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**Environmental Economics**

**Economics 475**

**Fall 2023 – Syllabus**

**Monday and Wednesday**

**5:00pm - 6:15pm in Car Barn 204**

**INSTRUCTOR INFO**

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|  | **Professor:**  **Please call me:**  **Office:**  **Office hours:**  **Email:** | Wes Austin, PhD  Dr./Prof. Austin  Zoom or MS Teams  By appointment  [wes.austin@georgetown.edu](mailto:wes.austin@georgetown.edu) |
|  | **Professor:**  **Please call me:**  **Office:**  **Office hours:**  **Email:** | Adam Theising, PhD  Dr./Prof. Theising (“Tie-sing”)  Zoom or MS Teams  By appointment |

**Teaching Assistants:**  Yagmur Menzilcioglu ym406@georgetown.edu

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**COURSE DESCRIPTION**

This course will cover advanced theory and applications underlying environmental economics and examples from real-world scenarios. The foundations of microeconomic theory lie in the decisions of consumers and producers, but these decisions are often made under incomplete information or incomplete markets. We will first build an understanding of how markets fail, then continue with methods frequently used to measure these failures, and then we conclude with policy tools that are designed to correct the markets. The course relies on published literature for case studies and replication of approaches (done in the R programming language). The goal of this course is to establish a good understanding of environmental-economic issues and start to build a tool kit such that you will leave with the ability to contribute to discussions related to environmental policy by using economic theory and empirical methods.

**LEARNING OBJECTIVES**

**LO 1.** Explain the theoretical foundation of environmental economics.

**LO 2.** Identify several methods used to measure environmental benefits.

**LO 3.** Propose a method that could be used to correct a specific market failure.

**LO 4.** Describe the history of environmental policy and its outcomes.

**LO 5.** Assess the efficiency and unintended consequences of an environmental policy.

**CONTACTING US**

We will make class announcements and provide additional information to students through email (using your university email address). You can expect that we will respond to your emails within 48 hours. Office hours will be conducted virtually and must be arranged via email ahead of time.

**COURSE MATERIALS**

**Textbook:** Markets and the Environment; Keohane and Olmstead (K&O)

*eTextbook:* $28.99 ; *Paperback (used)* $9.95 – [Amazon link here](https://www.amazon.com/Markets-Environment-Foundations-Contemporary-Environmental-dp-1597260479/dp/1597260479/ref=mt_other?_encoding=UTF8&me=&qid=)

We have carefully chosen a book that we believe does an excellent job of covering the underlying theory that will be discussed in this course at the best price we could find. This is the only required purchase for this course! The book will serve as a critical foundation for the topics we will cover, and it will not be possible to complete the course without it (or without reading it!). Other GU instructors have also used this book, so reach out to other students if needed, either edition (first/second) will work great! Please have the book available by the second week of classes.

The rest of the material will be distributed through the course website (Canvas). Things that will be posted include, but are not limited to, additional readings, videos, podcasts, homework assignments, and grades.

***Recommended books for the interested reader****.* Not required and will not be used *directly* in the course, but the topics will be discussed. This is a list of books that we (your instructors) enjoyed reading and believe serve as great complements and extensions to the material we do cover. Read throughout the semester, or after:

1. [The Spirit of Green](https://www.amazon.com/Spirit-Green-Economics-Collisions-Contagions/dp/0691214344/ref=sr_1_1?crid=3EGC8Y7N69XXY&keywords=the+spirit+of+green&qid=1660147514&s=books&sprefix=the+spirit+of+green%2Cstripbooks%2C54&sr=1-1): The Economics of Collisions and Contagions in a Crowded World, by Bill Nordhaus (Nobel Prize in Economics, 2018)
2. [Small Is Beautiful](https://www.amazon.com/Small-Beautiful-Economics-Mattered-Perennial/dp/0061997765/ref=sr_1_1?crid=2KX3RH1JHJTUI&keywords=small+is+beautiful&qid=1660147817&s=books&sprefix=small+is+beautiful%2Cstripbooks%2C49&sr=1-1): Economics as if People Mattered, by Ed Schumacher
3. [Governing the Commons](https://www.amazon.com/Governing-Commons-Evolution-Institutions-Collective/dp/1107569788/ref=sxin_10_mbs_w_global_sims?content-id=amzn1.sym.167d0880-9da0-400b-938e-4382731a4102%3Aamzn1.sym.167d0880-9da0-400b-938e-4382731a4102&crid=2KX3RH1JHJTUI&cv_ct_cx=small+is+beautiful&keywords=small+is+beautiful&pd_rd_i=1107569788&pd_rd_r=cfc3e90c-87b2-4815-80d5-ded97a4b8c26&pd_rd_w=H6Sh2&pd_rd_wg=2jHZa&pf_rd_p=167d0880-9da0-400b-938e-4382731a4102&pf_rd_r=X256WZCDV6F8QFY7ATMT&qid=1660147880&s=books&sprefix=small+is+beautiful%2Cstripbooks%2C49&sr=1-1-9e7645f9-2d19-4bff-863e-f6cdbe50f990), by Elinor Ostrom (Nobel Prize in Economics 2009)
4. [Toxic Communities](https://nyupress.org/9781479861781/toxic-communities/), by Dorceta Taylor

**GRADES**

Grading will be three part:

1. Reflection Posts and Case Studies 25%
2. Midterms (two) 25% each (50% total)
3. Final Exam 25%

Your final grade will be the maximum of the averages of:

(1) + (2) *or*  (1) + (3) *or* (1) + (2) + (3)

This means that if you do better (on average) on your midterms than on the final, your final will be dropped—and vice versa. **NOTE:** Reflection Posts and Case Studies will not be dropped.

