

**MEMORIAL UNIVERSITY OF NEWFOUNDLAND
ECONOMICS
(Economics 6012 WINTER 2020-2021)**

Course Name Cost Benefit Analysis

Instructor Roberto Martínez-Espiñeira

E-mail rmartinezesp@mun.ca

Office AA 3087

Tel 864 3676

Website <http://www.ucs.mun.ca/~rmartinezesp> but please refer to your D2L/Brightspace course area

Timetable Mon&Wed **10:45-12:00** pm (and asynchronously) through Brightspace

Classroom D2L Brightspace Online Room

Office hours Online TU&TH 10:30-12:30 or by appointment

1 Textbooks

- **Main textbook:** Boardman, Anthony E., David H. Greenberg, Aidan R. Vining, and David L. Weimer. *Cost-Benefit Analysis: Concepts and Practice*. 5th ed., (Cambridge University Press, Cambridge UK).¹
- Other books you might want to consult: Boadway and Bruce (1984); Hanley and Spash (1993); Layard and Glaister (1994); Nyborg (2012); and Weimer and Vining (2005).
- **Most importantly**, you should keep your favourite Intermediate Microeconomics textbook handy.
- Further references to individual articles are included in Section 11

2 Objectives of the course

- To enhance students' analytical and intellectual skills through the study of Cost Benefit Analysis
- To improve students' knowledge about issues related to Economic Policy and Welfare Economics
- To equip the students with the skills needed to interpret published cost-benefit analysis studies and to provide advise on and conduct and present basic cost-benefit analysis
- To improve students' capacity to critically assess instances of economic policy

¹You can also use any older edition of this book.

3 Expected learning results

At the end of this course, you should be able to:

- understand the principles that inspire Welfare Economics, in particular the normative roots of the notion of economic efficiency
- understand the principles behind the theory of market failure
- interpret empirical cost-benefit analysis studies and communicate the results to stakeholders
- critically assess the advantages and limitations of using cost-benefit analysis to inform public policy
- determine when a cost benefit analysis may be performed in a meaningful way
- perform basic project analyses
- identify limitations in modeling assumptions, data, or political concerns that may compromise the validity of a cost-benefit analysis study

4 Assessment

The final mark for the course comes from the coursework and the final exam (Table 1).

Table 1: Assessment summary

| | date | weight | comments |
|--------------|------------------------|--------|--|
| 2 midterms | WED Week 6 and Week 10 | 45% | Your worst quiz will be 20% and the best one will be 25% |
| Essay | MON Week 12 | 15% | |
| Presentation | Weeks 12 and 13 | 10% | |
| Final exam | TBA | 30% | |

- Midterms will not be individually rescheduled. If you miss one, the weight will be reallocated towards the final exam.
- Late essay submissions will be penalized at the rate of 5% per day.

5 Other policies

- Please e-mail me only from your MUN account
- Make sure you check your e-mail frequently (daily ideally) and the D2l Brightspace course area
- This term you will need to use a computer with video capabilities to complete your exams

6 Department of Economics Regulations:

- Students must follow the MUN calendar for all relevant drop dates and deadlines
- It is not possible to drop a course once a student even sees a final exam or writes the final
- The Economics Department does NOT have Supplementary Exams.

7 Other regulations

Memorial University is committed to facilitating and promoting an accessible, inclusive, and mutually respectful learning environment. Students requiring special accommodation are asked to communicate firstly with the Glenn Roy Blundon Centre (www.mun.ca/blundon) at the earliest opportunity. University policies and procedures pertaining to accommodations for students with disabilities can be found at www.mun.ca/policy/site/policy.php?id=239

8 Academic Honesty and Plagiarism

Plagiarism involves presenting the ideas or works of another as one's own. This applies to all material (essays, reports, term projects, seminar presentations, statistical data, computer programs, research results, theses, etc. . .) Properly acknowledging the use of sources is a required part of scholarship and failing to do so is contrary to accepted norms of academic behaviour. Information on acceptable writing practices is available through the Writing Centre at <http://www.mun.ca/writingcentre>

See also Section 6.12.4 of the University Calendar on Academic Misconduct: <http://www.mun.ca/regoff/calendar/sectionNo=REGS-0748>

