllabus), that I use to grade your HW.

If you receive less than an A- (3.7) grade from me on your weekly answer, you must rewrite it after reflecting upon the comments I have given you on it, and upon the comments you will solicit from one of your student peers. When you submit your revision back to me, please include with it the original marked up version and grading rubric that I completed, and the same from your assigned writing partner. When requested to view someone's writing assignment as a peer reviewer, you will have a maximum of one week to get your comments back. If it takes longer, and the person you are reviewing complains to me, you will receive a failing grade in one of your seven required writing assignments.

You may revise a maximum of two assignments. However, if you have two or more assignments with less than an A- grade from me, two need revision. The process of revision must begin the week after you receive less than an A- on any homework question. **When you have feedback from your peer reader and me for your first revision, you must stop by my office hours or see me after class to discuss in person your planned revision. The requirement is to do this once, but you may do it for all two of your revisions if desired.**

On the first night of class, I will offer further instruction on writing your responses to the requested questions in a form that is appropriate to the applied professional discipline of public policy and administration. (See the rubric at the end of this syllabus and examples I have posted on SacCT.) Further instruction will come as needed throughout the semester. Submit all revised assignments to me within two weeks of receiving less than an "A-" on any of them. I will accept no revisions after final due (December 10).

Twitter

I have used Twitter in my courses for the past few years and will continue its use here. I have an account there with the name "@rwassme". Everyone in class must also get a Twitter account

and subscribe to my Tweets and the Tweets of all in class. (Go to https://twitter.com to do this.) If you have a Twitter account that you use for personal reasons, please get a separate account for just PPA purposes. **Include in all of your PPA tweets the hashtag "#MPPA".**

I will Tweet on things that I observe in current events that apply to what we are learning in class – usually with a link regarding how to get further info on it. You are to read my Tweets and respond to my or other PPA 220A Tweets in a manner that reflects knowledge gained in class. You should post your own Tweets in the same manner. I will expect every student in the class to post between four (min) and 8 (max) Tweets. The grade assigned for your Tweets is based on both the quantity (not too much, not too little) and quality (relevance to material covered in class).

Academic Honesty

When you do any writing for this class, or any class at Sacramento State, it is important that you are aware of what plagiarism is, and if done can become grounds for dismissal from the university. Details are available at the University Policy Manual found at http://www.csus.edu/facs/about%20us/plagiarism.html. The following is from earlier version of this manual and highly relevant:

Plagiarism: Plagiarism is a form of cheating. At CSUS plagiarism is the use of distinctive ideas or works belonging to another person without providing adequate acknowledgement of that person's contribution. Regardless of the means of appropriation, incorporation of another's work into one's own requires adequate identification and acknowledgement. Plagiarism is doubly unethical because it deprives the author of rightful credit and gives credit to someone who has not earned it. Acknowledgement is not necessary when the material used is common knowledge. Plagiarism at CSUS includes, but not limited to:

>   *The act of incorporating into one's own work the ideas, words, sentences, paragraphs, or parts thereof, or the specific substance of another's work without giving appropriate credit thereby representing the product as entirely one's own. Examples include copying another's work, the paraphrase (i.e., rewriting another's work while still using the other's fundamental idea or theory); fabrication (i.e., inventing, or counterfeiting sources), ghost-writing (i.e., submitting another's work as one's own) and failure to include quotation marks on acknowledged material.*

Examination Procedure:

Midterm: I will take material for the midterm exam 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, I expect notification 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. We will devote the first 90 minutes of class on October 22 to an in-class and closed-book midterm exam. (This may conflict with assignments due in other PPA classes so plan appropriately.) More details and an example of a previous midterm will follow.

Final: Details on the final paper are below. We will discuss this assignment further in class. It is due on December 10 at the absolute latest, but I encourage you to get it in earlier.

