

*The University of Western Ontario
Department of Political Science
Local Government Program*

PA 9913b 001

Economics

Course Outline
Winter Term 2011

Josh Morgan

Office: 4148 SSC

Phone: (519) 661-2111 x80501

E-mail: jmorga8@uwo.ca

Office hours: After class on Saturdays and by appointment.

Course Dates & Times:

January 14, 15

February 11, 12

March 25, 26

Friday: 3:00pm-7:00pm

Saturday: 9:00am-4:00pm

Location: Room 4255 SSC (Social Science Centre).

**Special Location on Jan 15th in the Afternoon*

Course Website: <https://owl.uwo.ca/webct/logon/1148634226081>

Course Description

This course provides an introduction to core economic concepts and their application in a local government environment. After considering the economic realities Canadian municipalities face, core microeconomic concepts will be introduced. An economic perspective on policy development and analysis is introduced including cost-benefit analysis, incentives, median-voter theories and electoral considerations. At the conclusion of the course students will be able to understand and utilize core economic concepts in the local government field. Prior knowledge of economic concepts is not necessary or expected. Students entering this course with a significant background in economics should contact the instructor in advance of the course start date.

Course Objectives and Outcomes

The goal of this course is to provide students with an introductory knowledge of microeconomic theories and concepts. The course is taught with the expectation that most students do not have a background in economics so concepts are introduced at an introductory level. 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
- An understanding of core microeconomic concepts
- An understanding of microeconomic theories related to local government

Students should then be able to:

- Understand, assess, and utilize economic concepts.
- Understand the limitations of economic theory.
- Critically assess the quality and accuracy of valuations commonly made in a municipal environment.
- Utilize methods to approximate the value of intangibles
- 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 (required)

Townley, Peter C. 1997. Principles of Cost-Benefit Analysis in a Canadian Context. Pearson Education Canada: ISBN 0136367135

Journal/Article Readings (required)

The remaining required readings can be found in the Course Overview section of the outline.

Please Note: Additional readings of interest may be distributed based on presentations made by guest speakers.

Evaluation

The course will be graded in the following manner:

Participation and Course Contributions	12.5%
Game Theory Exercise	2.5%
Valuation Research Assignment	25%
Cost-Benefit Analysis Assignment	60%
Total:	100%

Evaluation Details:

Participation and Course Contributions – 12.5%

Students are expected to both attend and participate in class. The participation grade is based on 3 elements:

Regular Class Attendance	-	2.5%
Regular Participation in Class	-	5%
Discussion Participation*	-	5%

**See Part II: Cost-Benefit Analysis Presentation, listed below, for further detail.*

Game Theory Exercise – 2.5%

Students will participate in a Game Theory exercise worth 2.5% of their final grade. Details about the exercise will be discussed in class. No advance preparation is needed for this.

Valuation Research Assignment – 25% (15% short paper; 10% group presentation)

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 (in monetary terms or quality adjusted life years (QALYs)), time (both work and leisure), noise (or noise abatement), environmental quality, green/recreational public space, etc.

Students will be divided into groups (groups will contain at least one full-time and one part-time student) and each group will choose from topics chosen in class on January 15th. Students will be expected to find and review academic research on their topic and discuss their findings in a short 5-6 page paper. Each student will submit their own unique paper; however they will work from their individual findings to build a group presentation on the common topic. The groups will present their findings to the class in a ten minute presentation. Each group presentation will receive a common grade for all group members. Topics and groups will be chosen in class on January 15th.

Topic & Group Selection: January 15th (in class)

Paper Due Date: February 11th (at the beginning of class)

Group Presentations: February 12th (in class)

Cost-Benefit Analysis Assignment – 60%

Each student will construct/review 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.

Part I: Cost-Benefit Analysis Assignment – 45%

The major assignment in this course is a cost-benefit analysis.

Topic Proposal: The topic proposal should be no more than 4 double-spaced pages that answer the following questions: What is the topic? How are you going to conduct your research? What economic methodology will you be using? Why is this topic relevant / important to study?

The topic proposal is due by Monday, March 1st @ 3pm via e-mail (jmorga8@uwo.ca). You are welcome to hand in your proposal earlier. Students will receive feedback / approval of their topic by Friday, March 5th.

Final Paper: The final paper should draw upon topics & methods discussed in class. Possible topics will be discussed in class; however, students will be expected to choose a topic that has real-world applicability. As this course runs during the same time that municipal budgets are being presented, debated, and passed; there should be no shortage of relevant topics. Further details will be discussed in class.

Topic Proposal	-	5%	Due March 1 st @ 3pm via e-mail: jmorga8@uwo.ca
Final Paper	-	40%	Due April 15 th

Part II: Cost-Benefit Analysis Presentation – 15%

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 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 a few weeks later.

A draft of your presentation with relevant details should be provided to the discussant for your presentation the day before your presentation (March 24th or 25th). Discussants will be chosen by the instructor.

