

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 2019

Professor: Rob Wassmer, Ph.D.

E-Mail: rwassme@csus.edu

Home Page: <http://www.csus.edu/indiv/w/wassmerr>

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

Class Location: Monday, 6 - 8:50 p.m., 110 Sac State Downtown Center Building
The classroom presentation is also available as a recording on Canvas after live meeting.
Everyone needs to attend (in person) the first-class meeting on August 26.

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) *The Economics Anti-Textbook*, 2010, Rod Hill and Tony Myatt, Fernwood Publishing, available for purchase on web at [Amazon.Com](https://www.amazon.com) (used ~ \$11),

(2) *Policy Analysis as Problem Solving*, 2019, Rachel Meltzer and Alex Schwartz, available for purchase on web at [Amazon.Com](https://www.amazon.com) (new ~ \$52),

(3) *Behavioral Economics (The Basics)*, 2018, Philip Corr and Anke Plagnol, Routledge, available for purchase on web at [Amazon.Com](https://www.amazon.com) (new ~ \$16)

(4) *Microeconomics (Quickstudy: Business)*, Lam Crds Edition, available for purchase on web at [Amazon.Com](https://www.amazon.com) (new ~ \$7).

(5) *Governing Magazine*, **immediately sign up for a free subscription at** <https://www.governing.com/subscribe> .

Course Learning Objectives:

There are 10 learning objectives for this course. These are part of a broader set of learning objectives for the MPPA degree. 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 method described in Meltzer and Schwartz, construct a clear definition of an appropriate policy problem that warrants public intervention to solve.
1 b. Identify reasonable alternatives to address problems	Using the method described in Meltzer and Schwartz, identify reasonable alternatives to address a clearly defined policy problem.
1 c. Analyze and evaluate alternatives and offer solutions	Based upon the method described in Meltzer and Schwartz, use appropriate criteria to evaluate the desirability of alternatives offered to solve a policy problem.
1 e. Draw upon multiple disciplines to understand and address policy and administrative problems	Understand and apply the significant roles and interactions of markets, politics, and experts in offering wisdom and accountability in the formulation of public policy as conveyed through Munger's Triangle.
2 e. Write clearly and succinctly as appropriate to various audiences	Practice writing clearly and succinctly in the forms of short summaries and a medium-length policy brief to summarize public policy concepts to policymakers and practitioners.
3 c. Understand the difference between analysis and advocacy	Understand that the ethical role of a policy analyst is to offer advice based on facts and expected non-biased outcomes to policymakers on the desirability of alternative solutions to a policy problem. 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 basic professional conventions, practices, and research-based methods of inquiry used for public policy analysis.

Writing intensive: Understand some formats, genres, and styles of writing used in the discipline	Practice explaining some basic concepts used in public policy analysis, and microeconomics applied to it, through short summaries and a medium-length policy analysis.
Writing intensive: Practice reading and writing within the discipline	Read the various formats by which information delivered for policy analysis and summarize/interpret in your own written form.
Writing intensive: Practice reading and writing as a learning process that involves peer and instructor feedback, revision, critical reflection, and self-editing	Learn to be a better writer of public policy analyses through peer and instructor feedback, revision, critical reflection, and self-editing.

I will gather your opinion on how well this course has satisfied the learning goals in column two through a survey at the end of the semester.

Graduate Writing Intensive Course

Anyone receiving a B or better in this course automatically satisfies their 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 Canvas the PowerPoint slides covering material discussed in the following week’s class. Information on Canvas is at <https://www.csus.edu/information-resources-technology/teaching-learning/canvas.html/> . 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 Canvas and ask you to read material from the Internet. 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. This will greatly help me to learn your names.