Grading Procedure:

Where appropriate, I base grades on the following table:

Percent Correct	Letter Grade	Number Grade
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
64-61	D	1.0
<61	F	0.0

I assign a number grade (column 3 above) at SacCT to everything you do. Your overall course grade comes from 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 B (3.0) to remain in good standing.** The calculation of your final grade is as follows:

> Midterm Exam: 30%
> Final Paper: 25%
> Average Grade Earned on 7 Weekly Required Assignments: 30%
> Twitter Participation, Classroom, and Office Hour Participation: 15%

I strictly follow University policy for dropping and receiving an incomplete for this course. You must complete both the midterm exam 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 hyperlinked and obtained by clicking on it from your web browser. **The discussion questions after meeting one will be at SacCT on the Wednesday before they are due. You are to submit only an answer to the question that corresponds to the first letter of your last name but must think about answers to all questions as you do the reading related to it.**

You need to also print out and review the PowerPoint slides I have prepared for each week. They are at SacCT and will be available (at the latest) by the Wednesday evening before the following Monday meeting.

Schedule:

Week 1 (August 27): Economics and Public Policy

(1) Review Syllabus and HW Format

(2–not covered in class but review as a refresher to your prerequisite microeconomics class)
   "Economics: What it's all about and how to study it," Mallard, Part 1, pp. 1-23, 30-54

Question from this reading for last names beginning with A-C:
   Your boss learns that you have decided to pursue a Master's in Public Policy and Administration instead of a Master's in Public Administration. She asks the difference between the two degrees and you state more economics in a MPPA than an MPA. She then asks what does economics have to do with public policy? Compose a short essay in response to her question.

(3) "What is economics: Where you start influences where you go," Hill and Myatt, Intro and Chapter 1, pp. 1-26

Question from this reading for last names beginning with D-H:
   From the "Anti-Text" portion of this chapter, choose only one of the criticisms mentioned and in a short essay describe what it is, whether your previous microeconomics course ever mentioned it, and whether you agree to the importance of the oversight as given.

(4) "What policy analyst do," Mintrom, Chapter 2, pp. 15-26

Question from this reading for last names beginning with K-Me:
   In a memo to the human resource person at your (real or fictional) employer, describe the specific tasks of a new policy analyst position that you would like to hire. What are the specific requirements, skills, experiences, etc. best listed as qualifying somebody for this position? What do you anticipate they will accomplish in your office?

(5) "What governments do," Mintrom, Chapter 3, pp. 27-42

Question from this reading for last names beginning with Mo-Sa:
   Write a brief memo to your boss who only believes that government does anything by passing a law ("Regulation" in Table 3.1) by pointing out one of the eight other Government Policy Actions in bold in that table. In the memo, describe each of the specific ways it implemented (noted in bullet points below) and give examples for each implementation possibility. Conclude with how this policy action could reduce greenhouse gas emissions in CA.

(6) "An Introduction to Thaler and Sunstein's Nudge," https://www.exploring-economics.org/en/discover/an-introduction-to-thaler-and-sunsteins-nudge-a-ma

Question from this reading for last names beginning with Sb-Z:
> *Write a brief memo to your boss explaining what a "Nudge" is in general terms and the logic behind it for public policy analysis. Find an example from Google (besides smoking) that describes where behavioral economics already used successfully to implement a public policy. Conclude with how this policy strategy could reduce greenhouse gas emissions in CA.*

Week 2 (September 10): A Role for Government?

(1) "Deciding how to decide: Experts, the people, and the market," Munger, Chapter 2, pp. 30-53
> *I will provide on SacCT*

(2) "Objectives of government policy actions," Mintrom, Chapter 4, pp. 43-62

(3) "CAL Facts 2016," CA Legislative Analyst's Office
> http://www.lao.ca.gov/Publications/Detail/3511

(4) "Libertarian summer camp," Planet Money Podcast,
> https://www.npr.org/sections/money/2017/06/28/534735727/episode-286-libertarian-summer-camp

(5) "The cockpit of the regulatory state," Sunstein, Introduction, pp. 1-14

Week 3 (September 17): Consumers in Microeconomics

(1-not covered in class but review as a refresher to your prerequisite microeconomics class)
> "What consumers buy," Mallard, Chapter 5, pp. 57-86

(2) "People as consumers: Standard text," Hill and Myatt, Chapter 4, pp. 74-77

(3) "Analysis of markets: Consumer choice and demand side of market," Mintrom, Chapter 9, pp. 119-131

(4) "Should we really behave like economists say we do?," Freakonomics Podcast,
> http://freakonomics.com/podcast/should-we-really-behave-like-economists-say-we-do-a-new-freakonomics-radio-podcast .

