

Public Affairs 873: Introduction to Policy Analysis Spring 2003

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Tuesday 1:30 p.m. to 3:15 p.m.
Bascom 52

Office Hours: Wednesdays 2 p.m. to 4 p.m., 201 La Follette
Mondays and Wednesdays 11 a.m. to noon, 215 North Hall
Appointments welcome

This course provides an introduction to the study of public policy and the professional practice of policy analysis. We consider a number of fundamental questions: What are the rationales for collective interference in private affairs? What are the limitations to collective action? What are the generic instruments of public policy? How can we measure social costs and benefits? What are the appropriate roles for policy analysts in democratic societies? We also seek to improve our basic skills in analytical thinking, information gathering, and writing as we attempt to answer these questions.

I will base course grades on the following:

Four memorandum exercises and class participation (40 percent).

Policy Analysis project (30 percent):

A semester-long project on a randomly assigned topic. The project provides an opportunity to apply the concepts and craft skills introduced in the course.

Midterm examination on March 11 (30 percent):

A test to determine your mastery of the basic rationales for, and limits to, public policy.

I will consider presentation and punctuality in evaluating all assignments.

We will make heavy use of the following text, which is on reserve and available at the bookstore:

David L. Weimer and Aidan R. Vining, *Policy Analysis: Concepts and Practice*, 3rd edition, (Upper Saddle River, NJ: Prentice-Hall, 1999).

In addition, there will be a small number of supplementary articles placed on reserve.

Tentative Schedule

Introduction (January 21)

Course overview. Projects randomly assigned and briefly discussed.

Reading: Weimer and Vining, Chapter 1.

Exercise 1: Due **January 28**. (Be prepared to discuss in class.)

Policy Analysis: Overview (January 28)

We consider two important questions that we will revisit throughout the course: What roles does policy analysis play in democratic societies? What roles should it play?

Reading: Weimer and Vining, Chapters 2 and 3; Appendix 10A

Janet Musso, Robert Biller, and Robert Myrtle, "Tradecraft: Professional Writing as Problem Solving," *Journal of Policy Analysis and Management*, 19:4 (2000), 635-646.

Market Failures as Rationales for Public Policy (February 4 and 11)

Welfare economics specifies the assumptions under which market equilibria are Pareto efficient. Certain violations of these assumptions are commonly identified as market failures: public goods, externalities, natural monopolies, and information asymmetries. Market failures provide important rationales for collective interference with individual choices. Our goal is to understand these basic market failures, and other limitations of the competitive framework, for purposes of framing and modeling policy problems.

Reading: Weimer and Vining, Chapters 4, 5, and 6

Exercise 2: Due **February 25**.

Goals Other Than Efficiency as Rationales for Public Policy (February 18)

Though efficiency is almost always one of the relevant goals in policy analysis, it is rarely the only one. It is useful to develop conceptual foundations for thinking about distributional and other goals that commonly arise in policy analysis.

Reading: Weimer and Vining, Chapter 7

Government Failure as Limitation and Rationale (February 25 and March 4)

Just as markets fail in systematic ways, so too does collective action. Such generic government failures interfere with the effective correction of market failures and produce public policies that themselves are policy problems.

Reading: Weimer and Vining, Chapter 8

Midterm Examination (March 11)

Test covering the concepts developed in the first half of the course.

Structuring Analysis (March 25)

An overview of the steps in the rationalist mode of policy analysis. We consider how to frame and model policy problems, select appropriate goals and criteria, specify policy alternatives, predict and value consequences, identify tradeoffs among alternatives, and effectively communicate recommendations.

Readings: Weimer and Vining, Chapters 10 and 11

Exercise 3: Due **April 1**.

Policy Design (April 1)

A discussion of how to design policies. We will consider generic policies as starting points for design, as well as borrowing and adapting designs used in other contexts.

Readings: Weimer and Vining, Chapter 9

David L. Weimer, "The Current State of Design Craft: Borrowing, Tinkering, and Problem Solving," *Public Administration Review* 53:2 (1993), 110-120.

Applications (April 8)

Readings: Productivity Commission, *Regulation of the Taxi Industry* (Canberra: Ausinfo, 1999). www.pc.gov.au (Completed Projects, Research Projects)

Bring your goals/alternative matrix for your project on an overhead. Be prepared to present it to the class.

Thinking Strategically: Adoption and Implementation (April 15 and 22)

A realistic assessment of policy alternatives almost always requires consideration of the

feasibility of their adoption and implementation. How can we make predictions about feasibility? How can we alter policy alternatives to improve their feasibility?

Reading: Weimer and Vining, Chapter 13.