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

Overview:

PPA 220A continues your exposure to the basic concepts and tools of microeconomics (from your prerequisite course) as they apply to public policy (and urban land development) analysis. We will study how economists think about consumer, business firm decisions, and government decisions. We spend much of our time understanding the role that government could/should play in altering these economic decisions for the betterment of society. We will also spend a considerable amount of time extending your policy-relevant knowledge of microeconomics to the new thinking offered through the field of behavioral economics. This course also reinforces your knowledge and application 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 greater in a previous introductory (undergraduate) course in microeconomics. **If your microeconomics is a bit rusty, refer to the *Microeconomics (Quickstudy: Business)* laminated card and/or your undergraduate textbook in microeconomics if you still have it.**

Microeconomics offers many insights into understanding how people, businesses, and government make choices and the interaction of these choices. Some of the most serious challenges (climate change, wealth/income inequality, housing affordability, etc.) 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 and/or public administrator, an understanding of the economic principles taught in this course is essential to your ability to offer good advice in your chosen profession.

A goal of mine has always been 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 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 much of this through the other courses you take in our 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 pedagogical 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 will adopt 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 this. 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 view some of them through SacCT. To some, the downside of this flexibility is that there is a camera and a microphone in the classroom ceiling. But remember, this records for only your 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 (electronic word copy) answer to the numbered discussion question (that corresponds to the first letter of your last name) posted on SacCT by Wednesday at 5 p.m. before they are due. You can only turn these in on the day of the meeting you attend. **Thus, if you are not coming to class that night, do not submit a HW assignment.** 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, and/or (4) sending an e-mail question to me at rwassme@csus.edu . 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. Effectively, PPA Chairperson Ted Lascher, Professor Sara McLellan and I are your first-year advisors, so please use us for that purpose. To ensure 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 the PowerPoint notes, formulate answers to the discussion questions posed 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 voluntarily participate.

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. These can be found on the Canvas page for this course under the “assignments” tab. Write your HW in Word with the Editor function turn on and detection of passive voice made possible.

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 mimic the format and style. We will discuss this further at our first meeting. Also, look carefully over the rubric (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 my comments 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 chosen peer review 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. Everyone need only act as a peer reviewer twice.

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. 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 HW revisions after final paper due (December 16).

Twitter

I have used Twitter in PPA 220 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 **now**.) If you have a Twitter account that you use for personal reasons, please get a separate account for just PPA purposes. Include in all 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 with further info on it. You are to read my Tweets and respond to my or other PPA 220A Tweets in a way 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 three (min) and five (max) Tweets on an original topic, and the same number of responses to other 220A Tweets. Two of your Tweets should be on the public policy topic chosen from a *Governing Magazine* article that you will use for your final paper. 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.

Plagiarism: Plagiarism is a form of cheating. At Sac State 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 Sac State 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: We will devote the first 90 minutes of class on October 28 to an in-class, closed-book midterm exam that you can bring the microeconomics laminate sheet to. (This may conflict with assignments due in other PPA classes so plan appropriately.) More details and an example of a previous midterm will follow. 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.

Final: Details on the final paper are below. We will discuss this assignment further in class. It is due on December 16 at the absolute latest, but I encourage you to get it in earlier.

Grading Procedure:

Where appropriate, I base grades 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
64-61	D	1.0
<61	F	0.0

I assign a number grade (column 3 above) at Canvas 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 Seven 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.

Schedule: (I reserve the right to substitute readings/podcasts/videos from the Internet that I locate after this syllabus published. I will only do this with at least a week's worth of time before I cover them in class. These updates will be noted in red on the electronic syllabus posted at Canvas and through an email note sent to you.)

Meeting 1 (August 26): What is Public Policy?

(1) Review Syllabus and HW Format

(2) Meltzer and Schwartz, Introduction and Chapter 1: What is Policy Analysis?

HW #1 for last names starting with A-C: Compose an essay that corresponds to the writing examples offered at the end of this syllabus and satisfies the requirements given in the HW Grading Rubric. Your essay should answer the question that Meltzer and Schwartz ask as the title for chapter one in their book. To do this, frame your essay around a contemporary public policy concern that you are interested in and how policy analysis offers a way to specifically seek a solution to it.

(3) Munger, Chapter 2: Deciding How to Decide (PDF @ Canvas)

HW #1 for last names starting with D-Th: Compose an essay that corresponds to the writing examples offered at the end of this syllabus and satisfies the requirements given in the HW Grading Rubric. Your essay should explain the four types of "efficiency policies" represented on the left-side of Munger's Triangle that deal with "market failures" arising from too concentrated a market structure, externalities, public goods, and information asymmetry. Be sure to offer a real-world example of each of these four market failures. Munger covers these, but you will also need to draw from what learned in your prerequisite microeconomics course.