(5) "The most dangerous man in the world," Sunstein, Chapter 1, pp. 15-35

Week 4 (September 24): Firms in Microeconomics

(1-not covered in class but review as a refresher to your prerequisite microeconomics class)
  "How much producers make and sell," Mallard, Chapter 6, 87-107

(2) "Analysis of markets: Firm behavior and supply side of market," Mintrom, Chapter 9, pp. 131-148

(3) "The firm," Hill and Myatt, Chapter 5, pp. 93-117

(4) "Don't blink," Sunstein, Chapter 2, pp. 36-50

(5) "Rigging the economy," Planet Money Podcast,
  https://www.npr.org/sections/money/2018/03/09/592393083/episode-829-rigging-the-economy

Week 5 (October 1): Supply and Demand

(1-not covered in class but review as a refresher to your prerequisite microeconomics class)
  "When consumers and producers interact," Mallard, Chapter 7, pp. 117-132

(2) "How Markets Work in an Imaginary World," Hill and Myatt, Chapter 3, pp. 46-73

(3) "Human error," Sunstein, Chapter 3, pp. 51-74

(4) "The economics of organ donations," EconTalk Podcast,
  http://www.econtalk.org/the-economics-of-organ-donations

Week 6 (October 8): Externalities and Public Goods

(1-not covered in class but review as a refresher to your prerequisite microeconomics class)
  "When the interaction goes wrong," Mallard, Chapter 8, pp. 133-150

(2) "Externalities and the ubiquity of market failure," Hill and Myatt, Chapter 7, pp. 150-168

(3) "Analysis of Market Failure," Mintrom, Chapter 10, pp. 149-188

(4) "Plate, not pyramid," Sunstein, Chapter 4, pp. 75-99

(5) "The one-page plan to fix global warming," Planet Money Podcast,
  https://www.npr.org/sections/money/2013/07/12/201502003/episode-472-the-one-page-plan-to-fix-global-warming

Week 7 (October 15): Market Structure

(1) "Market structure and efficiency," Hill and Myatt, Chapter 6, pp. 118-149

(2) "Automatic for the people," Sunstein, Chapter 5, pp. 100-126

(3) "Mavericks, monopolies, and beer," Planet Money Podcast, https://www.npr.org/sections/money/2013/02/23/172724026/episode-438-mavericks-monopolies-and-beer

(4) "Google is big, Is that bad?" Planet Money Podcast, https://www.npr.org/sections/money/2017/08/04/541643346/episode-787-google-is-big-is-that-bad.

Preliminary teaching evaluation done during class

Week 8 (October 22): Wage Determination

90-minute midterm at start of class

(1) "Marginal productivity theory of income distribution or you're worth what you can get," Hill and Myatt, Chapter 8, pp. 169-195

(2) "Invisible gorilla and human herds," Sunstein, Chapter 6, pp. 127-146

(3) "What can Uber teach us about gender pay gap?" Freakonomics Podcast, http://freakonomics.com/podcast/what-can-uber-teach-us-about-the-gender-pay-gap .

Week 9 (October 29): Income Redistribution

(1) "Government, taxation, and the (re)distribution of income: Is a just society just too expensive," Hill and Myatt, Chapter 9, pp. 196-218

(2) "Regulatory moneyball," Sunstein, Chapter 7, pp. 147-172

(3) "Michael Munger on the basic income guarantee," Econtalk Podcast, http://www.econtalk.org/michael-munger-on-the-basic-income-guarantee/?highlight=%5B%22munger%22,%22basic%22,%22income%22%5D

(4) "Are the rich less generous than the poor?," Freakonomics Podcast, http://freakonomics.com/podcast/rich-less-generous-than-poor

Week 10 (November 5): Globalization

(1-not covered in class but review as a refresher to your prerequisite microeconomics class) "The economy in its international setting," Mallard, Chapter 12, pp. 229-239

(2) "Trade and globalization without the rose-tinted glasses," Hill and Myatt, Chapter 10, pp. 196-218

(3) "Is a trade war coming?," Politico Money Podcast,
 https://www.politico.com/story/2018/03/07/money-podcast-tariffs-trade-443976

(3) "Eliminating red tape," Sunstein, Chapter 8, pp. 173-189

Week 11 (November 19): Government Failure

(1) "Analysis of Government Failure," Mintrom, Chapter 11, pp. 189-208

(2) "The economics of House of Cards," EconPop Video,
 https://www.bing.com/videos/search?q=rent+seeking&&view=detail&mid=334A59368B0E00AAAF10334A59368B0E00AAAF10&&FORM=VRDGAR