Buzz Breedlove, "The Continuing Education of a Policy Salesman," *Journal of Policy Analysis and Management*, 21:1 (2002), 131-136.

Christopher K. Leman and Robert H. Nelson, "Ten Commandments for Policy Economists," *Journal of Policy Analysis and Management* 1:1 (1981), 97-117.

James M. Verdier, "Advising Congressional Decision-Makers: Guidelines for Economists," *Journal of Policy Analysis and Management* 3:3 (1984), 421-438.

Cost-Benefit Analysis (April 29)

Although cost-benefit analysis (CBA) is rarely appropriate as a decision rule, it provides useful protocols for valuing the efficiency impacts of policy alternatives. We review basic concepts underlying CBA such as willingness-to-pay, opportunity cost, discounting for time, and the treatment of risk. We also consider the conceptual and practical limitations to its application.

Readings: Weimer and Vining, Chapter 12

Two copies of final project due on April 29 at beginning of class.

Exercise 3: Two copies due **May 6**.

Project Wrap-Up (May 6)

This session is set aside for revisiting topics of interest and discussing successful completion of projects.

Exercise 1

Senate Bill 157 (<http://www.legis.state.wi.us/2001/data/SB-157.pdf>) would increase minimum coverage requirements for mental health and alcoholism or other drug abuse (AODA) treatment for group health insurance plans. Federal law would exempt self-funded insurance plans from the provisions of SB 157. Should the Governor support this bill? Please prepare a two- to three- page double-spaced memorandum that assesses the costs and benefits of SB 157 and recommends a course of action for the Governor.

You may find the following two documents useful as you prepare the memorandum:

Letter from the Commissioner of Insurance to Senator Chuck Chvala and Representative Scott Jensen regarding “Social and financial impact report – Senate Bill 157,” October 16, 2001. <http://badger.state.wi.us/agencies/oci/finimpct/sfisb157.pdf>

Minnesota Office of the Legislative Auditor, *Insurance for Behavioral Health Care*, February 12, 2001. <http://www.auditor.leg.state.mn.us/ped/2001/pe0104.htm>

Exercise 2

One of the steps in defining a policy problem is framing it as a market or government failure. The framing helps you to determine if there is a strong rationale for government action and suggests generic policy alternatives for consideration. Prepare a three- to four-page (double-spaced) analysis that introduces the problem implied by your project statement and frames it as a market or government failure. (Projects often begin as a request for analysis of a specific alternative to the status quo. In such cases, problem definition involves identifying the underlying policy problem that prompts interest in the alternative.) After writing an introductory paragraph, divide your memorandum into two distinct parts. In the first part provide a sketch of the context for your problem. The sketch may be in the form of a brief history, or it may simply describe the symptoms of the problem. The second part should clearly frame your problem as a market or government failure.

It is likely that you will be able to provide a useful frame by focusing on one market or government failure. It may be that several others are applicable as well. While you may note these in passing, try to stay focused on the one that best helps you understand the nature of the problem from a social perspective. Your memorandum should show that you understand the concept and that you are able to apply it to a specific context.

Imagine that you are writing your memorandum to a colleague who will be working with you on the analysis. Assume that your colleague does not have much background in economics. Clearly explain any technical terms that you use. Also, avoid using diagrams. If you think that a diagram is essential, then put it in an appendix.

Exercise 3

When doing policy analysis, it is usually helpful to consider some possible policy alternatives in considerable depth well before preparing a full draft. Looking ahead to alternatives often helps one to refine goals and criteria. It also helps one anticipate the sort of information that will be useful for predicting consequences of alternative policies. Now would be a good time for you to focus on one of your promising policy alternatives for your project.

In a brief memorandum of three double-spaced pages please do the following: First, clearly specify **one** of your policy alternatives. Second, briefly outline what you believe to be the major effects of the alternative – including both the use of resources required to implement it and its impacts. Third, discuss what information you hope to use to help you predict the magnitudes of the major effects.

Exercise 4

Prepare a brief memorandum of two or three double-spaced pages that provides your colleague with *constructive* criticism of his or her policy report. Submit two copies.