(4) Corr and Plagnol, Preface and Chapter 1: What is Behavioral Economics?

HW #1 for last names starting with Tu-Z: Compose an essay that corresponds to the writing examples offered at the end of this syllabus and satisfies the requirements given in the HW Grading Rubric. Your essay should draw upon your previous microeconomic course and address what behavioral economics is and how it differs from the traditional "neoclassical" microeconomics taught in most introductory courses on the subject. What are the differences between behavioral economics and what learned in your prerequisite microeconomic course? When applying economics to public policy formulation, why is it important to grasp these differences?

Meeting 2 (September 9): Markets and Microeconomics

- (1) Hill and Myatt, Introduction and Chapter 1: What is Economics?
- (2) Hill and Myatt, Chapter 2: Introducing Economic Models
- (3) Freakonomics Podcast, Why Rent Control Does Not Work,
<http://freakonomics.com/podcast/rent-control/>
- (4) Corr and Plagnol, Chapter 2: The Ascent and Descent of Economics

Meeting 3 (September 16): People as Consumers

- (1) Hill and Myatt, Chapter 3: How Markets Work (in an imaginary world)
- (2) Hill and Myatt, Chapter 4: People as Consumers
- (3) Corr and Plagnol, Chapter 3: ECON: *Homo Economicus*

Meeting 4 (September 23): Firms in Microeconomics

- (1) Hill and Myatt, Chapter 5: The Firm

Meeting 5 (September 30): Market Structure

- (1) Hill and Myatt, Chapter 6: Market Structure and Efficiency

Meeting 6 (October 7): Behavioral Economics

- (1) Corr and Plagnol, Chapter 6: HUMAN more Homer (Simpson)
- (2) Corr and Plagnol, Chapter 5: Manners, Monkeys, and Moods
- (3) Freakonomics Podcast, Should We Really Behave Like Economists Say We Do?,
<http://freakonomics.com/podcast/should-we-really-behave-like-economists-say-we-do-a-new-freakonomics-radio-podcast> .
- (4) Freakonomics Podcast, Have a Very *Homo Economicus* Xmas,
<http://freakonomics.com/2012/12/13/have-a-very-homo-economicus-christmas-a-new-marketplace-podcast/>

Meeting 7 (October 14): Efficiency Policies (Munger's Triangle Left-Side)

Preliminary teaching evaluation done during class

- (1) Hill and Myatt, Chapter 7: Externalities and the Ubiquity of Market Failure
- (2) Corr and Plagnol, Chapter 6: Nudges
- (3) Planet \$ Podcast, Nudge Nudge Nobel,
<https://www.npr.org/sections/money/2017/11/01/561421807/episode-803-nudge-nudge-nobel>
- (4) Freakonomics Podcast, How Goes the Behavioral Change Revolution?
<http://freakonomics.com/podcast/live-philadelphia/>
- (5) Freakonomics Podcast, Is the Government More Entrepreneurial Than You Think?,
<http://freakonomics.com/podcast/mariana-mazzucato/>

Meeting 8 (October 21): Climate Change and Market Concentration

Climate Change

- (1) Planet \$ Podcast, The One-Page Plan to Fix Global Warming Revisited,
<https://www.npr.org/sections/money/2018/07/18/630267782/episode-472-the-one-page-plan-to-fix-global-warming-revisited>
- (2) EconTalk Podcast, Bjorn Lomborg on the Costs and Benefits of Attacking Climate Change,
<http://www.econtalk.org/bjorn-lomborg-on-the-costs-and-benefits-of-attacking-climate-change/>

