



COLLEGE OF MANAGEMENT AND ECONOMICS
Department of Economics and Finance

ECON*4930 ENVIRONMENTAL ECONOMICS WINTER 2012



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My university web site: uoguelph.ca/~rmckitri/ross.html

A much more interesting web site: rossmckitrick.com

Course: Use Courselink page

Class Time: Tuesday and Thursday 2:30 – 3:50 PM
Location Mack 230.

Office Hour: Tuesday and Thursday 1:00 – 2:00 PM or by appointment

SYNOPSIS

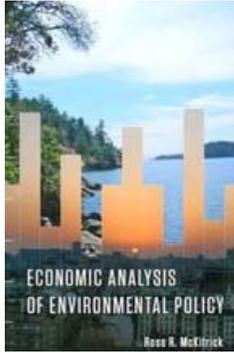
This course looks at the impact of economic activity on environmental quality, and the impact of environmental policy on the economy. We will cover the concept of externalities, growth and the environment, the optimal control of pollution, policy design and analysis, and specific issues like air pollution and climate change.



With regard to environmental issues it can be challenging to wade through the rhetoric and develop a coherent framework for analysis. Our aims will include: developing and applying systematic microeconomic tools for the analysis of environmental issues; understanding how economic activity impacts the environment; designing policies to respond to these impacts; analyzing policy proposals and learning to weed out the bad ideas. Since environmental policy is having a growing impact on every aspect of society, the ability to think systematically about these questions will be of

benefit whether you plan to work in the public or private sector. This course also provides a basis for those intending to do academic research and graduate studies in the area of environmental economics.

Assignments will focus on giving you practice at integrating the theory into real world debates and policy discussions. The exams will be more focused on testing your grasp of the theory. We will set aside some class time to take up chapter exercises, but it will be important for you to take the time to work on the material yourself in order to be prepared for the exams.



COURSE MATERIALS

You ~~need~~ get to purchase *Economic Analysis of Environmental Quality* by yrs truly, published by University of Toronto Press. I will also supplement the textbook with additional readings from time to time, such as journal articles, news items, hacked email exchanges, high-level gossip, unsubstantiated rumours and whatever else catches my attention.

LAPTOPS, IPADS, BLACKBERRIES, IPOD TOUCHES, ETC.

You many **not** use any of these items in class. I realize that some of you like to take notes on your laptops, but pen and paper will have to do. We all know that students who are “taking notes” on their computers would never dream of having email and web browser tabs open at the same time, nor would they be Tweeting or updating their Facebook pages instead of listening to the golden nuggets of wisdom coming from the front of the class. But just in case the temptation arises, these things are banned. (Exception: during the presentations for Assignments 1 and 2).



PREREQUISITES

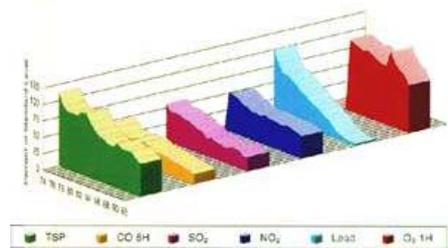
I assume you have taken 3rd year microeconomics. If you haven't, as long as you did a math econ course and you did reasonably well in 2nd year economics, you should be OK in this course.

COURSE WORK AND EVALUATION

There will be one midterm (10%), two assignments (20% and 30% respectively) and one final exam (40%). The assignments are as follows.

ASSIGNMENT NUMBER 1.

Using data available from the Environment Canada, you will prepare a report on the evolution of air quality in a major Canadian city from 1974 to the present, and then present it to the class. To do this project you will work either on your own, or in groups of up to three students. By the end of the second week of class (that is, by Thursday January 19) you need to tell me who is in your group and which city you will study. The list of available cities will be posted on the course web page, along with the questions your report needs to answer. We will set aside two classes (February 7 and 9) as a mini-conference. Each group will present its findings to the entire class. Also, each group will be assigned another group to assess. The presentation component of your mark will be based on my assessment and that of your assessor group.



ASSIGNMENT NUMBER 2.

You will participate in mock hearings on one of two topics. You will be assigned to act either on Team A (arguing for the issue), Team B (arguing against the issue), or on the Panel (making a ruling). The hearings will be on the following matters.



(1) Governments in Canada, the US and elsewhere are investing billions of dollars in the development of biofuels, whereby grains and other plant material are used to produce fuel and fuel supplements in place of petroleum-based products. Team A will argue that this is justified as an environmental protection strategy. Team B will argue against it.

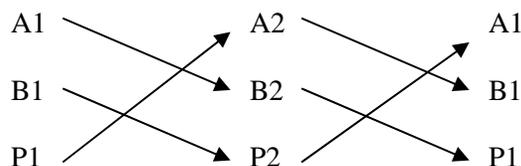
(2) The Government of Ontario has committed to closing the Lambton and Nanticoke coal-fired power plants that supply about 25% of Ontario's electricity. According to the Government, these power plants cause extensive environmental damage and are harmful to the people of Ontario, therefore we would be better off without them. Team A will argue in favour of closing the power plants and Team B will argue against.