Letter grades are as follows and are rounded to the nearest integer (i.e., 0.495 becomes 1):

A+ (95-100), A (87-94), A- (85-86),

B+ (82-84), B (77-81), B- (75-76),

C+ (72-74), C (67-71), C- (65-66),

D+ (62-64), D (57-61), D- (55-56),

F (0-55) – don’t do this

**ACCOMMODATIONS**

Any student who feels that they may require an accommodation in this course, based on the impact of a disability, should contact us as soon as possible to arrange for a meeting to coordinate all accommodations. Any student who wishes to seek accommodation should also be sure to directly contact Disability Support Services (DSS) for more information (*https://academicsupport.georgetown.edu/disability*).

**COURSE CALENDAR**

**Readings and Videos:** These are to be completed *before* class on the day they are listed. For example, K&O Ch. 2-3 should be read before coming to class on August 28th.

**Homework:** All homework assignments are due by Sunday at 11:59pm on the week or the week after they are listed.

**Midterms:** Midterms will be on the Wednesday class of the week that they are listed.

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| **Week** | **Date** | **Topic** | **Readings/Videos** | **Exams/**  **Homework** |
| **Module 1: Market Failure and the Need for Environmental Regulation** | | | | |
| 1 | Aug 23 | Introductions and Overview of Course |  | Buy Textbook  K & O: Ch. 1 |
| 2 | Aug 28 (AT) | A brief recap of econ theory 🡪 When and why do markets fail? | K & O: Ch. 2-3  [Hausman Video](https://youtu.be/xxtElseSkZM) |  |
| 2 | Aug 30 (AT) | Market Failures: Examples and in Practice | K & O: Ch. 4-5  [Auffhammer Video](https://youtu.be/BNdS1o2GoPQ) | Ref. Post #1 on  [Podcast #1](https://soundcloud.com/resourcesradio/sensing-air-pollution-exposure-in-new-york-city-schools-with-beia-spiller) or  [Podcast #2](https://soundcloud.com/resourcesradio/people-parks-and-policy-with-rffs-margaret-walls)  **(Due Sep 10)** |
| **Module 2: Measuring Environmental Benefits** | | | | |
| 3 | **Sep 5\***  **(Tues)** (AT) | Econometrics, Treatment Effects, and their place in Environmental Economics | [First 10 min of Olmstead Video](https://www.youtube.com/watch?v=9B65ghY7vB4) |  |
| 3 | Sep 6 (AT) | Using Distance to Measure the Value of Public Land and Open Space (Travel Cost) | [Hanauer and Reid (2017)](https://bryanparthum.github.io/papers/journal_articles/Hanauer_and_Reid_2017_JEM_travel_cost.pdf) | Case Study #1  Travel Cost or Hedonics  **(Due Sep 17)** |
| 4 | Sep 11 (AT) | Voting with Your Feet – and Why it Doesn’t Always Work (Hedonics) | [Kuwayama et al. (2022)](https://bryanparthum.github.io/papers/journal_articles/Kuwayama_et_al._2022_JPE-water_quality_rec_and_hedonics.pdf)  and quickly read:  [Christensen and Timmins (2022)](https://www.nber.org/system/files/working_papers/w24826/w24826.pdf) |  |
| 4 | Sep 13 (AT) | Constructing Hypothetical Markets when They Don’t Exist (Stated Preferences) | [Parthum and Ando (2020)](https://bryanparthum.github.io/papers/papers/Parthum_Ando_2020.pdf) |  |
| 5 | Sep 18 (AT) | Using Expenditures and Wages to Estimate Benefits of the Environment (Defensive Behavior + VSL) | [Shogren and Stamland (2005)](https://bryanparthum.github.io/papers/journal_articles/Shogren%20and%20Stamland%202005%20-%20Defensive%20Behavior%20and%20VSL.pdf) |  |
| 5 | Sep 20 (AT) | How Can We Estimate the Total Damages from Climate Change? | [Nordhaus (2017)](https://www.pnas.org/doi/epdf/10.1073/pnas.1609244114) | Case Study #2  DICE 2016  **(Due Oct 1)** |
| 6 | Sep 25 (AT) | Incorporating the Environment into Economic Accounts (Natural Capital) | K & O: Ch. 11  [Solow Monograph](https://www.resources.org/common-resources/almost-practical-step-toward-sustainability/) |  |