9 Conduct of Examinations

Memorial University provides formal instructions for examinations (Calendar 6.8). For all examinations, students must be registered in the course; are permitted only to bring pens, pencils and, only if permitted, other items for the

examination; are not allowed to use communication devices; and may not speak to each other unless part of the examination process. In this course, a student leaving the examination room will not be permitted to return. Please consult before the test with the instructor if you require accommodation regarding this norm. A list of instructions is available online here:

[http://www.mun.ca/regoff/calendar/sectionNo=REGS-0628:](http://www.mun.ca/regoff/calendar/sectionNo=REGS-0628)

Information on required documentation for excused absences is available in Section 6.7.5 of the General Academic Regulations (Undergraduate) in the University Calendar:

<http://www.mun.ca/regoff/calendar/sectionNo=REGS-0601#REGS-1949>

Note: this year, due to the restrictions imposed by the measures to combat COVID19, the specific format of the tests and exams will be announced at a later date. It might involve remote examination tools, including oral online testing.

10 Important Dates to Remember

A list of key dates to remember is available here:

http://www.mun.ca/regoff/2017-2018_University_Diary.pdf

11 Preliminary Course outline and further reading

This document shows the general contents of the course, and the sequence of topics. These will be broken down into a series of lectures for each topic. Chapters refer to the main course textbook. For more detailed and up to date information on the lectures schedule and further reading for each section, consult the on-line *Course Schedule*.

NB: this list of topics is subject to alteration during the term.

1. Introduction to CBA and Welfare Economics. Chapter 1 (Whittington and MacRae 1986; Trumbull 1990; Vining and Weimer, 1992; Landsburg, 1993a, 1993b, 1993c)
2. Conceptual foundations of CBA: Welfare Economics Chapter 2 (Kaldor 1939; Hicks 1940, 1943, 1948; Scitovszky 1941, 1951; Blau 1972; Harberger 1978, 1984; Kelman, 1981; Blackorby and Donaldson 1990; Vining and Weimer 1992; Adler and Posner 1999; Landsburg, 1999; Gowdy, 2004). Also revise the relevant sections of your favourite Microeconomics book.
3. Basic Microeconomic foundations. Chapter 3 (Hicks 1941; Bator 1958; Willig, 1976; Samuelson, 1954, 1955; Posner 1975; Knetsch and Sinden,

- 1984; Knetsch 2010; Hanemann, 1991; Shogren et al., 1994; Becht, 1995; Adler and Posner 1999; Hines 1999; Varian, 2003; List, 2004; Harberger and Just 2012)
4. Valuation of benefits and costs in primary markets. Chapters 5-6 (Tullock, 1967; Nelson,1970,1974; Usher 1987; Wessells, 2002; Sunstein, 2004; Weimer and Vining 2005, Ch. 8)
 5. Valuation of benefits and costs in secondary markets. Chapter 7 (Harberger, 1971)
 6. Existence Values. Chapter 13. (Krutilla, 1967; Kopp 1992; Rosenthal and Nelson 1992; Quiggin 1993; Common et al. 1997; Landsburg, 1999)
 7. Direct Valuation. Chapter 4
 8. Indirect Valuation. Chapter 15. (Englin and Shonkwiler 1995; Douglas and Johnson, 2004; Hagerty and Moeltner, 2005; Martinez-Espineira and Amoako-Tuffour, 2008, 2009; Hynes and Greene 2013; Larson and Lew 2014; Parsons 2014)
 9. Contingent Valuation. Chapter 16. (Arrow et al. 1993; Hanemann, 1994; Nyborg, 2000; Carson et al. 2001; Champ and Bishop, 2006; Akter et al., 2008)
 10. Shadow Prices. Chapter 17 (Becker, 1968; Cesario 1976; Boardman et al., 1997; Hamermesh, 1999; Hammitt 2000; Hensher 2001; Douglas and Johnson, 2004; Viscusi 2008; Wijnen et al. 2009; Andersson and Treich 2011; Amoako-Tuffour and Martínez-Espiñeira 2012)
 11. Cost-Effectiveness Analysis. Chapter 18. (Wijnen et al. 2009)

References

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