**In reference to the discussion participation grade. After students complete their presentation, they will respond to questions from their presentation discussants. Those discussants will be graded on the quality of their questions.*

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 in this course 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 14, 15

Friday – January 14 2011

- 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
 - Economics and Microeconomics
- **Section I: Microeconomics: Theories, Concepts, and Tools**
 - Topics covered will include:
 - Concepts: Supply, Demand, Marginal Benefit, Marginal Cost, Opportunity Cost, Equilibrium, Competition, Consumer Surplus, Producer Surplus, Pareto Optimality, Market Failure, Externalities, Public Goods, and Elasticity.

Required Readings – Day 1:

Casper, John. 2008 “Opportunity Cost and the iPhone: Buying an iPhone a Bad Idea?”
Available on the Course Website.

Townley, Peter C. 1997. Chapters 1-4 (Course Text)

Economic and Fiscal Arrangements - Background Readings:

These readings will give you a background on the economic and fiscal realities that local governments face. The information about the common sense revolution and impacts on municipalities is especially relevant given the debt loads of today’s Provincial and Federal Government. Will history repeat itself?

Constitution Act of 1867. Canada. Section VI: Distribution of Legislative Powers S. 91 & 92.
http://laws.justice.gc.ca/eng/Const/3.html#anchorbo-ga:s_91
Please just take a look at Section 91 and 92.

McMillan, Melville. 2003. Municipal Relations with the Federal and Provincial Governments: A Fiscal Perspective. *Available on the Course Website.*

Siegel, David. “Recent Changes in Provincial-Municipal Relations in Ontario: A New Era or Missed Opportunity?” in Young, R. and Leuprecht, C. (eds). 2006. The State of the Federation 2004: Municipal-Federal-Provincial Relations in Canada. McGill-Queen's University Press.
Available at: <http://www.ppm-ppm.ca/publicationssotf04.asp> or on the course website

Saturday – January 15 2011

- **Section II: Microeconomics: Theories, Concepts, and Tools - Continued**
 - Topics covered will include:
 - Theory (Morning)* covering anything leftover concepts from Friday.

- Equilibrium & Optimality (Utility Maximization)
 - Markets & Externalities
 - Game Theory (intro)
 - Rational Choice Theory (short intro)
- Valuation
 - Assigning economic value (methods and examples)
- Valuation Research Assignment
 - Group and Topic Selection
- **AFTERNOON LOCATION:**
 - **London Public Library - Stoney Creek Branch**
 - 920 Sunningdale Road East, London, Ontario
 - At the corner of Adelaide St N & Sunningdale Rd E
 - We will meet there for the Grand Opening Ceremony. Following the speeches we will move to a private room for the afternoon and hear from Library Senior Staff regarding the economics of the new branch and the 2011 London Public Library Budget Submission.

Required Readings – Day 2:

Townley, Peter C. 1997. Chapter 9 (Course Text)

Stony Creek Branch History: <http://www.londonpubliclibrary.ca/locations/stoneycreek#page=page-2>

Weekend 2: February 11, 12

Friday – February 11 2011

- **Valuation Assignment**
- **Guest Speaker: Chief Brad Duncan, London Police Services**
 - Chief Duncan will give insights into LPS Budgeting and the Cost-Benefit considerations contained within it.
- **Section III: Economic Theory & Analysis**
 - Types of Economic Analysis
 - Game Theory (Game Theory Exercise)
 - Thomas Schelling & Game Theory
 - Other methods: Cost-Effectiveness Analysis & Cost-Utility Analysis
 - Cost-Benefit Analysis (into, will continue into Feb 28th)
- Valuation Research Assignment
 - Group Preparation Time

Required Readings:

Schelling, Thomas. Choice and Consequence. Cambridge: Harvard University Press. Read Chapter 10: “What is Game Theory?” only.

Saturday – February 12 2011

- Cost-Benefit Analysis
- Municipal Budgeting
- Guest Speakers
- Valuation Research Assignment
 - Group Presentations & Questions

Required Readings:

Townley, Peter C. 1997. Part III - Chapters 5-8 & 10 (Course Text).

Treasury Board of Canada Secretariat. 2007. Canadian Cost-Benefit Analysis Guide. Government of Canada. <http://www.tbs-sct.gc.ca/ri-qr/documents/gl-ld/analys/analys-eng.pdf>

Weekend 3: March 25, 26

Friday – March 25 2011

- **Section IV: The Economics of Politics: political decision making in Local Governments**
 - Game Theory in Politics
 - Rational Choice Theory (detailed)
 - Median Voter Theory
- Student Presentations
 - Presentations
 - Discussant Questions & Feedback
 - Instructor Feedback

Required Readings:

Readings for this section of the course will be distributed after the first class. We will have a short discussion on what topics are of highest interest to the class for this section and appropriate readings will be made available.

Townley, Peter C. 1997. Part V - Conclusions (Course Text).

Saturday – March 26 2011

- Student Presentations
 - Presentations
 - Discussant Questions & Feedback
 - Instructor Feedback
- Course wrap-up and review
 - Final thoughts and feedback
 - Guest speakers
 - Course content / topics
 - Evaluation
 - Other comments

Required Readings:

None Required.