If you are on a presenting Team (A or B) you need to research and write a Brief to be submitted to the Panel prior to the hearings, and then make presentations on the day of the hearings. I will give some guidance on the class website about what a Brief should contain.



If you are on a Panel you must release terms of reference outlining specific issues you want Teams to address and questions you want answered. Then you must study the submissions, double check the information in them, cross examine each Team at the hearings and then issue a written finding shortly afterwards. Teams are not limited in their submissions to the terms of reference, they can raise other issues as they see fit.

You will be graded as follows. 50% of your mark will be based on the written work and 50% on the oral work. Although I will determine the final mark, each Team or Panel will be asked to rate the presentation of one other group, according to a marking scheme I will give you, and I will give that score primary weighting in the oral component. The grading assignments are as follows.



Issue 1, Team A will grade Issue 2 Team B, Issue 1 Team B will grade Issue 2 Panel, etc. I will take the ratings assigned by your fellow students and incorporate them into the final grade for each group. Your group's grade will be based on the quality of your work, the soundness of your economic reasoning, your presentations and your research, but not specifically on whether you prevail in the judgment or not.

The timeline of this assignment is as follows.

Teams announced	January 26
Terms of reference due	February 14
Team Briefs due	March 8
Hearing 1	March 20
Hearing 2	March 22
Findings submitted	March 29

Each Team will be given a copy of the opposing Team's brief only on the day of the Hearings. The hearings will proceed as follows.

Opening remarks Team A	10 minutes
Opening remarks Team B	10 minutes
Panel Examination of Team A	15 minutes
Panel Examination of Team B	15 minutes
Closing remarks Team A	5 minutes
Closing remarks Team B	5 minutes

COPYING AND PLAGIARISM

PLEASE READ, ESPECIALLY IF YOU PLAN TO CHEAT.

You are expected to know the University rules on academic misconduct, see <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-amisconductoffen.shtml>. The econ department version is at <http://www.economics.uoguelph.ca/courses.asp>. You must not copy or paraphrase another person's work, or use the work of another author in such a way as to make it look like your own work. If you are quoting some text, it must be clearly indicated as a quotation. **IF YOU COPY AND PASTE ANY AMOUNT OF TEXT FROM AN INTERNET SOURCE INTO YOUR OWN PAPER YOU ARE PLAGIARIZING** unless you enclose it in quotation marks and indicate the source of the quote.

COURSE EVALUATION

You will be asked to complete an evaluation of this course at sometime during the last two weeks of the semester. The Department of Economics policy regarding the conduct and use of these evaluations can be found at: <http://www.economics.uoguelph.ca/course-evaluation.asp>. At any time during the course you may also provide feedback directly to me by writing your comment on a twenty dollar bill and slipping it under my door.

ECON*4930 CLASS SEQUENCE AND READINGS

DATES	TOPIC	READINGS
	<i>Issues, Instruments and Institutions</i>	
Jan 10	▪ Issues, Instruments and Institutions	Chapter 1.1—1.4
Jan 12	▪ Economic growth and the environment	Chapter 1.5
	<i>Environmental Microeconomics</i>	
Jan 17	▪ Valuation of the environment	Chapter 2.1—2.4
Jan 19	▪ Discounting and Inequality	Chapter 2.5—2.7
Jan 24	▪ The Marginal Abatement Cost curve	Chapter 3
Jan 26	▪ Optimal emissions level	
Jan 31	▪ In-class review exercises	Chapter 4.1—4.4
Feb 2	▪ Non-point sources, dynamic efficiency	Chapter 4.5—4.6
Feb 7	Urban AQ Presentations 1	
Feb 9	Urban AQ Presentations 2	
Feb 14	▪ Incentives and information	Chapter 5.1
Feb 16	MIDTERM EXAM	
Feb 28	▪ Instrument choice under uncertainty	Chapter 5.2
	<i>Policy Analysis</i>	
Mar 1	▪ Standards	Chapter 6.1
Mar 6	▪ Monitoring and Enforcement	Chapter 6.3
Mar 8	▪ Tradable Permits	Chapter 7.1—7.3
Mar 13	▪ Emission Taxes	Chapter 8.1—8.3
Mar 15	▪ Bargaining and Tort Law	Chapter 9.1, 9.2, 9.4
Mar 20	Mock Hearings 1	
Mar 22	Mock Hearings 2	
Mar 27	▪ International Trade and Pollution	Chapter 10
Mar 29	▪ Defining and Measuring Sustainability	Chapter 11.1—11.3
Apr 3	▪ State-Contingent Pricing	TBA
Apr 5	▪ Review.	