

Version: January 8, 2014

Intended to be the final version: please bring any inconsistencies to my attention ASAP

UNIVERSITY OF OREGON
Program in Environmental Studies

Winter 2014

ENVS 335 – Allocating Scarce Environmental Resources

Lectures: M,W 10:00-11:50 am, Knight Library 101 (capacity: 80) CRN: 23469

Credits: 4

Midterm Exams: during first hour of lecture, **Wednesday, January 29, 2014** and **Wednesday, February 19, 2014**

Final Exam: 10:15 am-12:15 pm Tuesday, March 18, 2014 (no student may take the final *prior* to its scheduled time, so plan any spring break travel accordingly)

Grading options: Graded, for Majors; optional for all other students

Instructor: Trudy Ann Cameron

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(office hours: Tu, Th, 2:00-3:20 pm, and by appointment, although schedule may be revised if this presents too many conflicts for the majority of registered students)

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GTF: Sonja Kolstoe, Ph.D. student, ESSP

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Brief Course Description:

Considerations for the design of environmental and natural resources policies and regulations: balancing society's preferences and the costs of environmental protection and resource conservation.

Expanded Course Description:

Earth does not have enough resources to permit humans to have as much of everything as they might want. For better or worse, we are the dominant species; other species currently have standing only insofar as humans care about them. In this capacity, we must often make difficult choices about how the earth's environmental and natural resources are managed. For example, forests can be preserved in their natural state, harvested selectively and sustainably, clear-cut, or turned into farms,

housing developments or shopping malls. Lax pollution regulations can permit industry to prosper, allowing higher wages, lower consumer prices and bigger investment returns for people who are saving for their retirements, or pollution can be tightly controlled to improve human health outcomes and protect ecological systems and their services.

Different constituencies have different levels of desire for each of the range of possible management outcomes. The benefits or costs to individual humans under different management scenarios may be modest but widespread, or they may be large and concentrated among fewer people. The benefits may also accrue to very different groups of people than those who bear the costs. There are often benefits and costs from the way resources are managed that spill over onto third parties—who are not directly involved in the decisions that have been made and who therefore do not have any weight given to their preferences in these choices. Likewise, many resources belong to everyone but no one, and sustainable management is often fundamentally impossible without government intervention in the form of policies and regulations.

We will explore how environmental and natural resource management decisions are made. Given that we need to use at least some natural resources to survive, it is not possible to completely eliminate all mining, fishing, or logging. Likewise, it is not possible to reduce all forms of pollution to zero. But how much of each of these activities is too much? We will examine some pragmatic criteria and some evidence which can be used to help guide decision-makers who are responsible for setting policies and regulations. We will pay particular attention to circumstances when government intervention is essential because private incentives definitely cannot be relied upon to yield socially desirable outcomes.

Position of this course in the UO curriculum:

Environmental Studies majors sometimes have little prior exposure to the principles behind incentive-based strategies for environmental management via government policies and regulations. The academic discipline of economics concerns the allocation of scarce resources among competing uses. But many people with little or no exposure to the discipline tend to confuse economics with some of the behaviors that economists study. Environmentalists often do not distinguish between economists and the owners/managers of profit-maximizing corporations (who are perceived to ignore environmental damages because they only care about the "bottom line"). This is like rejecting the field of criminology because you are opposed to crime.

A basic familiarity with economics is crucial to an understanding of environmental and natural resource policies. However, introductory courses in economics rarely spend more than one or two lectures on applications to the environment or natural resources, and they are designed primarily to equip students with all of the analytical tools needed to continue in the economics major. While EC 333 (Resource and Environmental Economic Issues) is offered at least once each year at the University

of Oregon, EC 333 has EC 201 (Introduction to Economic Analysis: Microeconomics) as a prerequisite, and it is taught at a more analytically rigorous level. This course (ENVS 335) is targeted specifically to ENVS majors and covers only the most-relevant material from EC 201 and a portion of the more-accessible material from EC 333, supplemented with policy-related readings and references to current events. This course is intended to function as “just enough economics” for the ENVS undergraduate major. It is not a substitute for EC 201.

Necessary skills:

The course will require no algebra and no calculus. However, it will be important to have a rudimentary understanding of simple graphs and how they can be used to describe how one thing depends on another. For a graph that shows the relationship between y on the vertical axis and x on the horizontal axis, participants will need to be comfortable with the idea that slope = rise/run = the change in y for a one-unit change in x .