 "South Park – Rent Seeking and Competition," Critical Commons Video,
 http://www.criticalcommons.org/Members/jtierney86/clips/south-park-rent-seeking-competition

(3) "Ten ideas to make politics less rotten," Freakonomics Podcast,
 http://freakonomics.com/podcast/idea-must-die-election-edition

(4) "The nanny state," Sunstein, Chapter 9, pp. 190-208

Week 12 (November 26): Policy Analysis I

(1) The eightfold path: Steps one through eight," Bardach, Part 1, pp. 1-62

(2) "What to do about scrap tires?" Chapter 11 in Applied Policy Research,
 I will provide on SacCT

(3) "Things government do," Bardach, Appendix B, pp. 141-149

(4) "Bardach, step one of eight," YouTube Video,
 https://www.youtube.com/watch?v=S0Vlh5e2PHY

 "Problem solving in public policy, YouTube Video,
 https://www.youtube.com/watch?v=xblEd00hNsI

(5) "Simplifying choice architecture," Sunstein, Chapter 10, pp. 209-214

Week 13 (December 3): Policy Analysis II

(1) "Managing policy projects," Mintrom, Chapter 5, pp. 63-79

(2) "Presenting policy advice," Mintrom Chapter 6, pp. 80-94

(3) "Doing ethical policy analysis," Mintrom, Chapter 7, pp. 95-108

(4) "Developing as a policy analyst," Mintrom, Chapter 17, pp. 307-314

(5) "Fixing the world, bang-for-the-buck edition," Frekonomics Podcast,
    http://freakonomics.com/podcast/fixing-the-world-bang-for-the-buck-edition-a-new-freakonomics-radio-podcast

(6) "The three most important things I learned," Sunstein, Epilogue, pp. 217-20

<u>Final Paper Due at 6 p.m. (December 10)</u>

Name: _____ **Grade:** _____

Grading Rubric for Weekly Discussion Questions
PPA 220A
Fall 2018

Excellent = 10, Good = 9, Acceptable = 8, Needs Improvement = 6-7, Poor = 5 or <, Absent = 0

Required Content	10	9	8	7	6	0
Include your full name and reproduce the complete discussion question on a separate cover page (that does not count toward two-page limit). Document is double-spaced, no more than two typed pages long, with one-inch margins, and 11 font.						
Begins with an appropriate introductory paragraph that describes topic and purpose of write-up. Somewhere in the first paragraph should be a statement like: "In this memo/paper/essay I will…"						
Finishes with an appropriate concluding paragraph that summarizes answer to discussion question asked.						
Paragraphs and transitions between them flow smoothly. Use direct and concise sentences. A minimum of four to maximum of six paragraphs used.						
Appropriate writing style and language use for a college-educated reader not familiar with the topic.						
No grammar or spelling errors. Use Editor function in Word and correct all issues raised. In this, turn on detection of passive voice and correct all instances where flagged. (This is usually best accomplished by writing in first person.)						
Answer appropriately draws upon at least one piece of outside material (not on the syllabus) relevant to the discussion question, and cites this material, and all material referenced, using APA style (see style manual from PPA 200 or http://guides.libraries.psu.edu/apaquickguide/intext) on separate reference list that does not count toward two-page limit.						
Answer appropriately addresses discussion question by drawing upon assigned and outside reading related to it (three times other value).	**30**	**27**	**24**	**21**	**18**	**0**

Total score (100 possible)

<u>Final Assignment</u>

PPA 220A – Fall 2018 – Professor Rob Wassmer

Due December 10, 2018 at 6 p.m.

One Grade Deduction for Every Portion of a Day Late after 6 p.m.

Submit Only a Word electronic copy in one file to <u>rwassme@csus.edu</u>

Overview

You are to write no more than an eight-page, typed, and double-spaced document (11 Times New Roman Font, one-inch margins all around) that represents a briefing paper to your elected boss (CA Governor, Senator or Assemblyperson; CA County Supervisor; or CA City Mayor or Councilperson) on how to take an economic-based approach to thinking about, defining, and offering a solution to your choice of one of three to five CA-based policy concerns that we will decide upon together.