Projects for Spring 2003

Review the regulation of deer and elk farms in Wisconsin. Specifically, should regulatory authority be transferred from the Department of Agriculture to the Department of Natural Resources? *Client: Office of the Governor*

On December 9, 2002 the State of Wisconsin issued an interim planning document on implementing pre-event smallpox vaccination activities. If the population of the state becomes exposed to an outbreak of smallpox, the Governor will have to make decisions concerning vaccination of the general public. When and how should public vaccinations be implemented? *Client: Office of the Governor*

The new secretary of the Department of Natural Resources wishes to take a fresh look at policies for dealing with Chronic Wasting Disease in the Wisconsin deer population. *Client: Secretary, Department of Natural Resources*

It is likely that the University of Wisconsin will face cuts in funding from the state. Consider alternatives for raising additional revenue for the system through tuition increases. *Client: President Katherine Lyall*

Develop alternatives for reducing funding provided by the State of Wisconsin to local school districts for primary and secondary schooling from existing revenue sources. Your alternatives should involve substantial reductions in the projected deficit. *Client: Office of the Governor*

Develop alternatives for increasing the amount of revenue raised by the Wisconsin sales tax. *Client: Secretary, Department of Revenue*

Currently, the gambling compacts between the State of Wisconsin and the eleven federally recognized Tribes have durations of five years. In the future, should compacts have longer durations? *Client: Secretary, Department of Administration*

School districts spend over \$1 billion annually on the 12 percent of students classified as disabled. Some observers have raised concerns that the designation of disability is inappropriately being extended to include low-achieving students. Should the State of Wisconsin adopt policies to limit the growth in the numbers of students qualifying for special education programs? *Client: Superintendent, Department of Public Instruction*

Does Wisconsin have appropriate laws and adequate enforcement capability for combating identify theft? *Client: Attorney General*

Should Wisconsin adopt laws to restrict the use of cell phones while driving motor vehicles? *Client: Chair, Assembly Committee on Highway Safety*

Some critics of New Source Review (NSR) regulations argue that they discourage firms from

replacing existing plants that produce high levels of pollution. Should the Environmental Protection Agency revise the NSR regulations to remove disincentives for investment in new plants? *Client: Administrator, Environmental Protection Agency*

Pharmaceutical manufacturers often charge lower prices for exports than for similar products sold domestically. There have been several bills introduced in Congress to allow wholesalers or retailers to re-import exported drugs into the United States. Should such re-importation be allowed? *Client: Chair, Senate Committee on Health, Education, Labor, and Pensions*

Currently, airport gate checks are being conducted for randomly selected passengers boarding all flights. Should these checks be eliminated, based on some sort of profiling, limited to selected flights, or otherwise modified? *Client: Chair, House Select Committee on Homeland Security*

Many cities incur substantial costs in responding to false alarms from burglar alarm systems that place calls to 911. Cities have responded in a variety of ways, such as through education programs or fines. Select one major American city and assess alternatives for dealing with its cost of false alarms. Your detailed analysis should be specific to the selected city, but presented so that it could be a demonstration of useful analysis for other cities. *Client: Director, Office of Research and Evaluation, National Institute of Justice*

The Orphan Drug Act was intended to reduce the costs and increase the benefits to pharmaceutical firms that developed drugs for rare diseases. Most significantly, the act gives firms seven years of market exclusivity for their orphan drugs. The current operational definition of rare disease is a disease that affects fewer than 200,000 patients. Should any provisions of the Orphan Drug Act or the operational definition of rare disease be modified? *Client: Chair, Subcommittee on Health, House Committee on Energy and Commerce*

Pharmaceutical firms advertise prescription drugs in television commercials. Review the appropriateness of the regulatory framework governing this type of advertising. *Client: Commissioner, Food and Drug Administration*

Federal regulatory agencies are required by the Administrative Procedures Act to keep dockets of comments made in response to proposed regulations. Should all federal agencies be required to post complete dockets on web pages to facilitate greater public access? *Client: Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget*

Wisconsin has been a leader in encouraging the donation of transplant organs. Should the state adopt any additional laws to encourage either cadaveric or live organ donation? *Client: Office of the Governor*

Review Wisconsin laws and regulations governing home schooling. Do they provide an appropriate framework? *Client: Assembly Committee on Education*

Should the federal government create national identity cards and mandate their use for particular

purposes? *Client: Secretary, Department of Homeland Security*

Should Wisconsin license direct-entry (lay) midwives? *Client: Chair, Assembly Committee on Health*

Should the State of Wisconsin encourage or facilitate local law enforcement officials obtaining security clearances so that they have greater access to classified information relevant to stopping terrorist attacks? *Client: Client: Attorney General*

Several hundred thousand suits have been filed against firms by workers, including many who show no adverse health effects, exposed to asbestos. These suits threaten many of the firms with bankruptcy. Should Congress modify the current tort system to achieve more efficient or more equitable compensation of those harmed by asbestos? *Client: Chair, Committee on the Judiciary, U.S. Senate*

In November 2002, the Centers for Medicare and Medicaid Services published quality measures for all certified nursing homes in the country. What should be the next steps in this initiative? For example, should more data be collected or reported, risk-adjustment be implemented, or presentation changed? *Client: Administrator, Centers for Medicare and Medicaid Services*