

Western University
Department of Political Science
Local Government Program
PA 9913
Economics & Policy Analysis
Course Outline Winter Term
2015

Course Dates & Times:

January 23-24

February 20-21

March 27-28

Friday: 3:00pm-

7:00pm

Saturday: 9:00am-4:00pm

Location: SSC 4255

Course Description

This course provides an introduction to core microeconomic concepts and their applicability in enhancing decision making on the local level. It also provides an introduction to municipal finance issues in general. At the conclusion of the course students will understand major finance issues related to the municipal sector and be able to utilize core concepts to improve local decision making. Prior knowledge of economic concepts and municipal finance is not necessary or expected.

Course Objectives and Outcomes

Theories and concepts relevant to public administration, and specifically local government, will be examined in greater depth. Practical exploration of these concepts will allow students to understand, assess, and utilize microeconomic tools in a local government context.

At the conclusion of the course students are expected to have an understanding of:

- The economic conditions Canadian municipalities face
- The legislative framework for municipal financing
- An understanding of core microeconomic concepts and how they can be applied to local governments
- An understanding of urban economic theories in key service delivery areas

Students should then be able to:

- Understand, assess, and utilize economic concepts.
- Understand the legislative framework under which municipalities in Ontario function.
- Critically assess the quality and accuracy of valuations commonly made in a municipal environment and to create valuations of their own.
- Understand and create reports that include cost-benefit analysis and various other economic methodologies.

Student Expectations

- Students will be expected to:
- Attend all classes
- Complete assigned readings prior to the beginning of each class weekend
- Participate in a constructive manner that enhances the value of the overall discussion
- Respect the contributions of other class members
- Ask questions and provide feedback

Textbooks

Students are encouraged to use general microeconomics books for background material related to microeconomic terms used in the course. Examples of good books are:

Besanko, David and Ronald Braeutigam. **Microeconomics**. Any Edition.

Goolsbee, Austan D., Steven Levitt and Chad Syverson. **Microeconomics** Any Edition.

Ragan, Christopher T.S. and Richard G. Lipsey. **Microeconomics**. Any Edition.

For further reading on Public Economics, please refer to:

Gruber, Jonathan. **Public Finance and Public Policy**. Any Edition

Hindriks, Jean and Gareth D. Myles. **Intermediate Public Economics**.

Leach, John. **A Course in Public Economics**.

Rosen, Harvey, Beverly George Dahlby, Roger Smith and Tracy Snoddon. **Public Finance in Canada**. Any Edition.

For further reading on Urban Economics, please refer to:

Brueckner, Jan. **Lectures on Urban Economics**.

O'Sullivan, Arthur. **Urban Economics**.

Journal/Article Readings (required)

The remaining required readings can be found in the Course Overview section of the outline. All readings will be uploaded to the course page on OWL.

Evaluation

The course will be graded in the following manner:

Participation and Course Contributions 10%

Valuation Research Assignment 40%

Cost-Benefit Analysis Assignment 50%

Total: 100%

Evaluation Details:

Participation and Course Contributions -10%

Students are expected to both attend and participate in class. The participation grade is based class attendance and regular participation in class

Valuation Research Assignment- 40%

In the public sector, there is often value in pursuing policy directions that would not be pursued in the business world. This may be due to positive and negative externalities, and/or difficulties in assessing the value of the policy inputs and outcomes. In this assignment, students will assign an economic value to an intangible.

Examples of intangibles could include: human life, time (both work and leisure), noise (or noise abatement), environmental quality, green/recreational public space, etc.

Students will be expected to find and review academic research on their topic and discuss their findings in a short paper (no longer than 10 pages).

Paper Due Date: February 20

Cost-Benefit Analysis Assignment- 50% (10% Proposal; 10% Presentation; 30% Paper)

Each student will construct a cost-benefit analysis on a relevant municipal issue/project/program. They will also present their research to class in a formal presentation. The two components are discussed below in detail.

Topic Proposal: The topic proposal should be no more than 10 double-spaced pages that answer the following questions:

1. What is the topic?
2. How are you going to conduct your research?
3. What economic methodology will you be using?
4. Why is this topic relevant/important to study?

The topic proposal is due on February 28. Students will receive feedback/approval of their topic soon thereafter.

Presentation: On the final two days of class students will make individual presentations on their final course paper. Students will present the details of their analysis as a mini-case study of the topic chosen (relevant background, a discussion of any economic valuations and methodology used to determine the costs and benefits, their conclusions and justification for arriving at them). Students do not need to have completed their final paper to prepare their presentation, but should have completed their research and arrived at preliminary conclusions. Students should consider their presentation to be an opportunity to present research and receive feedback from fellow students and the instructor. This feedback will help the student draft the final version of the paper due on April 3.