Expected learning outcomes:

Upon successful completion of this course, students should be able to (use the language of economics and any relevant economic models/graphs to):

- Explain the differences in philosophical perspectives between environmental economists and specialists in other related disciplines;
- Explain how the tradeoffs involved in policy decisions about environmental assets depend on people’s patience/impatience and their attitudes towards risk;
- Explain the conflicts between the goals of “efficient” allocation and “equitable” allocations, given how economists define the concepts of efficiency and equity;
- Explain the economic arguments for why benefit-cost analysis is prudent and can be used to inform (but not to dictate) environmental policy decisions;
- Explain how economists measure both the costs of environmental regulation and the benefits of environmental regulation, and how the economic concepts of “costs” and “benefits” differ from the way they are understood in other specialties;
- Explain a number of techniques that economists can use to measure environmental benefits in equivalent money terms, so that benefits can be compared to costs in formal benefit-cost analyses used for “evidence-based policymaking”;
- Explain the distinction between “revealed preference” data and “stated preference” data, including when and why one type might be preferred over the other;

- Explain how *human health* benefits from environmental policies (reduced morbidity/mortality) can be measured and quantified in dollar-denominated terms;
- Explain why it is challenging to manage publicly held exhaustible resources, such as minerals or fossil fuels, for the maximum benefit to society both now and in the future;
- Explain the unique management problems posed by renewable resources such as fish or trees, and how these problems differ from those in most agriculture;
- Explain the advantages and disadvantages of different options for “market-based” management of environmental resources, such as catch shares for fisheries or sulfur allowances or carbon taxes, etc., and demonstrate a full understanding of how these can be used to manage resource use or pollution emissions while reducing information requirements for regulators;
- Explain the extent to which “property rights” and the legal system can be relied upon to help us achieve efficient allocations of environmental goods;
- Explain some of the history of the use of alternative environmental management methods (including command-and-control, liability, and market-based methods) and demonstrate an understanding of how these methods can be expected to perform both now and in the future, under different conditions;
- Explain some of the particular challenges presented by the problem of managing mobile-source emissions, and outline market-based methods that have been proposed for these cases (and explain some distortions produced by the incentives embodied in existing mobile-source regulations);
- Explain “environmental justice/equity” from an economic perspective, and how economic assessments may differ from the approaches taken in related disciplines; etc.

Textbooks/Readings:

In past years, I have used a course reader with appropriate chapters drawn from several different texts. Recently, I have switched to the following text, if only because this allows greater consistency across topics. I will supplement, as needed, with additional materials posted to Blackboard.

Keohane, Nathaniel O. and Sheila M. Olmstead (2007) *Markets and the Environment*, Washington, DC.: Island Press.

If you are curious to see alternative treatments of similar material at different levels, you might consider some of the following sources, from which I have drawn material in previous years. I will provide on Blackboard roughly the same alternative readings I offered last year.

- Field, Barry C. (2008) *Natural Resource Economics: An Introduction*, 2nd edition, Long Grove, Illinois: Waveland Press.
- Field, Barry C. and Martha K. Field (2009) *Environmental Economics: An Introduction*, 2nd edition, New York: Irwin/McGraw-Hill
- Goodstein, Eban (2005) *Economics and the Environment*, 4th edition, John Wiley & Sons
- Stavins, Robert N (ed.) (2005) *Economics of the Environment: Selected Readings*, 5th edition, New York: W.W. Norton and Company
- Champ, Patricia A., Kevin J. Boyle, and Thomas C. Brown (eds) (2003) *A Primer on Nonmarket Valuation*, Dordrecht, Netherlands: Kluwer Academic Publishers.

Links to required and recommended readings outside of our main textbook have been placed on Blackboard (Bb) under “Additional Readings” currently filed under Course Documents. These readings can also be accessed directly via UO’s digital subscriptions for the corresponding journals. Selected newspaper “clippings” on relevant current events will sometimes be archived (only for the duration of the course) on Blackboard. Relevant items for specific lecture topics will be drawn to your attention as we go along.

Required readings will be targeted to average roughly 60 pages per week of relatively straightforward prose. See the Student Engagement Inventory at the end of this syllabus.

Tentative course outline, roughly by week:

Topics may be substituted or supplemented according to student demand, at the discretion of the instructor. I’m sorry that the “week” structure of the course is disrupted by the MLK Jr. holiday. Rather than dropping a lecture, or rearranging the material in some awkward fashion, our “week” will switch to Wednesday through Tuesday after the holiday.

