

**PPA 730-10: Fundamentals of Policy Analysis**  
SOLUTIONS to Introductory problems

**I. Errors in decisionmaking**

In each situation, which common error in analysis or decisionmaking is being committed? For each, give a short explanation or example to support your answer. In some cases, more than one error may be applicable; pick the one that seems most obvious to you.

1. A 1950s RAND Corporation study found that cities with above-average crime rates also tended to have above-average sized police forces. It concluded that crime rates could be lowered by reducing the size of the police force

**Either the association-causation fallacy or the ceteris paribus fallacy is correct.**

**Association-causation: More police are in response to more criminals, who are responsible for the increased crime. Police are associated with crime, but criminals are the ones actually causing it.**

**Ceteris paribus: The conclusion doesn't hold the number of criminals constant. Presumably, a city with more police but the same number of criminals (hence the same level of poverty, education, population, etc.) would have less crime, not more.**

2. Drunk driving offenses have been reduced dramatically in areas that have instituted a policy of setting up roadblocks and randomly stopping motorists. Many say that society is better off as a result of such a policy. If this is true, we should be better off still if police stop and check every motorist every day.

**Fallacy of composition. With the present policy, the cost to the individual is minimal: he or she is very unlikely to be the one stopped. However, the police presence is having a deterrent effect on drunk driving that makes the benefits high. If everyone is stopped every day, the cost will almost certainly be raised above the benefit to the average person.**

3. \$40,000 is too much to pay a police officer, some say: Pay them all \$20,000 instead and you'll be able to hire twice as many on the same budget. This is a good policy because it results in so much greater police protection than before.

**Ignoring secondary effects. You may have twice as many police, but the people attracted to the force may be less capable (because the \$40,000-a-year officers may not be attracted to the lower-paid positions) and more open to corruption.**

4. The city has already purchased the architectural plans for a new convention center downtown. However, an SU economics professor points out that building a concert hall on the site instead would actually generate much more in benefits. The mayor's office decides to go with the convention center anyway, because so much money has already been invested in it.

**Failing to ignore sunk costs. The architectural plans are a cost the city incurs either way. Go with the plan that yields higher benefits.**

5. A local foundation has just given a downtown building to the city. Bureaucratic inefficiency results in its sitting empty for the whole first year, but a city official is quoted as saying that it's no loss to taxpayers because the building was free.

**Ignoring the implicit costs (part of opportunity cost). The city could have rented the building out for a certain income, or gotten some public benefit by using it itself but for the inefficiency. This is a loss to taxpayers who don't get either benefit.**

**II. Resources in production**

*Imagine that your long-term career plan includes the following sequence:*

6. Get an education in public administration. What economic resource are you accumulating?

#### **Human capital**

7. Go out for three or four years and work in local government to get real-world experience. What resource are you providing to the economy?

#### **Labor**

8. Start your own public-sector consultancy. What resource are you providing to the economy?

#### **Enterprise**

9. Buy equipment for your offices. What economic resource are you demanding?

#### **Physical capital**

### **III. Building a policy model**

Build and use a policy model that takes a large, apparently intractable policy problem—the spread of HIV-AIDS—and breaks it into smaller sub-problems to solve.

1. Build the model
  - a. Identify populations (infected, at-risk, non-infected, safe, ...)
  - b. Identify treatment options
  - c. Identify the interactions between populations and treatment options
  - d. Identify the questions raised by each of these interactions (e.g. Should we treat infected immigrants, or deport them? Should we quarantine certain populations? Should we prohibit certain risky behaviors?)
2. Use model
  - a. Specify the information/data you would need to make policies raised by your questions above
  - b. Predict where the most important policy problems are likely to be
  - c. Prioritize the questions and data collection efforts. Which questions do you want to answer first, second, etc.?