

ENVIRONMENTAL ECONOMICS, REGULATION AND POLICY
Syllabus and Reading List
(revised September 21, 2009)

Economics 721/Public Administration 727
Fall 2009
Professor: Glenn Blomquist
Phone: 257-3924 (voice mail)
Hours: Tues. 9:00-10:00am and 2:30-4:30pm, Thurs. 9:00-10:00am & by appointment.

University of Kentucky
R 3:30-6:00pm , BE 214
Office: BE 335Q (Economics)
E-mail: gcbloom@uky.edu

Texts: Field, Barry C. and Martha K. Field. *Environmental Economics: An Introduction*. 5th. ed., (Boston: McGraw-Hill Irwin, 2009).

Environmental Economics Blog < www.env-econ.net > by Tim Haab and John Whitehead is a good source for economic analysis of environmental news (and weird humor.)

Course Description:

This course takes a balanced, practitioner approach to environmental regulation and policy. Central to the approach is a comprehensive framework for formulating environmental policy. Analytical techniques for estimating the effects of proposed programs are examined. Strengths and weaknesses of benefit-cost analysis (BCA) in the regulatory process are explored in the context of political economy. Current environmental policy is evaluated. A background economics course such as PA/ECO 652 is required.

Grades:

Evaluation will be based on class participation, presentation of a summary and critique of an environmental policy issue, and for Ph.D. students, a paper on an environmental policy issue or other approved topic.

Participation: Participation will take the form of presenting synopses of articles and leading discussion of them in class. Typically each student will be part of a team. If you miss a class at any time during the semester, you must write an extra essay which will be provided as make up and which are due at the beginning of the next class. If a presentation is unacceptable, students will be informed no later than 6:10pm the day of class and will meet with the professor and discuss possible improvements.

Environmental Policy Presentation: Approximately the last two classes will be devoted to student presentations of an environmental policy issue. The analysis should be presented and critiqued applying the ideas developed and discussed in the course.

Environmental Policy Paper (Ph.D. Students): In addition to a presentation, Ph.D. students must write a 10-page paper elaborating on the material used in the class presentation of a policy analysis. The paper should have original material which critiques the policy and specifies how the policy or proposal could be improved. It should not be simply a summary report. Ph.D. students may request to write a paper on an alternative topic, but must have the topic approved.

Final Exam: The final exam period for this course is 3:30-5:30pm, Tuesday, December 15, 2009.

We may use this period to schedule presentations. The presentations take the place of a final examination. Ph.D. papers are due by 5:30pm, Tuesday, December 15, 2009.

Grades will be based on the following minimums:

- A (i) acceptable presentations of all assigned readings and discussions of all required readings, (ii) Class presentation of environmental policy analysis, (iii) Class participation including any make-up essays, and (iv) for Ph.D. students a paper on the environmental policy issue presented or other approved topic
- B (i) acceptable presentations of assigned readings and discussions of all required readings, (ii) Class presentation of environmental policy issue for Ph.D. students (iii) Class participation including any make-up essays
- C (i) Class participation including any make-up essays
- E Less than what is required for a C

Readings:

Required readings are marked with an asterisk. Pertinent additional readings are given by topic. Readings are available electronically through the UK library unless in the text or indicated otherwise.

I. PERSPECTIVE ON ENVIRONMENTAL ECONOMICS AND POLICY

Portney, Paul R. "Environmental Problems and Policy: 2000-2050" *Journal of Economic Perspectives* 14 (Winter 2000): 199-206.

*Field and Field. *Environmental Economics*. Chapters 1, 14-16 on federal environmental policy.

*Ruff, Larry E. "The Economic Common Sense of Pollution" *Public Interest* 19 (Spring 1970): 69-85.

*Fullerton, Don and Robert S. Stavins. "How Economists See the Environment." *Nature* 395 (1998): 6701.

*Solow, Robert M. "Sustainability: An Economist's Perspective" Lecture at Marine Policy Center, Woods Hole, MA, June 14, 1991. (Class notes)

Cropper, Maureen L. and Wallace E. Oates. "Environmental Economics: A Survey," *Journal of Economic Literature (JEL)* 30 (June 1992): 675-740.

II. ETHICS, POLITICAL ECONOMY AND ENVIRONMENTAL POLICY

*Field and Field. *Environmental Economics*. Chapter 9.

Council of Economic Advisors (CEA). *Economic Report of the President*. (Washington, D.C.: GPO, 1996). Chapter 5 "Economic Efficiency and Regulatory Reform"

* Brandt-Rauf, Sherry I. and Paul W. Brandt-Rauf, "Occupational Health Ethics: OSHA and the Courts," *Journal of Health Politics, Policy and Law* 5 (Fall 1980), 523-534.