“WEEK”

1. [Lectures 1 and 2, January 6 and 8, 2014]
A smattering of philosophy; idealism vs. pragmatism; humans as the dominant species (for better or worse); how can we measure what humans *are willing to give up* for improved or preserved environmental quality? What about natural human impatience and discounting the future?
[Problem Set #1 will be handed out during the lecture on January 8 and will be due on Jan. 15; 6 ²/3 % of course grade]
 - a. Carver, Thomas N. (1920) “Wealth and Well-Being” Chapter II in *Elementary Economics*. Boston: Ginn and Company; p. 8-15, especially p. 8-9 {motivation for the title of Adam Smith’s 1776 *Wealth of Nations*} [2 pages in Blackboard (Bb)]

- b. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Preface,” and “Introduction” Chapter 1 [10 pages, Text]**
- c. Fullerton, Don, and Robert Stavins (1998) “How economists see the environment,” *Nature*, 395, p. 433-434 [2 pages Bb]
- d. Roughgarden, J. (2001) “Guide to Diplomatic Relations with Economists,” *Bulletin of the Ecological Society of America*, 82, p. 85-88. {An ecologist explains economists} [4 pages Bb]
- e. Goulder, Lawrence H. and Robert N. Stavins (2002) “Discounting: An Eye on the Future,” *Nature* (419) p. 673-674. [2 pages Bb]
- f. Hackett, Steven C. (1998) *Environmental and Natural Resources Economics: Theory, Policy, and the Sustainable Society*. Armonk, NY: M.E. Sharpe. Chapter 2: “Value Systems and Economic Systems,” p. 17-31 {alternative philosophical frameworks} [16 pages Bb]
- g. **OPTIONAL ALTERNATIVE:** Grafton, R. Quentin and John C.V. Pezzey (2005) “Economics of the Environment,” Chapter 4 in *Understanding the Environment: Bridging the disciplinary divides*, R. Quentin Grafton, Libby Robin and Robert J. Wasson (eds.) Sydney, Australia: UNSW Press. p. 40-56 {a partial substitute for Jaeger reading below} [17 pages Bb].
- h. **OPTIONAL ALTERNATIVE:** Jaeger, William K. (2005) “Economic Analysis in Brief,” Chapter 1 in *Environmental Economics: for tree huggers and other skeptics*. Washington: Island Press. p. 1-13 {a partial substitute for the Grafton reading above} [13 pages Bb].

2. [Lectures 3 and 4, January 13 and 15, 2014]
How can we measure what humans *would have to give up* for improved or preserved environmental quality? Engineering costs versus other considerations; principles of welfare assessment; arguments for and against the use of formal benefit-cost analysis as an input to environmental decision-making; environmental regulation in practice in the U.S.; the safety standards, cost-effectiveness, efficiency
[Problem Set #2 will be handed out on January 15 and will be due on Jan. 22; 6 ²/3 % of course grade]

- a. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Economic Efficiency and Environmental Protection,” Chapter 2 [20 pages-Text]**
- b. Goodstein, Eban S. (2005) “Measuring the Costs of Environmental Protection,” Chapter 9.0-9.4, 9.6 in *Economics and the Environment*, 4e, John Wiley & Sons. p. 164-179, 184-185. [18 pages Bb]
- c. Palmer, Karen, Wallace E. Oates, and Paul R. Portney (1995) “Tightening Environmental Standards: The Benefit-Cost or the