I will use the rubric contained on the next page to score your briefing paper and assign it a grade. Pay careful attention to what this rubric is asking for and the further instructions offered below. Think about writing a paper that incorporates as much of the concepts/approaches learned in this course as possible. Thus, write something that you would not have been able to do before taking this course.

Instructions

You should structure your answer as an essay with an appropriate cover page, introductory section that describes what is in the essay, section headings that cover the requested material, and a concluding section. You will need a reference list at the end and **citations must be in APA style** (see style manual from PPA 200). Tables and figures are in the appendix to the essay and do not count toward your eight-page limit. I will not read beyond eight pages. (Your cover page and reference list are not part of this eight-page limit.) Other than these constraints and including the mandatory components described below, the remaining form of the write up is up to you.

Specifics That Need to Be Included

(1) Specifically identify the elected official you are writing for. Be sure to write at a level of explanation and tone for someone in this position. (They are likely college educated, but do not assume any prior economic or policy analysis knowledge.)

(2) Be clear on the purpose of this document in an introductory section and describe at the close of your introduction how your structure your write up into specific sections. The first paragraph should end with something like: "In this essay I will…" Use

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section headings throughout paper. End with a section that features your specific conclusion(s). Thus, a statement like: "In this essay I have…"

(3) Place in **bold** in your introduction a one-sentence **problem statement** in the form suggested by Bardach. Also, include additional paragraphs that describe the magnitude of the policy problem you have chosen, the magnitude of change required for a solution, and why the problem warrants public intervention based on one of the three-sides of Munger's triangle. (Is it an "efficiency", "equity", or "institutional" public policy problem?)

(4) The section after the introduction should be at least two pages long and describe in appropriate detail the public policy problem within the context of the economics and policy framework learned in this class. Carefully look over your notes and describe the economic and policy concepts learned that will help your client better understand both why the government should get involved with this problem and the alternatives you are proposing. Consider this a section that you could not have possibly written before taking this class – so demonstrate to me what you have learned. **Also, include a figure to stimulate interest in your topic.**

(5) Choose three **alternatives** that could solve the policy problem equally. Describe each of these alternatives in more detail in a half-page or more. Appendix B in Bardach, and Chapter 3 in Mintron, can help in your constructing of these alternatives. Note that one of these alternatives needs to be based in behavioral economics.

(6) Choose and describe three different **criterions (one being cost, the other equity, and the third of your choosing)** to evaluate the desirability of the three alternatives put forward. Describe each criterion in a half-page or more. Address whether different weights apply to criteria when deciding the best alternative.

(7) Conclude with your recommendation on what alternative to pursue to tackle the policy problem. Be sure to detail your justification for choosing this alternative through first a qualitative CAM that is then translated into a quantitative CAM.

(8) Turn on the grammar check in Microsoft Word (or use another one) and be sure to correct all issues. I will do the same when grading and grade you down for common grammar/spelling problems flagged. **Pay attention to eliminating the presence of passive voice**.

Grading Rubric for Final Exam
PPA 220A
Fall 2018

Excellent = 10, Good = 9, Acceptable = 8, Needs Improvement = 6-7, Poor = 5 or <, Absent = 0

Required Content	10	9	8	7	6	0
Development and organization (10 points): appropriate introduction and conclusion, organization of paper clearly described in introduction and done as stated						
Writing mechanics (20 points): grammar, word choice, and sentence structure						
Presentation (10 points): appropriate and attractive format; explanatory figure included						
Citations (10 points): accurate citations and listing of references using APA style						
Public policy problem statement and elaboration (10 points)						
Layperson's description of use of Bardach analysis (20 points)						
Very specific justification for public intervention into this problem based upon what learned from Mintrom/Munger (30 points)						
Write up and citations to justify choice of three alternatives to solve policy problem; including one based in behavioral economics (20 points)						
Write up and citations to justify choice of three criterions to evaluate alternatives (20 points)						
Demonstration of your mastery of economic concepts taught in this course (30 points)						
Policy recommendation given and sensitivity analysis done (20 points)						

Total Score (200 Possible)

Two Examples of Well-Done HW Memos

#1

Listen to the EconTalk Podcast with Munger and write an essay that clarifies the difference between "private rent seeking" and "public rent seeking," giving examples of each drawn from two newspaper accounts (these count as your outside resources). Be sure to describe the reasons that economists consider "public rent seeking" as an example of "government failure".