* Jenkins-Smith, Hank C. "Professional Roles for Policy Analysts: A Critical Assessment," *JPAM* 2 (Fall 1982), 88-100.

* Kriesel, Warren, Terence J. Center and Andrew G. Keeler. "Neighborhood Exposure to Toxic Releases: Are There Racial Inequities?" *Growth and Change* 27 (Fall 1996): 479-499.

* Wolverton, Ann. "Effects of Socio-Economic and Input-Related Factors on Polluting Plants' Location Decisions" *The B.E. Journal of Economic Analysis & Policy - Advances* 9,1 (2009), Article 14.

III. FRAMEWORK FOR ANALYSIS OF ENVIRONMENTAL POLICY

*Field and Field. *Environmental Economics*. Chapter 3- 6.

*Arrow, Kenneth J. et al. "Is There a Role for Benefit-Cost Analysis in Environmental, Health, and Safety Regulation?" *Science* 272 (April 12, 1996): 221-222.

*Freeman, A. Myrick. "Environmental Policy Since Earth Day: What Have We Gained?" *Journal of Economic Perspectives* 16 (2002): 125-146.

*Graham, John D. "The Evolving Regulatory Role of the U.S. Office of Management and Budget" *Review of Environmental Economics and Policy* 1 (Summer 2007): 171-191.

*Hahn, Robert W. and Patrick M. Dudley. "How Well Does the U.S. Government Do Benefit-Cost Analysis?" *Review of Environmental Economics and Policy* 1 (Summer 2007): 192-211.

Resources for the Future. Conference on New Ideas for Risk Regulation held June 22-23, 2009 in Washington, DC. <http://www.rff.org/Events/Pages/New-Ideas-for-Risk-Regulation.aspx>

IV. ESTIMATING COSTS OF POLLUTION ABATEMENT ACTIVITIES

*Field and Field. *Environmental Economics*. Chapters 8.

*Porter, Michael E. and Claas van der Linde. "Toward a New Conception of Environment-Competitiveness Relationship" *Journal of Economic Perspectives* 9 (Fall 1995): 97-118.

* Palmer, Karen, Wallace E. Oates and Paul R. Portney. "Tightening Environmental Standards: The Benefit-Cost or the No-Cost Paradigm?" *Journal of Economic Perspectives* 9 (Fall 1995): 119-132.

Jaffe, Adam B., Steven R. Peterson, Paul R. Portney and Robert N. Stavins. "Environmental Regulation and the Competitiveness of U.S. Manufacturing: What Does the Evidence Tell Us?" *JEL* 33 (March 1995): 132-163.

V. ESTIMATING BENEFITS OF ENVIRONMENTAL IMPROVEMENTS

*Field and Field. *Environmental Economics*. Chapter 7.

*Blomquist, Glenn C. "Value of Life, Economics of" in the Economics Section edited by Orley Ashenfelter of the *International Encyclopedia of the Social and Behavioral Sciences* edited by Neil J. Smelser and Paul B. Baltes (New York: Pergamon of Elsevier Science, 2001) Volume 24, pages 16132-9. (Class Notes)

*Hoehn, John, Mark Berger, and Glenn Blomquist. "A Hedonic Model of Interregional Wages, Rents and Amenity Values," *Journal of Regional Science* 27 (November 1987): 605-620.

* Portney, Paul R. "The Contingent Valuation Debate: Why Economists Should Care" *Journal of Economic Perspectives* 8 (Fall 1994): 3-17.

* Hanemann, W. Michael. "Valuing the Environment through Contingent Valuation" *JEP* 8 (Fall 1994): 19-43.

* Diamond, Peter A. and Jerry A. Hausman. "Contingent Valuation: Is Some Number Better than No Number?" *JEP* 8 (Fall 1994): 45-64.

Carson, Richard T., Robert C. Mitchell, Michael Hanemann, Raymond J. Kopp, Stanley Presser, and Paul A. Ruud. "Contingent Valuation and Lost Passive Use: Damages from the Exxon Valdez Oil Spill" *Environmental and Resource Economics* 25 (2003): 257-286. In Stavins, p. 194.

Blomquist, Glenn C. and John C. Whitehead. "Existence Value, Contingent Valuation, and Natural Resources Damages Assessment" *Growth and Change* 26 (Fall 1995): 573-589.

*Blomquist, Glenn C. and John C. Whitehead. "Resource Quality Information and Validity of Willingness to Pay in Contingent Valuation" *Resource and Energy Economics* 20 (June 1998): 179-196.

Blomquist, Glenn C., Michael A. Newsome and D. Brad Stone. "Measuring Principals' Values for Environmental Budget Management: An Exploratory Study" with Michael A. Newsome and D. Brad Stone. *Journal of Environmental Management* 68 (May 2003): 83-93. Class Notes.