- No-Cost Paradigm?" *Journal of Economic Perspectives*, 9(4): 119-132. [34 pages Bb]
- d. Arrow, Kenneth J, Maureen L. Cropper, George C. Eads, Robert W. Hahn, Lester B. Lave, Roger G. Noll, Paul R. Portney, Milton Russell, Richard Schmalensee, V. Kerry Smith, Robert N. Stavins (1996) "Is There a Role for Benefit-Cost Analysis in Environmental, Health, and Safety Regulation?" *Science* (272) p. 221-222 (April 12). [2 pages Bb]
 - e. Goodstein, Eban (2005) "The Efficiency Standard," Chapter 4 in *Economics and the Environment*," 4e, John Wiley & Sons, p. 49-65 [17 pages Bb]
 - f. Goodstein, Eban (2005) "The Safety Standard," Chapter 5 in *Economics and the Environment*," 4e, John Wiley & Sons, p. 66-82 [17 pages Bb]
 - g. *OPTIONAL*: Kelman, Steven (1981) "Cost-Benefit Analysis: An Ethical Critique," AEI Journal on Government and Society Regulation Jan/Feb, p. 33-40, replies in Mar/Apr, reprinted as Chapter 14 in Robert N. Stavins (ed.) *Economics of the Environment: Selected Readings*, p. 260-275 including replies [16 pages Bb]
 - h. *OPTIONAL*: U.S. Environmental Protection Agency, Guidelines for Preparing Economic Analyses, December 17, 2010. {This is a huge document, 272 pages; for now, just *browse* the Table of Contents, p. i-v, to understand scope of benefit-cost analyses } [5 pages Bb]
3. [Lectures 5 and 6, January 22 and 27, 2014]
What costs are we willing to incur to protect ecological systems and their services? Travel cost methods, property value methods, survey-based methods; the challenges of heterogeneous resources; how *welfare* assessment differs from *impact* assessment. [Material up to the end of the lecture and readings for January 22 will be eligible for inclusion on the first Midterm, which will be on January 29]
Review session: Monday, January 27, 5-7 pm; location TBA
 - a. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) "The Benefits and Costs of Environmental Protection," Chapter 3 [23 pages-Text]**
 - b. Carson, Richard T. (2000) "Contingent Valuation: A User's Guide," *Environmental Science and Technology* (34) p. 1413-1418. [6 pages Bb]
 - c. Dickie, Mark (2003) "Defensive Behavior and Damage Cost Methods," Chapter 11 in Patricia A Champ, Kevin J. Boyle, and Thomas C. Brown (eds) *A Primer on Nonmarket Valuation*, Dordrecht, Netherlands: Kluwer Academic Publishers. {section 1, 3.1-3.2, 3.6; 4-6 (Cost-of-illness method) } [21 pages-Pending]
 - d. *OPTIONAL: (Application)* Carson, Richard T., Robert C. Mitchell, Michael Hanemann, Raymond J. Kopp, Stanley Presser, Paul A. Ruud (2003) "Contingent Valuation and Lost Passive Use: Damages from the Exxon Valdez Oil Spill," *Environmental and Resource Economics* 25, p. 257-286 [30 pages Bb]
 - e. *OPTIONAL: (Application)* A rather thorough example of a consulting report prepared by Cesar Environmental Economics Consulting (a company described on the website of the Coral Reef Alliance: <http://www.coral.org/node/1520>). Cesar, Herman S.J. "Coral Reefs: Their Functions, Threats and Economic Value" [26 pages, Bb]
 - f. *OPTIONAL: (Public understanding)* Fiona Harvey, "UK green spaces worth at least 30 billion pounds a year in health and welfare, report finds," *The Guardian*, 2 June 2011. (including public commentary on this article) [2 page article, many pages of public comments, Bb]
 - g. *OPTIONAL: (Interdisciplinarity)* Polasky, S., and K. Segerson (2009) Integrating Ecology and Economics in the Study of Ecosystem Services: Some Lessons Learned, vol. 1. Palo Alto, *Annual Review of Resource Economics*, pp. 409-434 [26 pages, Bb awaiting availability]
 - h. *OPTIONAL ALTERNATIVE*: Parsons, George R. (2003) "The Travel Cost Model," Chapter 9.1-9.2 in Patricia A Champ, Kevin J. Boyle, and Thomas C. Brown (eds) *A Primer on Nonmarket Valuation*, Dordrecht, Netherlands: Kluwer Academic Publishers. p. 269-296. {just skim the more-technical details in section 2.2.8: Estimate the Model, and section 2.2.9: Calculate Access Value } [27 pages-Pending]
 - i. *OPTIONAL ALTERNATIVE*: Taylor, Laura O. (2003) "The Hedonic Method," Chapter 10 in Patricia A Champ, Kevin J. Boyle, and Thomas C. Brown (eds) *A Primer on Nonmarket Valuation*, Dordrecht, Netherlands: Kluwer Academic Publishers. Sections 1, 2.0 (skip 2.1), 3, 3.1-3.3, the words in section 4, skim section 6 (VSL estimation), read section 7. [about 30 pages-Pending]
 4. [Lectures 7 and 8, January 29 and February 3, 2014]
Valuation of human health risks. What costs are we willing to incur due to regulations designed to reduce *risks* to human life and health? Hazard pay for dangerous jobs, expenditures to avoid or avert health effects, survey methods; differences by type of risk and characteristics of the affected population; why life insurance and health insurance premiums don't tell us what we need to know.

Midterm 1 (January 29, 2014, starting at 10:00 pm sharp; 20% of course grade) – one hour long (rather than a full class period), due to MLK holiday, this exam will cover material only to the end of the lecture on January 22 (lecture 5); exam will take first half of the lecture period.