The Cost of Rent-Seeking

NAME
November 20, 2016
PPA 220A

In private industry, *economic rent* comes in the form of *economic profit* and can accrue to the most efficient firms. In the public sector, economic rent is often a prize set by the government and given away to individuals or groups as a matter of public policy (Roberts & Munger, 2010). According to Munger, rent seeking is activity in pursuit of economic rent. In private industry, this motivates firms to compete to make their products more effective, less expensive, and thus more desirable to consumers. This results in wasted resources by the firms that try to do this and fail, but also in the important payoff of new product and technological development. In the public sector, rent seeking often takes the form of lobbying activity and political contributions to steer not only the policy prize to a specific group, but to also set the policy prize itself in a way that benefits a specific group—usually in the form of subsidy, tax, regulation, and/or tariff. In the remainder of this essay I show how unlike private rent-seeking which is largely beneficial to society, public rent-seeking leads to a form *government failure* that is not beneficial to society.

In private industry, firms compete against one another to maximize profit. Russ Roberts (Roberts & Munger, 2010) uses Apple's success in driving out other mp3 companies as an example of the waste engendered by private rent-seeking behavior. Much of the research, resources, and time invested by failed companies is lost in what Joseph Schumpeter called "creative destruction", whereby products and industries were replaced due to innovation (Roberts & Munger, 2010). Although the competition for profits results in a loss to failed firms, society benefits because the competition and innovation leads to products and services that reflect what society values, and at the lowest possible price to produce. To paraphrase Munger (Roberts & Munger, 2010), the value of the prize, or profit, correlates with the public's valuation of the good. One such example is the success of Amazon's Prime membership program. In 2013, *Time* magazine published an article that described how Amazon Prime's free two-day shipping caused memberships to double and Amazon customers to shop for products, such as batteries and coffee beans, that previously they would purchase through brick-and-mortar stores (Tuttle, 2013). Amazon's cheap pricing and free shipping made it difficult for traditional stores to compete. Although this was a loss to competitors, it benefited consumers by providing an affordable and extremely convenient shopping alternative.

On the other hand, public rent-seeking results in wasted resources with little benefit to society. This often takes the form of groups or firms spending millions of dollars on lobbying and pol;itical campaign contributions for the creation of beneficial policies, and then specific entities lobbying even more to get them. While the direct transfer of money to politicians is illegal, the effect of public rent-seeking is essentially the same (Roberts & Munger, 2010). In addition, the total cost of rent-seeking behavior may amount to more than the prize is worth. For example, at the beginning of each session of the Michigan Legislature in the 1970s, Roberts & Munger (2010) described the process of politicians proposing bills that increased taxes or regulations on certain industries. As soon as they received contributions from those industries, the removal of the corresponding bills occurred. Additionally, increased industry control can result in regulatory capture, a form of government failure in which members of the regulated industry become the experts that inform and create policy (Mintrom, 2012, p. 194). A striking example of this is the conflict of interest within the Food and Drug Administration. The New York Times (2015) reported that the FDA was aware that popular weight loss supplements contained a chemical similar to amphetamine but failed to recall the pills from stores (O'Connor, 2015). Public health experts argued that conflict of interest caused this, as two of the top FDA officials in charge of regulating supplements originated from the industry. This is one example of how public rent-seeking leads to government failure by causing a loss to society's health and safety.

In conclusion, rent-seeking behavior generally leads to lost resources from losing competitors. However, rent seeking behavior in the private and public sectors have different effects on society. Private rent seeking encourages innovation and result in a prize that reflects the value society places on a good or service. On the other hand, public rent seeking offers few benefits to society, as the cost of competing do not reflect the value of the prize. It can also result in government failure such as industry control over policies and regulatory capture, to the detriment of society.

References

Tuttle, B., (2013, March 18). *Amazon Prime: Bigger, More Powerful, More Profitable than Anyone Imagined* | TIME.com. Retrieved November 20, 2016, from http://business.time.com/2013/03/18/amazon-prime-bigger-more-powerful-more-profitable-than-anyone-imagined/ .

Mintrom, M. (2012). *Contemporary policy analysis*. New York: Oxford University Press.

O'Connor, A. (2015, April 07). *Study Warns of Diet Supplement Dangers Kept Quiet by F.D.A.* Retrieved November 20, 2016, from http://well.blogs.nytimes.com/2015/04/07/study-warns-of-diet-supplement-dangers-kept-quiet-by-f-d-a/ .

