

## ***PLS 541—Public Economics and Cost Benefit Analysis***

***Fall 2011***

***Instructor: Milan Dluhy***

***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 (2009). *Third Edition. 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.

***Class Schedule, Assignments, Readings******August 24***

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.

***August 31***

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.

***September 7***

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  
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***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.

***September 14***

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.

***September 21***

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.

**September 28**

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).

**October 5**

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.

**October 12**

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.

**October 19** 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.

**October 26** Presentation of second paper using power point.

**November 2** Comparing Policy Analysis and CBA

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

**November 9** What makes policy analysis successful?

**Assignment:** Skim literature and identify skills that make policy analysis successful. What do successful analysts do ? Use the internet to help you. Or an article or two whichever helps.

**November 16** 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.

**November 30** 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.

**December 7** Final Policy presentation, continued presentations.

***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)*