Market Concentration

- (1) Planet \$ Podcast, Antitrust 1: Standard Oil,
<https://www.npr.org/sections/money/2019/02/15/695131832/antitrust-1-standard-oil>
- (2) Planet \$ Podcast, Antitrust 2: The Paradox,
<https://www.npr.org/sections/money/2019/02/20/696342011/antitrust-2-the-paradox>
- (3) Planet \$ Podcast, Antitrust 3: Big Tech,
<https://www.npr.org/sections/money/2019/02/22/697170790/antitrust-3-big-tech>
- (4) Planet \$ Podcast, Mavericks, Monopolies, and Beer,
<https://www.npr.org/sections/money/2013/02/23/172724026/episode-438-mavericks-monopolies-and-beer>
- (5) Planet \$ Podcast, Google is Big, Is That Bad?,
<https://www.npr.org/sections/money/2017/08/04/541643346/episode-787-google-is-big-is-that-bad>.

Optional Midterm Review Section (Saturday, October 26)

Meeting 9 (October 28): Equity Policies (Munger's Triangle Right-Side)

90-minute midterm at start of class

- (1) Hill and Myatt, Chapter 8: The Marginal Productivity Theory of Income Distribution
- (2) Hill and Myatt, Chapter 9: Govt Taxation and the Redistribution of Income
- (3) Planet \$ Podcast, Rigging the Economy,
<https://www.npr.org/sections/money/2018/03/09/592393083/episode-829-rigging-the-economy>
- (4) Planet \$ Podcast, Basic Income Experiment,
<https://www.npr.org/sections/money/2017/09/22/552850245/episode-796-the-basic-income-experiment>
- (5) Freakonomics Podcast, Is Income Inequality Inevitable?,
<http://freakonomics.com/podcast/earth-2-0-income-inequality/>
- (6) Freakonomics, Podcast, The True Story of the Gender Pay Gap,
<http://freakonomics.com/podcast/the-true-story-of-the-gender-pay-gap-a-new-freakonomics-radio-podcast/>

Meeting 10 (November 4): Institutional Policies (Munger's Triangle Bottom-Side Role for Govt)

- (1) Mintrom, Chapter 11: Analysis of Government Failure (PDF @ Canvas)
- (2) Panet \$ Podcast, Seattle Experiment,
<https://www.npr.org/sections/money/2018/11/02/663492385/episode-873-the-seattle-experiment>
- (3) Planet \$ Podcast, Trump vs, Red Tape,
<https://www.npr.org/sections/money/2018/10/19/659051650/episode-870-trump-vs-red-tape>
- (4) Planet \$ Podcast, Un-Gerrymandering Florida,
<https://www.npr.org/sections/money/2018/06/08/618410306/episode-846-ungerrymandering-florida>
- (5) Planet \$ Podcast, Redmap,
<https://www.npr.org/sections/money/2018/06/01/616216560/episode-845-redmap>
- (6) Freakonomics Podcast, Ten Ideas to Make Politics Less Rotten,
<http://freakonomics.com/podcast/idea-must-die-election-edition>
- (7) Freakonomics Podcast, America's Hidden Duopoly,
<http://freakonomics.com/podcast/politics-industry/>

Meeting 11 (November 18): Beginning a Policy Analysis

- (1) Meltzer and Schwartz, Chapter 2: Defining the Problem
- (2) Meltzer and Schwartz, Chapter 3: Alternative Policy Options
- (3) “Things government do,” Bardach (from PPA 200), Appendix B
- (4) You Tube Video, Problem Solving in Public Policy,
<https://www.youtube.com/watch?v=xblEd00hNsI>
- (5) Wassmer, What to Do About Scrap Tires? Options for Productive Waste Management, Chapter 11, Applied Policy Research, (PDF @ Canvas)

Meeting 12 (November 25): Completing a Policy Analysis

- (1) Meltzer and Schwartz, Chapter 4: Objectives and Criteria
- (2) Meltzer and Schwartz, Chapter 6: Analysis and Making Recommendations
- (3) Meltzer and Schwartz, Chapter 7: Research and Policy Analysis
- (4) Wassmer, An Analysis of Subsidies and Other Options to Expand the Productive End Use of Scrap Tires in California, Cal Recycle,
<https://www2.calrecycle.ca.gov/Publications/Download/536> .