- a. Hammitt, James K. (2000) “Valuing Mortality Risk: Theory and Practice,” *Environmental Science and Technology* 34, p.1396-1400. [5 pages Bb]
 - b. U.S. EPA (2010) *Guidelines for Preparing Economic Analyses*, Appendix B: Mortality Risk Valuation Estimates, p. B1-B6 [6 pages Bb]
 - c. Dickie, Mark and John List (2006) “Economic Valuation of Health for Environmental Policy: Comparing Alternative Approaches. Introduction and Overview,” *Environmental and Resource Economics* 34, p.339-346. {overview of papers in a special issue on this topic; VSL versus QALYs} [7 pages Bb]
 - d. Cameron, Trudy Ann (2010) “Euthanizing the Value of a Statistical Life,” *Review of Environmental Economics and Policy* 4(2), 161-178. {A case for changing the misleading terminology used by economists} Browse the supplementary material (quotes) associated with this article [18 pages Bb].
 - e. Johnson, F. R. (2011) “Why Not Real Economics?,” *Pharmacoeconomics*, 5 pp.
 - f. Cameron, Trudy Ann (2013) “Valuing Morbidity for Environmental Benefit-Cost Analysis,” solicited for *Annual Review of Resource Economics*; under review.
 - g. *OPTIONAL: (Application of environmental valuation measurements)* Muller, N. Z., R. Mendelsohn, and W. Nordhaus (2011) “Environmental Accounting for Pollution in the United States Economy,” *American Economic Review*, 101 (5), 1649-1675 [27 pages; concentrate on the non-technical portions]
5. [Lectures 9 and 10, February 5 and 10, 2014]
Managing exhaustible resources; incentives for management of privately owned mines or wells and for mining or drilling operations on public lands; property rights and the fact that extracting and using a ton of ore (drum of oil) now means it won’t be there later when you might need it more; the rationale for royalty payments, stumpage charges. **[Problem Set #3 will be handed out on February 5 and will be due on February 12; 6 2/3 % of course grade]**
 - a. Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Managing Stocks: Natural Resources as Capital Assets,” **Chapter 6 [24 pages-Text]**
 - b. *OPTIONAL ALTERNATIVE:* Field, Barry C. (2008) *Natural Resource Economics: An Introduction*, 2nd edition, Long Grove, Illinois: Waveland Press, Chapter 10: Mineral Economics, p. 169-192 [23 pages-Pending]
 - c. *OPTIONAL ALTERNATIVE:* Field, Barry C. (2008) *Natural Resource Economics: An Introduction*, 2nd edition, Long Grove, Illinois: Waveland Press, Chapter 11: Energy, 193-218 [25 pages-Pending]
 - d. *OPTIONAL: Rogers, H. (2011) “Shale gas-the unfolding story,” *Oxford Review of Economic Policy*, 27 (1), 117-143. {A lot of institutional information and recent history, but not so much on economic methodologies; supply of unconventional natural gas. See especially “Introduction” p. 117-119; “Potential constraints...” p. 129-133} [7 pages, Bb]*
6. [Lectures 11 and 12, February 12 and 17, 2014]
Managing renewable but depletable resources which are spatially fixed; commercial exploitation of forests; slash-and-burn; silviculture and forests as crops; multiple-use management and non-timber values of forests
Review session: Monday, February 17, 5-7 pm; location TBA
 - a. Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Stocks that Grow: The Economics of Renewable Resource Management,” **Chapter 7, p. 98-110 [27 pages-Text]**
 - b. *OPTIONAL ALTERNATIVE:* Field, Barry C. (2008) *Natural Resource Economics: An Introduction*, 2nd edition, Long Grove, Illinois: Waveland Press, Chapter 12: Forest Economics, p. 219-238 [20 pages-Pending]
 - c. *OPTIONAL: Chiabai, A., C. M. Travisi, A. Markandya, H. Ding, and P. Nunes (2011) “Economic Assessment of Forest Ecosystem Services Losses: Cost of Policy Inaction,” *Environmental & Resource Economics*, 50 (3), 405-445 [40 pages Bb]*
 - d. *OPTIONAL: Mercer, D. E., D. Cooley, and K. Hamilton. (2011) “Taking Stock: Payments for Forest Ecosystem Services in the United States.” *Forest Trends/Ecosystem Marketplace*; U.S. Department of Agriculture, Forest Service. {Executive Summary, Introduction, Methodology and Data; Conclusions, pages iv-6; 35-36; just browse remainder} [7 pages Bb]*
 7. [Lectures 13 and 14, February 19 and 24, 2014]
Managing renewable but depletable and often open-access resources: commercial and recreational fisheries; wild fisheries, mariculture and aquaculture; maximum sustained yield versus efficient management versus free-for-all exploitation; high-grading, by-catch, costly enforcement; gear

restrictions, taxes on fishing effort, individual transferable quotas (ITQs), individual transferable share quotas (ITSQs);

Environmental equity from an economic perspective (overview; distributional consequences of environmental regulations).