Roberts, R. (2010, August 13). *EconTalk: Munger on Private and Public Rent-Seeking (and Chilean Buses).* [Audio podcast]. Retrieved from http://www.econtalk.org/archives/2010/08/munger_on_priva.html .

#2

Chapter 3 (p. 41) in Congdon et al. states that: "Psychology and behavioral economics are like a new technology now available to economists and policymakers." After reading the chapter, compose an essay that supports this point with two specific examples of how this is the case. In the examples, describe the particular behavioral economic concept chosen and how applied to a specific policy concern.

NAME

California State University, Sacramento

Introduction

A common goal of economists and policymakers should be the appropriate identification of *market failure* and the implementation of public policies to addresses them. However, implementing public policy is a rigorous task because it requires a comprehensive analysis. According to Congdon *et al.* (2010, p. 40), the underlying concept of public policy is to shed light on productive public policies, identify conditions that lead to market failures, and propose policies that address those conditions. In this this essay I explain how economists and policymakers can utilize the behavioral economics approach to address market failures and implement efficient and equitable policies.

Addressing Market Failures

Market failures occur when market transactions fail to generate efficient outcomes for the participating parties, or when market transaction negatively or positively impacts third parties (Viscusi & Gayer, 2015). According to Congdon *et al.* (2011), behavioral economics is a new and useful tool for policymakers because it helps policymakers diagnose market failures from a behavioral perspective. Psychology and it application in behavioral economics helps us understand the causes of market failures. Moreover, psychology and behavioral economics serves as a guide to judge policy objectives and offer recommendation for policy designs.

One type of market failure is *information asymmetries* that occur when participants withhold relevant information from other members in a market transaction which results in economic loss to members who lack complete information. (Congdon *et al.*, 2011, p. 44). An example of market failure that results from information asymmetric is a health insurance transaction. In purchasing health insurance, buyers may deliberately withhold health information which results in *adverse selection*. According to Congdon *et al.* (2011, p. 40), behavioral tendencies such as motivational bias, bounded self-control, and limited computational capacity helps policymakers better understand information asymmetries in a health insurance purchase. Motivational bias explains that individuals who are overconfident with their health condition, subsequently perceive health insurance as being less valuable, and thus being less likely to

purchase it. Secondly, bounded self-control helps identify how individuals cannot make optimizing decisions regarding insurance plans because they have difficulties deciding what insurance plans will generate maximum welfare in the future. Thirdly, the realization of limited computational capacity helps a policymaker understand why individuals have difficulties selecting optimal insurance plan because of the complexity of their health conditions and the complexity of insurance plans to deal with it.

Another type of market failure that the behavioral economics approach help identify is *moral hazard*. Governments provide unemployment insurance (UI) benefits so people can financially support themselves while they seek employment. However, individuals who utilize UI benefits often choose to procrastinate in searching for work because unemployment benefits undermine the incentives to search for, and return to work. Imperfect optimization explains that individuals do not always make wise choices, thus they fail to create future financial plans and ends up seeking UI benefits. Imperfect optimization behavior and procrastination help policymakers learn about the moral hazard created by the UI program.

Conclusion

In this essay, I explained how behavioral economics, or the application of psychology to the standard microeconomic models, offers a new and useful tool of understanding for policymakers. Behavioral tendencies help policymakers understand how typical human actions and responses lead to inefficient market outcomes and help cause markets to fail. By a better understanding of human behavioral tendencies, policymakers can diagnose policy problems, better understand trade-offs, and explain how existing policies leads to market failures. In the standard economic model, asymmetric information and moral hazards lead to adverse selection. However, behavioral economic models provide policymakers with the tool to identify how behaviors create information asymmetry and moral hazards in a market transaction.

References

Congdon, W. J., Kling, J. R., & Mullainathan, S. (2011). *Policy and Choice: Public Finance Through the Lens of Behavioral Economics.* Washington, D.C. The Brookings Institute.

Viscusi, W. K., & Gayer, T. (2015). Behavioral Public Choice: The Behavioral Paradox of Government Policy. *Mercatus Working Paper, 38.* https://www.mercatus.org/system/files/Viscusi-Behavioral-Public-Choice.pdf.