| **Module 3: Environmental Regulatory Analysis** | | | | |
| 6 | Sep 27 (WA) | Incorporating the other side of the ledger: Benefit Cost Analysis |  |  |
| 7 | Oct 2 (WA) | Positive vs. Normative methods and their role in Environmental Economics | [McGartland (2021)](https://www.journals.uchicago.edu/doi/full/10.1086/715623)  [Cook (2022)](https://bryanparthum.github.io/papers/journal_articles/Cook%202022%20-%20Kaldor-Hicks%20Neoliberalism.pdf) |  |
| 7 | Oct 4 (WA) | Environmental Justice Analysis in Regulation 1 | [Banzhaf et al. (2019)](https://www.aeaweb.org/articles?id=10.1257/jep.33.1.185)  [EJ Technical Guidance Ch. 2-4](https://www.epa.gov/sites/default/files/2016-06/documents/ejtg_5_6_16_v5.1.pdf) | Case Study #3 -Bivariate Mapping  **(Due Oct 15)** |
| *8* | *Oct 9* | *Mid-semester Holiday – No Class* |  |  |
| 8 | Oct 11 (WA) | Environmental Justice Analysis in Regulation 2 | [Hernandez-Cortes and Meng (2020)](https://www.nber.org/papers/w27205)  (*optional*) [Steam Electric ELG Ch. 14](https://www.epa.gov/sites/default/files/2020-08/documents/steam_electric_elg_2020_final_reconsideration_rule_benefit_and_cost_analysis.pdf) |  |
| 9 | Oct 16 (AT) | Review of Modules 1, 2, and 3 | Study Review Material | Study! |
| **9** | **Oct 18** | **Midterm Covering Material from**  **Modules 1, 2, and 3** |  | **Midterm Exam** |
| **Module 4: Environmental Policy and Regulation** | | | | |
| 10 | Oct 23 (WA) | Economics of Environmental Regulation 1 | K & O: Ch. 8 |  |
| 10 | Oct 25 (WA) | Economics of Environmental Regulation 2 | K & O: Ch. 9  [Carbon Trading Podcast](https://www.resources.org/resources-radio/building-a-carbon-trading-system-in-new-york-city-with-danielle-spiegel-feld/) |  |
| 11 | Oct 30 (WA) | Clean Air Act | [Hernandez-Cortes et al. (2022)](https://www.nber.org/papers/w30198) (*optional*) [Chay and Greenstone (2005)](https://www.jstor.org/stable/10.1086/427462) | Ref. Post #2  **(Due Nov 12)** |
| 11 | Nov 1 (WA) | Regulating Cars | [Killeen and Levinson (2017)](https://bryanparthum.github.io/papers/journal_articles/Killeen%20and%20Levinson%202017%20-%20Fuel%20Economy%20and%20Emissions%20Standards.pdf)  [Transportation Justice Podcast](https://www.resources.org/resources-radio/driving-toward-justice-transportation-and-equity-with-regan-patterson/) |  |
| 12 | Nov 6 (WA) | Clean Water Act | [Keiser and Shapiro (2019)](https://academic.oup.com/qje/article/134/1/349/5092609) |  |
| 12 | Nov 8 (WA) | Safe Drinking Water Act | [Allaire et al. (2018)](https://www.pnas.org/doi/abs/10.1073/pnas.1719805115)  [Fedinick et al. (2022)](https://www.nrdc.org/sites/default/files/watered-down-justice-report.pdf) | Case Study #4 – PFAS NPDWR  **(Due Nov 19)** |
| 13 | Nov 13 (AT) | Toxic Chemicals: TSCA & the Lautenberg Amendments |  |  |
| 13 | Nov 15 (AT) | Hazardous Wastes – CERCLA and RCRA | [Hazardous Chemical Waste Video](https://www.youtube.com/watch?v=F4udLhOdPro) |  |
| **Module 5: “Frontiers** | | | | |
| 14 | Nov 20 (WA) | Market-based Instruments in Practice | K & O: Ch. 10  [Borenstein and Kellogg (2022)](https://www.nber.org/papers/w30263) |  |
| *14* | *Nov 22* | *Fall Recess – No Class* |  |  |
| 15 | Nov 27  (WA) | So, What’s Next?  Inflation Reduction Act, Bipartisan Infrastructure Law, and WV vs. EPA | K & O: Ch. 12  [WV vs. EPA Video](https://www.rff.org/events/rff-live/climate-change-and-the-supreme-court-west-virginia-v-epa/)  [IRA Video](https://www.rff.org/events/rff-live/inflation-reduction-act/) |  |
| 15 | Nov 29  (WA) | Review of Modules 4 & 5 | Study Review Material | Study! |
| 16 | Dec 4 | **In-class Final Exam Covering Material from Modules 4 & 5** |  | **Final Exam** |
| **16** | **Dec 16** |  |  |  |