Midterm 2 (February 19, 2014, starting at 10:00 am sharp; 20% of course grade) – one hour long (rather than a full class period), Covering material to end of the lecture on Wednesday, February 12 (lecture 11); exam will take first half of the lecture period.

- a. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Stocks that Grow: The Economics of Renewable Resource Management,” Chapter 7, p. 111-124 [14 pages-Text]**
- b. *OPTIONAL ALTERNATIVE*: Field, Barry C. (2008) *Natural Resource Economics: An Introduction*, 2nd edition, Long Grove, Illinois: Waveland Press, Chapter 13: Marine Resources, p. 239-260 [21 pages-Pending]
- c. Grafton, R. Q., R. Arnason, T. Bjorndal, D. Campbell, H. F. Campbell, C. W. Clark, R. Connor, D. Dupont, R. Hannesson, R. Hilborn, J. E. Kirkley, T. Kompas, D. E. Lane, G. R. Munro, S. Pascoe, D. Squires, S. I. Stenshamn, B. R. Turriss & Q. Weninger (2006) “Incentive-based approaches to sustainable fisheries,” *Canadian Journal of Fisheries and Aquatic Sciences*, **63**, 699-710. [12 pages Bb]
- d. Costello, Christopher, Steven D. Gaines, and John Lynham (2008) “Can Catch Shares Prevent Fisheries Collapse?” *Science* 321, 1678-1681. [4 pages Bb]
- e. Heal, Geoffrey, and Wolfram Schlenker (2008) “Sustainable Fisheries,” *Nature* 455, 23 October, 1044-1045. [2 pages Bb]
- f. Wolverton, A. (2009) “Effects of Socio-Economic and Input-Related Factors on Polluting Plants' Location Decisions,” *BE Journal of Economic Analysis & Policy*, **9** (1) {Sections 1 and 2, p.1-8, Conclusions, p. 27} [9 pages Bb]
- g. *OPTIONAL*: Smith, Martin D., Frank Asche, Antle G. Guttormsen, Jonathan B. Weiner (2010) “Genetically Modified Salmon and Full Impact Assessment,” *Science* 330,1052-1053 [2 pages Bb]
- h. *OPTIONAL*: National Ocean Economics Program non-market values inventory [website, Bb]
- i. *OPTIONAL*: Maguire, Kelly, and Glenn Sheriff (2011) “Comparing Distributions of Environmental Outcomes for Regulatory Environmental Justice Analysis,” *International Journal of Environmental Research and Public Health*, **8** (5), 1707-1726 [20 pages, Bb]

8. [Lectures 15 and 16, February 26 and March 3, 2014]

Managing pollution: external costs; legal rights and the potential for negotiated solutions; liability; why compensatory damages in natural resources lawsuits don't necessarily tell us what we need to know; getting the most “bang for the buck” in efforts to clean up the environment; command-and-control methods, green taxes (and the potential for a double dividend).

[Problem Set #4 will be handed out on February 26 and will be due on March 5; 6 ²/3 % of course grade]

- a. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Principles of Market-Based Environmental Policy,” Chapter 8, p. 125-152 [28 pages-Text]**
 - b. *OPTIONAL ALTERNATIVE* : Field, Barry C. and Martha K. Field (2009) *Environmental Economics: An Introduction*, Chapter 10 “Decentralized Policies: Liability Laws, Property Rights, Voluntary Action,” p. 194-211. [17 pages-Pending]
 - c. *OPTIONAL ALTERNATIVE* : Field, Barry C. and Martha K. Field (2009) *Environmental Economics: An Introduction*, Chapter 11 “Command-and-Control Strategies: The Case of Standards,” p. 212-231. [20 pages-Pending]
 - d. *OPTIONAL ALTERNATIVE* : Field, Barry C. and Martha K. Field (2009) *Environmental Economics: An Introduction*, Chapter 12 “Incentive-Based Strategies: Emission Charges and Subsidies,” p. 232-254. [19 pages-Pending]
 - e. *OPTIONAL ALTERNATIVE* : Goodstein, Eban S. (2005) “Measuring the Costs of Environmental Protection,” Chapter 9.5 in *Economics and the Environment*,” 4e, John Wiley & Sons. p. 179-183 {remainder of chapter above: the double dividend} [5 pages-Pending].
9. [Lectures 17 and 18, March 5 and 10, 2013] Managing stationary sources of pollution; tradable permits (e.g. cap-and-trade), emissions permits versus ambient permits; emission reduction credits; the sulfur allowance program to control acid rain; the RECLAIM program in Los Angeles; carbon trading.
- a. **Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “The Case for Market-Based Instruments in the Real World,” Chapter 9, p. 153-181 [28 pages-Text]**
 - b. Keohane, Nathaniel O. and Sheila M. Olmstead (2007) “Market-Based Instruments in Practice,” Chapter 10, p. 182-206 [24 pages-Text]
 - c. Sandel, Michael J. (1997) “It’s Immoral to Buy the Right to Pollute,” editorial in the *New York Times*, December 15, p. A29, and replies printed December 17, 1997. Reprinted as Chapter 18

