

PLS 541—Public Economics and Cost Benefit Analysis

Mondays: 6:30 pm to 9:15 pm

Spring 2008

Instructor: Milan Dluhy, 117 Leutze

Office Hours: Mondays, 1-3:30 pm, Tuesdays 3-6 pm or appointment

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Course Description: This course is oriented toward applied economics and focuses on using economic concepts to develop and evaluate public policies, programs, and projects. These concepts can also be easily applied to the non-profit sector as well. The course is divided into three parts: fundamental economic concepts, cost benefit analysis, and applied policy analysis using economic concepts. Students are not expected to have any previous work in economics and those who do have a solid background should contact the Instructor for alternative course work.

Goals:

- To understand and be able to apply critical economic concepts and tools to contemporary issues of state and local government and the non-profit sector.
- To complete and present the results of two cost benefit analyses on a specific project of local, regional, state, or national concern.
- To be able to critique and analyze the limitations of economic concepts and reasoning.
- To be able to use economic concepts to complete an applied policy analysis.

Organization of Course: Most sessions will require reading and a short written assignment. Some of readings are difficult so students should bring questions to class. Completing the readings ahead of time is critical because in economics there are many new technical terms and a somewhat new vocabulary for many people who have never been exposed formally to the discipline. The Instructor will preview all written assignments prior to their due date.

Final Grade:

Weekly assignments.....30%

2 Cost benefit analysis papers / power point presentations.....50%

1 applied policy analysis using both economic and political criteria....20%

Textbooks Ordered:

Eugene Bardach (2005). *A Practical Guide for Policy Analysis*, CQ Press: Washington, D.C.

Fuguitt, D. and Wilcox, S. (1999). *Cost Benefit Analysis for Public Sector Decision Makers*, Quorum Books: Westport, Conn.

John Hird (2005) *Policy Analysis in the States*. Georgetown University Press: Washington, D.C.

Class Schedule, Assignments, Readings**January 14**

Introduction
 Review of key economic concepts
 Public Goods
 Externalities
 Rationales for Market Intervention
 Economies of Scale, Efficiency, Effectiveness
 Case Studies and applications
 Sample list of topics for CBA

Assignment: Start thinking about 2 CBA projects.

January 28

Multilevel government finance
 Fiscal Federalism
 Privatization and Load Shedding
 Vouchers

Assignment: Go to the internet and identify two successful examples, one involving privatization and the other the use of vouchers. Indicate in two pages the extent to which these programs have been successful and why. Make sure the examples have data to support the success stories.

February 4

Urban economics
 Public Choice Theory and “voting with your feet”
 Economic theory of clubs
 Urban sprawl
 Central City Exploitation Thesis
 Urban services in unincorporated areas
 Proxies for regionalism

Assignment: Identify two projects (or programs) that could be used and need to be evaluated using CBA. These programs should be aimed at limiting further sprawl or alleviating additional political and economic fragmentation in metropolitan areas.

February 11

Taxation and revenue systems
 Tax burden
 Tax shifting
 Tax incidence
 VAT taxes
 Tax capacity and tax effort
 Tax expenditures
 Assessing taxes and user fees

Assignment: In one page, identify the costs and benefits of raising the local tourist tax (lodging) by an additional 2 cents and then using the proceeds to encourage more tourism in the region. In a second page, identify the costs and benefits of raising the same tax 2 cents but in this case using the proceeds to fund beautification projects though out the region.

February 18 Exemplars of Cost Benefit Analysis Projects
 Class exercises
 Beach Re-nourishment
 Monkey Junction Flyover
 Refuse collection and technology

Assignment: Bring a one page statement for your first CBA project. Lay out all the costs and benefits without the measures and present them in a power point presentation.

February 25 Introduction to cost benefit analysis
 History of CBA
 Decision Making
 Analysis and its limitations
 Monetary measurement of cost and benefits

Read: Fuguitt , chap. 1-7.

Assignment: Turn in project summary for first paper. You do not need to measure the cost and benefits just identify as many as you can and indicate the feasibility of measuring them (will it be possible).

March 10 Key concepts in CBA
 Present Value
 Discount Rate
 Time Horizon Inflation

Read: Fuguitt, Chap. 8-15

Assignment: Pick your second project to work on. Be prepared to discuss and justify the second CBA in class.

March 17 Measurement of values
 Market valuation
 Contingent valuation
 Travel cost method
 Hedonic pricing
 Valuation of human life

Read: Fuguitt, chap. 16-23.

Assignment: In three pages indicate how you will use contingent valuation, travel cost, hedonic pricing, and valuation of human life in either your project or another project you may be interested in. In short show how you would use these methods in a CBA by giving an example of each.

March 24 Presentation of outline for second CBA.

Assignment: Using power point, lay out the design for your second CBA paper including measures and methods for gathering data.

March 31 Presentation of second paper using power point.

April 7 Comparing Policy Analysis and CBA

Assignment: Read Bardach book and in one page identify at least three differences between policy analysis and CBA

April 14 What makes policy analysis successful?

Assignment: skim Hird book. Pay attention to the policy profession and what skills they have or do not have.

April 21 Exemplars of policy analysis

Assignment: Bring at least one policy problem to class to discuss especially the options and criteria for evaluating the policy problem.

April 28

Final Policy presentation

Assignment: Bring a policy matrix for your policy problem with at least three options and four criteria for evaluating the options. Put this together in a power point presentation. A well organized table will be acceptable. In your presentation, make your recommendation from the options and give your rationale. The matrix (table) will substitute for the paper.

Sample Cost Benefit Analysis Projects:

- *Volunteer vs. professional fire rescue departments*
- *Take home vehicles for police officers*
- *Ankle bracelets for detention offenders*
- *School vouchers, ie., Cleveland and Milwaukee*
- *Flextime in the workplace*
- *Historic Preservation Overlay District*
- *Free public transit program*
- *Red light runners, Using the cameras*
- *Minor league baseball/soccer*
- *Close streets downtown and create pedestrian mall*
- *Regular bus service from Wilmington to Wrightsville Beach (pick best routes)*
- *Privatization of the management of public housing, prisons, TOLL ROADS*
- *Michigan Left Turns (roundabouts)*
- *Congestion pricing*
- *Housing Affordability programs*
- *Literacy programs for Hispanics*
- *Travel vouchers for the homeless*
- *International Port in Southport (group project)*