VI. ENVIRONMENTAL POLICY TOOLS

*Field and Field. *Environmental Economics*. Chapters 10-13.

*Goulder, Lawrence H. and Ian W.H. Parry. "Instrument Choice in Environmental Policy" *Review of Environmental Economics and Policy* 2 (Summer 2008): 152-174.

Bushnell, James, Carla Peterman and Catherine Wolfram. "Local Solutions to Global Problems: Climate Change Policies and Regulatory Jurisdiction" *Review of Environmental Economics and Policy* 2 (Summer 2008): 175-193.

Much is being said, written, and blogged about cap and trade versus tax and we will look at some of it.

VII. APPLICATIONS: ACID RAIN AND CLIMATE CHANGE

Field and Field. *Environmental Economics*. Chapters 20-21.

Stavins, Robert N. "What Can We Learn from the Grand Policy Experiment? Lessons from SO₂ Allowance Trading" *Journal of Economic Perspectives* 12 (Summer 1998): 69-88.

Schelling, Thomas C. "The Cost of Combating Global Warming: Facing the Tradeoffs" *Foreign Affairs* 76 (Nov./Dec. 1997): 8-14.

McKibbin, Warwick J. and Peter J. Wilcoxen. "The Role of Economics in Climate Change Policy" *Journal of Economic Perspectives* 16 (2002): 107-129. In Stavins, p.479.

*Symposium on "The Economics of Climate Change: The Stern Review and Its Critics" *Review of Environmental Economics and Policy* 2 (Winter 2008): 45-113.

- (1) Mendelsohn
- (2) Sterner & Persson
- (3) Weyant
- (4) Dietz & Stern

*Hanemann, Michael. "California's New Greenhouse Gas Laws" *Review of Environmental Economics and Policy* 2 (Winter 2008): 113-129.

VIII. MORE APPLICATIONS

A. Recycling

*Field and Field. Chapter 12, pp. 251-253.

*Palmer, Karen, Hilary Sigman, and Margaret Walls. "The Cost of Reducing Municipal Solid Waste" *Journal of Environmental Economics and Management* 33 (1997): 128-150.

*Aadland, David and Arthur J. Caplan. "Curbside Recycling: Waste Resource or Waste of Resources?" *Journal of Policy Analysis and Management* 25 (Fall 2006): 855-874.

*Blomquist, Glenn, David Hardesty, Margaret Hughes, Brandon Koford, Fred Morgan, and Kenneth R. Troske. "Estimating Willingness to Pay for Recycling" 2009. (To be distributed)

B. Corporate Green and Voluntary Compliance

*Portney, Paul R. "The (Not So) New Corporate Social Responsibility: An Empirical Perspective" *Review of Environmental Economics and Policy* 2 (Summer 2008): 261-276.

*Innes, Robert and Abdoul G. Sam. "Voluntary Pollution Reductions and the Enforcement of Environmental Law: An Empirical Study of the 33/50 Program" *Journal of Law and Economics* 51 (May 2008): 271-296.

Fisher-Vanden, Karen and Karen S. Thornburn. "Voluntary Corporate Initiatives and Shareholder Wealth" European Corporate Governance Institute Finance Working Paper 200/2008 (April 2008). <http://www.ecgi.org/wp/>

C. Value of Statistical Life

Blomquist, Glenn C. "Self-Protection and Averting Behavior, Values of Statistical Lives, and Benefit Cost Analysis of Environmental Policy" *Review of Economics of the Household* 2 (March 2004): 89-110.

*Viscusi, W. Kip and Joseph E. Aldy. "The Value of Statistical Life: A Critical Review of Market Estimates Throughout the World" *Journal of Risk and Uncertainty* 27 (August 2003): 5-76.

Smith, V. Kerry, Mary F. Evans, Hyun Kim, and Donald H. Taylor. "Do the 'Near' Elderly Value Mortality Risks Differently?" *Review of Economics and Statistics* 86 (February 2004): 423-429.

Aldy, Joseph E. and W. Kip Viscusi. "Age Differences in the Value of Statistical Life: Revealed Preference Evidence" *Review of Environmental Economics and Policy* 1 (Summer 2007): 241-260.

*Krupnick, Alan. "Mortality-risk Valuation and Age: Stated Preference Evidence" *Review of Environmental Economics and Policy* 1 (Summer 2007): 261-282.

*Blomquist, Glenn, Mark Dickie, and Richard O'Connor. "Willingness to Pay for Improving Fatality Risks and Asthma Symptoms: Values for Children and Adults of All Ages" Presented at the C.L. Burton Workshop Honoring Tom Crocker held November 21, 2008 in Centennial, WY

and the Conference on the Heterogeneity of the Value of Statistical Life held March 26-27, 2009 at Vanderbilt University in Nashville, TN. (Handout in class)