Meeting 13 (December 2): Research and Policy Analysis in Practice

- (1) Meltzer and Schwartz, Chapter 8: Policy Analysis in Practice
- (2) Corr and Palgnol, Chapter 7, Sell! Behavioral Science of Persuasion
- (3) EconTalk Podcast, Peter Boettke on Public Administration, Liberty, and the Proper Role of Government, <http://www.econtalk.org/peter-boettke-on-public-administration-liberty-and-the-proper-role-of-government/> .

Office Hours to Assist in Finalizing Your Policy Analysis (December 9)

Final Policy Analysis Due No Later Than 6 p.m. (December 16)

Name: _____ Grade: _____

**Grading Rubric for Weekly HW Essays
PPA 220A
Fall 2018**

“A” Grade (20 to 18 points), “B” Grade (18 to 16 points), “C” Grade (16 to 14 points),
“D” Grade (Less than 14 points), Absent (0 points)

Required Content/Points	20	19	18	17	16	15	14	10	5	0
Submit through Canvas, in Microsoft Word form with: (1) cover page containing only your name, date due, and full HW assignment/question reproduced, (2) two-page maximum body of essay, and (3) separate final page with reference list in APA style. Use Times New Roman 11 Font only with one-inch margins all around. No footnotes or endnotes.										
Use the Editor function in Word with “passive voice” detection on. Eliminate all forms of passive voice in your writing. The best way to do this is to write in the first person. Also correct any other grammatical errors flagged by the Word Editor. I will run your essay through Editor and deduct points for flagged items not corrected.										
Begin you essay with an introductory paragraph that offers a brief background on the issue and concludes with a sentence like “[i]n this essay I will ...” that summarizes the content of the essay’s body paragraphs. Finish your essay with a final paragraph that states a conclusion drawn from the essay.										
Cite at least one reference used in your essay from the syllabus and at least one other reference drawn from a Google search. Use the APA citation method which is standard for all writing in PPA and ULD courses.										
Content of the essay answers the question/issue posed in HW assignment in a clear and concise manner that is appropriate for a college-educated reader with no expertise in microeconomics. It is practitioner friendly to read.										

Total Points (100 possible)

Final Assignment

PPA 220A – Fall 2018 – Professor Rob Wassmer

Due no later than December 16, 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 rwassme@csus.edu

I reserve the right to make slight modifications to this before December 1.

Overview

You are to write no more than a seven-page, typed, and double-spaced document (Times New Roman 11 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 a Meltzer and Schwartz based approach to thinking about, defining, and offering a solution to your **choice of a state or local public policy concern that has appeared in a relatively recent (2017 to 2019) article in *Governing Magazine*.**

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**. Tables and figures should be in the appendix to the essay and do not count toward your seven-page limit. I will not read beyond seven pages. (Your cover page, tables/figures, and reference list are not part of this seven-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) 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 you structure your write up into specific sections.

The first paragraph should end with something like: “In this summary of a proposed policy analysis I will...” Use section headings throughout paper. End with a section that features your specific conclusion(s). Thus, a statement like: “In this summary of a proposed policy analysis I have...”

- (3) Place in **bold** in your introduction a one-sentence **problem statement** in the form suggested by Bardach, Step One. 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 or more 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 at least one figure/diagram/chart/etc. to stimulate interest in your topic.**
- (5) Choose three **alternatives** that could help solve the policy problem. Describe each of these alternatives in more detail in a half-page or more. Appendix B in Bardach, and Chapter 3 in Meltzer and Schwartz, 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 **criteria (one being some measure of cost efficiency, the other some measure of equity, and the third related to administrability)** 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 Criteria-Alternatives-Matrix (CAM) that then translates into a quantitative CAM.
- (8) Turn on the Editor 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. **Eliminate the presence of passive voice.**

**Grading Rubric for Final Exam
PPA 220A
Fall 2018**

“A” Grade (20 to 18 points), “B” Grade (18 to 16 points), “C” Grade (16 to 14 points),
“D” Grade (Less than 14 points), Absent (0 points)

