BENEFIT-COST ANALYSIS
Syllabus and Reading List
Economics 654/Public Administration 680 Fall 2015
University of Kentucky TR 3:30-4:45pm, BE233

Professor: Glenn Blomquist

Office: Gatton Business and Economics Building 223V
Hours: TR 1:45-3:15pm & 5:00-5:45pm. Other times arranged.
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Course Description: Principles, practices and applications of applied welfare analysis are the content of this course. The basic theory of benefit-cost analysis (BCA) is presented and the relevance of implementation analysis in policy analysis is examined. Applications of benefit-cost analysis are examined.

Prerequisite: Knowledge of economics at the level of ECO/PA 652 is necessary. Familiarity with regression analysis will be helpful.

Grades: Grades will be based on two exams (25 points each), homework (15 points), BCA study critiques (25 points) and class participation (10 points). A curve based on the total of 100 points will be used, but 90 points guarantee an A, 80 a B, and 70 a C. Exam 1 is planned for approximately October 8th. Exam 2 will be given approximately December 3rd. In lieu of a final exam, BCA critiques presentations are planned for the last class or two and the regularly scheduled 2-hour time for the final exam. The scheduled time for the final is 3:30-5:30pm on Tuesday, December 15th in our regular classroom. PhD students will make two presentations in class on topics chosen after consultation. The grade on presentations will be combined with the grade on class participation.

Reading List: Many required readings are chapters in the text. Additional required readings will be available electronically through Blackboard or the UK library.

I. POLICY ANALYSIS AND BENEFIT-COST ANALYSIS

*Chapter 1 “Introduction to Cost-Benefit Analysis”


**II. BENEFIT-COST ANALYSIS, GOVERNMENT FAILURE AND IMPLEMENTATION STRATEGIES**


*Executive Order 12866 Regulatory Planning and Review (1993)
http://www.whitehouse.gov/omb/infereg_default


III. BASICS OF BENEFIT-COST ANALYSIS

*Chapter 2 “Conceptual Foundations of Cost-Benefit Analysis”
*Chapter 3 “Basic Microeconomic Foundations of Cost-Benefit Analysis”
*Chapter 4 “Valuing Benefits and Costs in Primary Markets”
*Chapter 5 “Valuing Benefits and Costs in Secondary Markets”


Haveman, Robert H. and David L. Weimer. “Public Policy Induced Changes in


IV. DISCOUNTING NET BENEFITS

*Chapter 6 “Discounting Benefits and Costs in Future Time Periods”
*Chapter 10 “The Social Discount Rate”


V. RISK AND UNCERTAINTY

*Chapter 7 “Dealing with Uncertainty: Expected Value, Sensitivity Analysis, and the Value of Information”
*Chapter 8 “Option Price and Option Value”


VI. VALUING IMPACTS AND NONMARKET GOODS

*Chapter 13 “Valuing Impact from Observed Behavior: Direct Estimation of Demand Curves”
*Chapter 14 “Valuing Impacts from Observed Behavior: Indirect Market Methods”


*Chapter 9 “Existence Value”
*Chapter 15 “Contingent Valuation: Using Surveys to Elicit Information about Costs and Benefits”


*Chapter 16 “Shadow Prices from Secondary Sources” (Value of Statistical Life ...)


*Chapter 18 “Cost-Effectiveness Analysis” (Cost-Utility Analysis ...)


VII. BEHAVIORAL ECONOMICS AND BENEFIT-COST ANALYSIS


VIII. CRITIQUES OF BENEFIT COST ANALYSES


Presentations will be about 20 minutes. Each study presented will have a discussant.

Additional Rules for the Course:

Excused Absences:
Students need to notify me of absences prior to class when possible. Senate Rule 5.2.4.2 defines the following as acceptable reasons for excused absences: (a) serious illness, (b) illness or death of family member, (c) University-related trips, (d) major religious holidays, and (e) other circumstances found to fit “reasonable cause for nonattendance” by the professor. Students anticipating an absence for a major religious holiday are responsible for notifying the instructor in writing of anticipated absences due to their observance of such holidays no later than the last day in the semester to add a class. Information regarding dates of major religious holidays may be obtained through the religious liaison, Mr. David Beach (859-257-2754). Students are expected to withdraw from the class if more than 20% of the classes scheduled for the semester are missed (excused or unexcused) per university policy.

Verification of Absences:
Students may be asked to verify their absences in order for them to be considered excused. Senate Rule 5.2.4.2 states that faculty have the right to request “appropriate verification” when students claim an excused absence because of illness or death in the family. Appropriate notification of absences due to university-related trips is required prior to the absence.

Academic Integrity:
Per university policy, students shall not plagiarize, cheat, or falsify or misuse academic records. Students are expected to adhere to University policy on cheating and plagiarism in all courses. The minimum penalty for a first offense is a zero on the assignment on which the offense occurred. If the offense is considered severe or the student has other academic offenses on their record, more serious penalties, up to suspension from the university may be imposed. Plagiarism and cheating are serious breaches of academic conduct. Each student is advised to become familiar with the various forms of academic dishonesty as explained in the Code of Student Rights and Responsibilities. Complete information can be found at the following website: http://www.uky.edu/Ombud. A plea
of ignorance is not acceptable as a defense against the charge of academic dishonesty. It is important that you review this information as all ideas borrowed from others need to be properly credited. Part II of Student Rights and Responsibilities (available online http://www.uky.edu/StudentAffairs/Code/part2.html) states that all academic work, written or otherwise, submitted by students to their instructors or other academic supervisors, is expected to be the result of their own thought, research, or self-expression. In cases where students feel unsure about the question of plagiarism involving their own work, they are obliged to consult their instructors on the matter before submission. When students submit work purporting to be their own, but which in any way borrows ideas, organization, wording or anything else from another source without appropriate acknowledgement of the fact, the students are guilty of plagiarism. Plagiarism includes reproducing someone else’s work, whether it be a published article, chapter of a book, a paper from a friend or some file, or something similar to this. Plagiarism also includes the practice of employing or allowing another person to alter or revise the work which a student submits as his/her own, whoever that other person may be.

Students may discuss assignments among themselves or with an instructor or tutor, but when the actual work is done, it must be done by the student, and the student alone. When a student’s assignment involves research in outside sources of information, the student must carefully acknowledge exactly what, where and how he/she employed them. If the words of someone else are used, the student must put quotation marks around the passage in question and add an appropriate indication of its origin. Making simple changes while leaving the organization, content and phraseology intact is plagiaristic. However, nothing in these Rules shall apply to those ideas which are so generally and freely circulated as to be a part of the public domain (Section 6.3.1). Please note: Any assignment you turn in may be submitted to an electronic database to check for plagiarism.

Accommodations due to disability:
If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (725 Rose Street, Multidisciplinary Science Building, Suite 407, 257-2754, email address: dtbeac1@uky.edu) for coordination of campus disability services available to students with disabilities.