



COLLEGE OF MANAGEMENT AND ECONOMICS
Department of Economics and Finance

ECON*6800 ENVIRONMENTAL ECONOMICS

WINTER 2012



PROFESSOR ROSS MCKITRICK

MacKinnon Building (Tower Section) Room 730

Telephone: 824-4120 Ext. 52532

e-mail: rmckitri@uoguelph.ca. Twitter: @RossMcKittrick

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

A much more interesting web site: rossmckitrick.com

CLASS WEB PAGE: uoguelph.ca/~rmckitri/teaching/econ680.html

Class Time: Tuesday and Thursday 11:30 – 12:50 PM
Location Mack 231.

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

SYNOPSIS

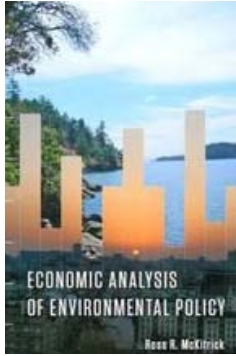
This course provides an advanced analysis of the impact of economic activity on environmental quality, and the impact of environmental policy on the economy. We will cover the concept of externalities, growth and the environment, the optimal control of pollution, policy design and analysis, and specific 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 a Ph.D. 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

Our text is *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.

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, unless you have documentation from the Center for Students with Disabilities indicating that you need a laptop or similar device for taking notes..



PREREQUISITES

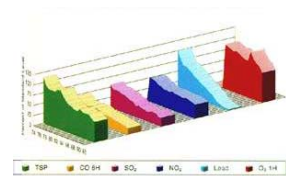
I assume you have taken 3rd year microeconomics. If you haven't, as long as you did a math econ course and you did reasonably well in 2nd year economics, you should be OK in this course.

COURSE WORK AND EVALUATION

There will be one midterm (20%), two assignments (10% each) five short in-class quizzes (4% each) 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. The list of available cities will be posted on the course web page, along with the questions your report needs to answer.



ASSIGNMENT NUMBER 2.

You will be assigned to one of 5 groups to prepare a class presentation reviewing one of the following topics: (i) The Environmental Kuznets Curve; (ii) The Double Dividend; (iii) Trade Liberalization and Pollution; (iv) The Stern Review on the Economics of Climate Change; (v) Monitoring and Enforcement with Self-Reporting. Your presentation will be about 20 minutes long and must include a written part for submission. More details will be given after the first class.

CLASS SEQUENCE AND READINGS

(Q) denotes quiz

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	▪ (Q) Discounting, Inequality and Risk	Chapter 2.5—2.9
Jan 24	▪ The Marginal Abatement Cost curve	Chapter 3
Jan 26	▪ Optimal emissions level	Chapter 4.1—4.4
Jan 31	▪ In-class review exercises	
Feb 2	▪ (Q) Non-point sources, dynamic efficiency	Chapter 4.5—4.7
Feb 7	▪ Incentives and Information	Chapter 5.1
Feb 9	▪ Instrument choice under uncertainty	Chapter 5.2
Feb 14	▪ MIDTERM EXAM	
	<i>Policy Analysis</i>	
Feb 16	▪ Standards	Chapter 6.1—6.2
Feb 28	▪ (Q) Monitoring and Enforcement	Chapter 6.3
Mar 1	▪ Tradable Permits	Chapter 7
Mar 6	▪ Emission Taxes I	Chapter 8.1—8.3
Mar 8	▪ Emission Taxes II	Chapter 8.4—8.5
Mar 13	▪ (Q) Bargaining and Tort Law	Chapter 9
Mar 15	▪ International Trade and Pollution	Chapter 10
Mar 20	▪ Defining and Measuring Sustainability	Chapter 11
Mar 22	▪ State-Contingent Pricing	TBA
Mar 27	▪ Class canceled: prepare Ass't 2 talks	
Mar 29	▪ Presentations I	
Apr 3	▪ Presentations II	
Apr 5	▪ Review.	

COPYING AND PLAGIARISM

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.

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>.