<i>Required Content</i>	20	19	18	17	16	15	14	13	5	0
Organization & Presentation done as asked for in instructions; grammar, punctuation, and spelling up to Word Editor standards and no passive voice; at least one appropriate table/figure; APA citation method used with reference list including class citations and at least three from outside of class										
Public Policy Problem Statement/Elaboration follows the principles laid out in Bardach and Melzer/Schwartz; drawn from a cited <i>Governing Magazine</i> article; and justification for govt intervention based upon what learned from microeconomics and Munger’s Triangle										
Choice & Description of Policy Alternatives follows the principles laid out in Bardach and Melzer/Schwartz; justification for why would solve policy problem; and one alternative uses a behavioral economics concept if at all possible										
Choice & Description of Criteria & Weights follows the principles laid out in Bardach and Melzer/Schwartz; justification for why using a criterion and weight applied to it; and political acceptability considered in final policy recommendation										
My Overall Impression as a Concise, Information Packed Prospectus to an Elected Official on the Use of Qualitative and Quantitative Criteria Alternative Matrix (CAM) Methodology										
Total Score (100 Possible)										

Two Examples of Well-Done HW Essays

#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. According to (Roberts & Munger, 2010), rent seeking is an activity in pursuit of an economic rent. 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 it also results in the important payoff of a new product and technological development. In contrast, rent seeking in the public sector 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 of *government failure* that is not beneficial to society.

Business firms compete against one another to maximize profit. In the EconTalk Podcast, 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. Although 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.

Public rent-seeking, alternatively, 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 political 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. 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 (FDA). The New York Times (2015) reported that the FDA was aware that popular weight loss supplements contained a chemical like 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. Alternatively, 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 behavioral economic concept chosen and how applied to a specific policy concern.

NAME

September 15, 2018

PPA 220A

Introduction

A highly appropriate goal of policymakers, and the economists that advise them, is the accurate identification of *market failures* and the implementation of public policies to address them. This is not a task accomplished easily and must be based in a fact and logic-based comprehensive analysis of reality. According to Congdon *et al.* (2010, p. 40), the purpose of public policy is to consider when and how it is appropriate for government to intervene in a market economy. In part, this is done through the identification of conditions that lead to market failures and propose policies that address those conditions. In this this brief 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 a market transaction negatively or positively impacts a third party not directly engaged in the transaction (Viscusi & Gayer, 2015). Think of the greenhouse gases (GHGs) your auto spews out, that increases climate change and hurts all the world's residents, that you or the automaker is not likely to fully consider unless government intervenes. According to Congdon *et al.* (2011), behavioral economics is a new and useful tool for policymakers because it helps policymakers consider policy alternatives that are more likely to work; as from the previous example, to get people to generate less GHGs. It does this through an understanding of human psychology and the crafting of *nudges* that can help push people to consume less (more) of something that hurts (helps) others; like GHGs (or obtaining a college degree). application in behavioral economics helps us understand the causes of market failures. An example of this is designing electric vehicles with unique shapes that garners acknowledgement that you are doing your part to reduce GHGs.

Economists also point to *information asymmetries* as one form of market failure that occur when one participant withholds relevant information from the other (Congdon *et al.*, 2011, p. 44). An example from traditional microeconomics comes in the private health insurance market. Insurers in a competitive

market will charge a premium based on the self-reported health situation of an individual that allows for a normal profit. Knowing this, buyers deliberately withhold bad health information and insurers are stuck with *adverse selection* of charging too low of rates to adequately insure the unhealthy. But according to Congdon *et al.* (2011, p. 40), there are other behavioral-based tendencies that deserve consideration. This includes *motivational bias*, *bounded self-control*, and *limited computational capacity*. 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. Bounded self-control explains why individuals cannot make optimizing decisions regarding the pursuit of a healthy lifestyle they have difficulty envisioning their future self and tradeoff of a current pleasure (smoking) for a future one (healthier existence). Finally, 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 can 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

Behavioral economics help policymakers understand how typical human actions and responses lead to inefficient market outcomes and help cause markets to fail. Through a better understanding of this, policymakers can better formulate effective solution to policy problems that are based in human decision-making aspects that is too often ignored in standard microeconomic models.

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>.