

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

PPA 220B – APPLIED ECONOMIC ANALYSIS II

SPRING 2014

- Professor:** Pierre H. duVair, Ph.D.
- E-mail:** pduvair@csus.edu or pduvair@energy.ca.gov
- Class Location:** Thursdays, 6:00 p.m. - 8:50 p.m., Room: 1007 ARC
- Office:** Tahoe Hall - Room 3039
- Daytime Phone:** (916) 653-8685 or (530)-902-0376
- Office Hours:** Thursday, 4:30 – 5:45 p.m., after class, and by appointment
- Prerequisite:** Grade of B- or higher in PPA 220A

Required Texts

- (1) ***Cost-Benefit Analysis for Public Sector Decision Makers***, Diana Fuguitt and Shanton J. Wilcox, (1999), Quorum Books; can be purchased at CSUS bookstore or online at Amazon.com, Google Play eBooks, or other internet textbook websites.
- (2) ***Tools for Decision Making: A Practical Guide for Local Government, 2nd ed.***, David N. Ammons, (2009), CQ Press; can be purchased at CSUS bookstore or online at Amazon.com, eBay, AbeBooks.com, or other internet textbook websites.

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

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

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

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

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

Structure of Class Meetings

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

Group Projects

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

Schedule

This class will meet a total of 16 times throughout the semester, including May 22nd of finals week. There will be no class meeting on March 27th (Spring Recess). The weekly topics, readings, and discussion questions are provided below for the first half of the semester.

Week	Course Topics		Notes
Jan. 30 th	Uses of and steps to Cost-Benefit Analysis; Group projects and topics		Introductions; Identify groups
Feb. 6 th	Microeconomic Foundations for CBAs; Basic Investment Calculations		
Feb. 13 th	Decision criteria, net present values, discounting, inflation, time value of money		
Feb. 20 th	Risk and uncertainty, principles of CBA, identifying costs and benefits		
Feb. 27 th	Techniques to value societal benefits; Costs of privatization		
Mar. 6 th	Value of human life; Cost-Effectiveness Analysis; Life-Cycle Costing		
Mar. 13 th	OMB guidance on impacts of regulations; Social Cost of Carbon; Value of clean air		Midterm study guide
Mar. 20 th	Tasks Related to Group Projects; Midterm Exam		Midterm Exam
Mar. 27 th	SPRING BREAK		NO CLASS
Apr. 3 rd	DOF and Standardized Regulatory Impact Analysis (SRIAs); Impacts on competitiveness, innovation, and jobs		Reading lists for case studies due
Apr. 10 th	GROUP 1 – Case Study: High Speed Rail		
Apr. 17 th	GROUP 2 – Case Study: Delta Tunnels		
Apr. 24 th	GROUP 3 – Case Study: Health Care		
May 1 st	GROUP 4 – Case Study: Prisons		
May 8 th	GROUP 5 – Case Study: Climate Change		
May 15 th	GROUP 6 – Case Study: Fracking		
May 22 th	GROUP 7 – Case Study: Pensions		Finals Week

Policies

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

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

Test/Course Accommodations: *As your instructor, I actively support a wide range of learning styles and abilities. Please feel free to discuss your progress in this course with me at any time. In addition, if you have a documented disability and require accommodations, please provide a copy of*

your accommodation letter from Services to Students with Disabilities (SSWD) and contact me as early as possible so that your learning needs may be appropriately addressed. If you do not have an accommodation letter, please contact SSWD in Lassen Hall, 1008, (916) 278-6955; 278-7239 TDD, sswd@csus.edu to initiate the accommodation process.

Meeting #1 (Jan. 30th) Readings:

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

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

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

Meeting #2 (Feb. 6th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 5-8
- Ammons Textbook – Chapter 13
- *Climate Change: Lessons From Ronald Reagan*, by Cass R. Sunstein, Nov. 10, 2012 NYT http://www.nytimes.com/2012/11/11/opinion/sunday/climate-change-lessons-from-ronald-reagan.html?_r=0

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

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

- 4) Should distributional weights be used in cost-benefit analyses? Provide arguments for both sides.
- 5) Explain the following concepts: a) future value, b) compound interest, and c) an annuity. Using Microsoft Excel calculate the yield (simple interest) for an investment with the following parameters: 1) initial amount of \$5,000,000 (present value), 2) interest rate of 5%, and 3) number of periods 4 years.
- 6) What is “ironic” about Cass Sunstein’s reference to conservative icon Ronald Reagan and potential solutions to climate change?

Meeting #3 (Feb. 13th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 9-12
- Ammons Textbook – Chapters 12, 14
- *Benefit-Cost Analysis*, by Paul R. Portney
<http://www.econlib.org/library/Enc/BenefitCostAnalysis.html>

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

Meeting #4 (Feb. 20th) Readings:

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

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

Meeting #5 (Feb. 27th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 17-20
- Ammons Textbook – Chapter 17
- *McCarthy Sidesteps GOP Concern About Non-Use Benefits in Future Rules*, by Lee Logan, InsideEPA.com, December 10, 2013.

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

Meeting #6 (Mar. 6th) Readings:

- Fuguitt/Wilcox Textbook – Chapters 21-23
- Ammons Textbook – Chapters 18-21
- *The Value of a Statistical Life: [They] do not think it means what [we] think it means*, by Trudy Ann Cameron, 2008. http://pages.uoregon.edu/cameron/vita/REEP_VSL_102509.pdf

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

Meeting #7 (Mar. 13th) Readings:

- *Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis - Under Executive Order 12866*;
http://www.whitehouse.gov/sites/default/files/omb/inforeg/social_cost_of_carbon_for_ria_2013_update.pdf
- *Scientist dubs White House estimate of CO₂ social cost 'useless'*, Daniel Bush, E&E News, August 20, 2013
- *The Clean Air Act and the Economy*. US Environmental Protection Agency website:
<http://www.epa.gov/air/sect812/economy.html>

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

- Study guide for the midterm to be provided in class on March 13th (calculator needed, but not a bluebook).
- Readings for Meetings 10 through 16 will be provided at a later date.
- Class will meet during finals week on Thursday May 22nd.