in Robert N. Stavins (ed.) *Economics of the Environment: Selected Readings*, p. 355-358 including replies. [4 pages-Pending]

- d. Stavins, Robert N. (2008) "A Meaningful U.S. Cap-and-Trade System to Address Climate Change," *Harvard Environmental Law Review* 32(2), 293-371. {especially Section 1, p. 293-305, Section 5, p. 353-357 (common objections and responses), Appendix, p. 359-371 (more details on past and current examples of cap-and-trade mechanisms) [30 pages Bb]}
 - e. *OPTIONAL ALTERNATIVE*: Field, Barry C. and Martha K. Field (2009) *Environmental Economics: An Introduction*, Chapter 13 "Incentive-Based Strategies: Transferable Discharge Permits," p. 255-271. [17 pages-Pending]
 - f. *OPTIONAL*: Stavins climate policy blog: <http://belfercenter.ksg.harvard.edu/analysis/stavins/>
 - g. *OPTIONAL*: Stavins, Robert N. (2008) "A Meaningful U.S. Cap-and-Trade System to Address Climate Change," *Harvard Environmental Law Review* 32(2), 293-371. {the actual proposal} p. 305-353. [48 pages Bb]}
10. [Lecture 19, March 12, 2014] Managing mobile sources of pollution; why vehicle-miles travelled tend to be greater than socially optimal; CAFE standards; fuel economy versus safety arguments; emissions standards; MTBE, ethanol, biofuels and unintended consequences. Environmental justice issues.
- a. Anas, A., and R. Lindsey (2011) "Reducing Urban Road Transportation Externalities: Road Pricing in Theory and in Practice," *Review of Environmental Economics and Policy*, 5 (1), 66-88. [22 pages Bb]
 - b. Anderson, S. T., I. W. H. Parry, J. M. Sallee, and C. Fischer (2011) "Automobile Fuel Economy Standards: Impacts, Efficiency, and Alternatives," *Review of Environmental Economics and Policy*, 5 (1), 89-108. [20 pages, Bb]

Final Exam: 10:15 am-12:15 pm Tuesday, March 18, 2014; 40% of course grade) – 2 hours long; about 1:20 on material from February 19 through March 12; about 0:20 on material from January 8 through January 27, and about 0:20 on material from January 29 through February 17.

Requirements and Grading:

Best 3 of 4 homework sets @ 6 ² / ₃ %	= 20%
Two in-class midterms @ 20%	= 40%
Final exam	= 40%

	100%

Homeworks must be turned in when they are due. In lieu of make-ups for missed assignments, we will automatically drop your single lowest score, which may include zeros for missing or late assignments. However, if you receive a zero grade on a homework due to a violation of academic integrity, you may not drop that zero.

Classroom exams are closed-book. It may take us up to one week to complete the grading process. Exams must be written as scheduled. There will be no make-up midterm exams; with a legitimate documented excuse, scores on the other course requirements will be reweighted. **No one may write an exam prior to its scheduled time. Please plan accordingly for any travel over the quarter break.**

In a sufficiently large introductory class at the 300 level where students display a typical distribution of effort levels, I generally try to respect the Department of Economics guidelines of roughly 55% A's and B's, although I will check with ENV5 to determine their current guidelines. I reserve the grade of A+ for distinctly exceptional performance relative to the rest of the class and I have rarely given more than one or two such grades in any class, regardless of size. Unfortunately, a few students typically earn rather low grades, too, in some cases because they underestimate the amount of attention the course requires. As an economist, however, I am entirely sympathetic that students have many different demands on their time, and different priorities for this class relative to their other coursework. To a certain extent, I view course grades as reflective of the amount of time and effort that students have decided to devote to the course, in whatever manner is optimal for them personally. Remember that help is available during office hours or by appointment with either the GTF or the professor.