Final Paper: The final paper should draw upon topics & methods discussed in class. Students will be expected to choose a topic that has real-world applicability.

Special Accommodation & late Penalties:

For all assignments, and graded items in the course, requests for special accommodation must be received well in advance of the due date. The instructor will receive reasonable requests and grant special accommodations only when deemed necessary and reasonable.

The standard late penalty is two percent per day up to 5 days. After 5 days the assignment will not be graded.

Other:

Scholastic Offences (including plagiarism): Please review the School of Graduate and Postdoctoral Studies guidelines on scholastic offenses at: http://grad.uwo.ca/section_ten.htm

Course Overview
Weekend 1: January 23/24

Friday

Overview of the course

- Introductions
- Purpose of the course, course goals
- Review of course expectations & requirements
- Discussion of student expectations and learning interests

Introduction to Economics

- Microeconomics vs. Macroeconomics

Public Economics

- Theory of Welfare Economics
- Impact of Economics on Public Policy Development
- Distributional effects of taxation and government expenditures
- Government failure vs. Market Failure
- Tax Incidence
- Optimal Taxation
 - Diamond-Mirrlees Efficiency Theorem
 - Pigouvian tax

Saturday

Microeconomics: Theories, Concepts, and Tools

- Supply, Demand and Equilibrium
- Marginal Utility
- Marginal Cost and Externalities
- Opportunity Cost
- Competition
- Economic Surplus
- Elasticity
- Information Asymmetry
- Resource Allocation
- Markets
- Valuation -Assigning economic value

Valuation Research Assignment

- Topic Selection

Weekend Required Readings

Saha, Sarani. "City-level analysis of the effect of political regimes on public good provision". Public Choice. 2011.

Recommended Readings

CBCL Limited Energy Services. "Community Energy Plan" report for Halifax Regional Municipality. November 2007.

Moore, Susan. "Re-evaluating 'public' and 'private' in local development cultures: converging vocabularies of public good and market success in Toronto's New Urbanism" 2008.

Weekend 2: February 20-21

Friday

Valuation Assignment Due

Cost Benefit Analysis

- All You Ever Wanted to Know

Saturday

Guest Speaker

- TBC

Municipal Finance Legislation

- Municipal Finance 101
- Bonusing and Economic Development Tools
- Debt and Investment Tools

Urban Economics

- Introduction
- Land Use Planning
- Economic Policies and Transportation Decisions
- Housing Policies

Required Readings – Weekend 2

Amborski, David. "The planning research agenda: after the 'Great Recession' . Recalibrating the applications of economic analysis in urban policy". 2011

Anonymous. "Five Steps for Conducting a Cost-Benefit Analysis". Public Management July 2010.

Chapman, Jeffrey I and Evgenia Gorina. "Municipal fiscal stress and the use of Tax Increment Financing (TIF)". 2012.

Dachis, Ben. C.D. Howe Institute Commentary "Picking up Savings: The Benefits of Competition in Municipal Waste Services"

Makowsky, Michael D. and Richard E. Wagner. "From scholarly idea to budgetary institution: the emergence of cost-benefit analysis". 2009.

Slack, Enid. "Financing Large Cities and Metropolitan Areas". Institute on Municipal Finance and Governance Munk School of Global Affairs University of Toronto. 2011.

Topalovic, P., J. Carter, M. Topalovic and G. Krantzberg. "Light Rail Transit in Hamilton: Health, Environmental and Economic Impact Analysis". 2012.

Treasury Board of Canada Secretariat. "Canadian Cost-Benefit Analysis Guide Regulatory Proposals". 2007.

Zhou, Xiaolu and Md. Masud Parves Rana. "Social benefits of urban green space. A conceptual framework of valuation and accessibility measurements". Management of Environmental Quality. 2012.

Recommended Readings

Werlin, Herbert H. "Urban Development: The Importance of Public Administration" The Journal of Social, Political and Economic Studies. Winter 2010.

Cost Benefit Analysis Examples

Dr. Gordon Cleveland, "If it don't make dollars, does that mean that it don't make sense? Commercial, Nonprofit and Municipal Child Care in the City of Toronto". April 2008.

Ted Kesik and Anne Miller. "Toronto Green Development Standard" prepared for the City of Toronto. October 2008.

Weekend 3: March 27-28

Friday

Course Evaluation

Student CBA Presentations

- Class Questions & Feedback
- Instructor Feedback

Saturday

Student CBA Presentations (cont'd)

- Class Questions & Feedback
- Instructor Feedback

Political Economy (time permitting)

- Introduction

Course wrap-up and review

- Final thoughts and feedback
- Course content / topics
- Other comments