My grading rubric is generally as follows:

- A = shows strong understanding of almost all of the big ideas introduced in the course (although these students might not have picked up on every one of the more esoteric points)
- B = shows good understanding of a majority of the biggest ideas in the course, but may display some gaps in understanding for a few of them
- C = shows good understanding of some ideas, but reveals a worrisome cause for concern about their understanding of other ideas
- F = relatively little evidence that enrollment in the course has produced much value-added in terms of the student's understanding of the issues; inability to invoke the ideas introduced in the course in the relevant contexts.

Student Engagement Inventory

It comes as a surprise to some students, but at UO, “student engagement” hours must total 120 hours per term for a 4-credit course. This means that for the median UO student, there is an expectation that to succeed in a 4-credit course, you should be able to devote an average of 12 hours per week to the material. That is 8 hours each week outside of your attendance at lectures. (Remember that only 50% of UO students are above the median, by definition. Weaker students may need to spend more time on the material.)

Activity	Elaboration	Expected Hours
Course attendance	Verified periodically (i.e. when exams and/or homework sets are not collected during lectures on days when they are returned)	40 hours (~4 hours per week)
Assigned readings	Textbook, Blackboard-archived items and journal articles; news items; supplementary instructor notes	60 hours (~6 hours per week)
Homework sets	Mixed formats: short answers (up to a couple of paragraphs, relevant diagrams); non-trivial multiple choice questions to conserve on grading hours	20 hours (~5 hours for each of four assignments)

Academic honesty

Our associate dean has encouraged faculty to be very specific about expectations of academic honesty and fairness, as well as exam-room policies. All of the written work you turn in for credit must be your own. If we detect plagiarism in homeworks or cheating on exams, we will pursue penalties to the full extent of the university’s codes of academic conduct. If you are stuck on a homework problem, you are permitted to talk over the problem with classmates, the professor and/or GTF, although the professor and GTF will expect you to have first figured out what it is that you don’t understand. You may not simply come to office hours to have us do your homework for you. You must write up your answers *independently*. Be prepared to show ID at quizzes and exams. The standard rules for exams include:

- Multiple exam versions will be employed and different seating is to be expected on exam days, compared to regular lectures.
- If necessary, take a minute to use the restroom before you receive the midterm or final exam. In the past, we have occasionally discovered copies

of the course text or lecture notes in local restrooms. Local restrooms will be checked. No more than one person will be permitted to visit a restroom at the same time.

- No one will be permitted to leave the exam room during the first 20 minutes, and no one arriving after the first person has left will be permitted to take the regular exam.
- Electronics off and away (phones, calculators, etc.).
- No brimmed hats or sunglasses (or wear them backwards so we can see your eyes).
- Bags and back-packs must be closed and stored out of the aisles and walkways so proctors can patrol the room quietly without disturbing anyone.
- We will occasionally ask people to move to a more open seat. This does not imply a suspicion of cheating. It is an effort to reduce the appearance of opportunities to cheat that may create resentment or a perception of unfairness on the part of other students.
- The best way to minimize any perception that you might be cheating is to choose a seat on exam days that is as far away as possible from your friends and/or *usual* seat-mates.
- If you are suspected of cheating on an exam—e.g. observed to be talking to your neighbors, looking at your phone or other electronics, viewing another person’s exam paper or any other unauthorized materials, or displaying your answers to someone else, etc.—you will be asked to cease this activity immediately, but you will be permitted to finish writing the exam. However, your exam paper will be confiscated when “time” is called and you will be informed that proceedings will be initiated against you.
- Dependence on electronic translators is strongly discouraged. Since proctors are not likely to be able to read what students are displaying on the screens of these devices, there is no way to reassure other students that no cheating is taking place. If you do not understand the meaning of a word or expression on an exam, feel free to ask. Definitions will be written on the board or explained to the entire class, as deemed necessary by exam proctors.
- Headphones with any kind of electronic input are prohibited, but unconnected noise-cancelling headphones or noise-reducing ear protectors are permitted, if these help you minimize distractions during exams.
- Not classed as dishonesty, but if you have a cough or a cold, please be considerate of your neighbors and bring tissues or cough suppressants as needed. Your symptoms will certainly bother you, but they will also have negative externalities for those around you. If your neighbor is inflicting any kind of negative externalities upon you, or if you feel that they are attempting to read your exam paper, feel free to ask to be reseated to another open seat. You are not required to suffer from somebody else’s symptoms or other noisy/distressing behavior for the entire exam period.