

Cost Benefit Analysis (440.622.51)
Johns Hopkins University Zanvyl Krieger School of Arts and Sciences
Advanced Academic Programs
Washington, DC Center

2018 Fall Session

Faculty: Michael LeGower, PhD
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Course Times: 6 to 8:30 pm Wednesdays: September 5 – December 12, 2018
EXCEPT November 21st (Thanksgiving Holiday)

Course Grading: Letter grades will be given. Grades will depend on one exam (30%), a final project (50%), and “Questions for Next Lecture” (20%).

Course Description: By the end of this course, you will have the skills to design and carry out the evaluation of a publicly funded project. Much of the course is devoted to developing an analytical framework for project evaluation, including the evaluation of benefits and costs over time, in the presence of uncertainty, in the absence of market prices, and when income distribution objectives need to be incorporated into a project's evaluation. After this framework is established, several weeks will be devoted to the examination of evidence from the literature on a number of important policies and projects, with particular attention to experimental impact evaluation.

Prerequisites: 440.601 Microeconomic Theory and Policy.

Co-requisite: 440.606 Econometrics.

Texts and Other Reading:

Any required readings will be posted to Blackboard. Students are expected to read these prior to class and to be prepared to discuss. The following texts are optional but encouraged for the course as they will provide a reference for material presented in class.

Boardman, Greenberg, Vining, & Weimer, *Cost-Benefit Analysis: Concepts and Practice* (Any Edition; Chapter numbers are from 1st edition)

Glennerster, R & Takavarasha, K., *Running Randomized Evaluations: A Practical Guide*

Course Outline:

Sept. 5 – Introduction to Cost-Benefit Analysis (Boardman et al Ch.1, 15)

Sept. 12 – Microeconomic Foundations of Cost-Benefit Analysis (Boardman et al Ch. 2)

Sept. 19 – Valuing Direct and Indirect Market Effects (Boardman et al Ch. 3,10)

Sept. 26 – Uncertainty and Cost-Benefit Analysis (Boardman et al Ch. 6); Arrow, K. & Lind, RC “Uncertainty and the Evaluation of Public Investment Decisions” *American Economic Review*, June 1970

Oct. 3 – Time Preferences and Discounting (Boardman et al Ch. 4-5); Arrow, K. et al “Determining Benefits and Costs for Future Generations” *Science* 2013; Arrow, K. et al, “Should Governments use a Declining Discount Rate in Project Analysis?” *Review of Environmental Economics and Policy* 2014; Pindyck, Robert S. “Climate Change Policy: What Do The Models Say?” NBER Working Paper No. 19244, 2013; **PRELIMINARY PROJECT PROPOSALS DUE IN CLASS**

Oct. 10 – Shadow Prices and Value of Statistical Life (Boardman et al Ch. 12); Banzhaf, HS, “The Cold War Origins of the Value of Statistical Life” *Journal of Economic Perspectives* 2014; Viscusi, K. & Aldy, J. “The Value of a Statistical Life: A Critical Review of Market Estimates throughout the World” *Journal of Risk and Uncertainty* 2003.

Oct. 17 – Stated Preferences and Non-Market Valuation (Boardman et al Ch. 11); Arrow, et al. “Report of the NOAA Panel on Contingent Valuation” 1993; Portney, P. R. “The Contingent Valuation Debate: Why Economists Should Care” *Journal of Economic Perspectives* 1994; Bishop, R. C. & Welsh, M.P. “Existence Values in Benefit-Cost Analysis and Damage Assessment” *Land Economics* 68: pp. 405-417; Carson, RT et al “Contingent Valuation and Lost Passive Use: Damages from the Exxon Valdez Oil Spill” *Environmental and Resource Economics* 2003; Diamond, P. & Hausmann, “Contingent Valuation: Is Some Number Better than No Number?” *Journal of Economic Perspectives* 1994;

Oct. 24 – Cost Benefit Analysis and the Federal Government; Carey, Maeve “Cost-Benefit and Other Analysis Requirements in the Rulemaking Process” Congressional Research Service 2014; OMB Circular A-4: “Regulatory Impact Analysis: A Primer” 2003; Executive Order 12866; 2014 Office of Management and Budget “Draft Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local and Tribal Entities”; **FINAL PROJECT PROPOSALS DUE IN CLASS**

Oct. 31 – Exam

Nov. 7 – Introduction to Policy Experimentation; G&T Ch. 2 (pp. 24-52); G&T Ch. 4

Nov. 14 – Real-world Examples of Policy Experiments: Moving to Opportunity (Kling et al. 2007); School Choice (Deming et al. 2011); Head Start (Bitler et al. 2014); PROGRESA (Schultz 2004); Tennessee STAR (Krueger and Whitmore 2000)

Nov. 21 – NO CLASS

Nov. 28 – Challenges, Ethics, and Legality of Policy Experimentation; G&T Ch. 2 (pp. 53-65); G & T Ch. 4 (pp. 113-129, 138); G & T Ch. 7; Abramowicz, M., Ayres, I., Listorkin, Y. “Randomizing Law” *University of Pennsylvania Law Review* 2011.
and

Dec. 5 – Analysis of Data (G & T Ch. 8); Combining Cost-Benefit Analysis and Policy Experimentation

Dec. 12 – In-class Final Project Presentations

University Policies

General

This course adheres to all University policies described in the academic catalog. A few to pay close attention to are noted below.

Students with Disabilities

Johns Hopkins University is committed to providing reasonable and appropriate accommodations to students with disabilities. Students with documented disabilities should contact the coordinator listed on the [Disability Accommodations](#) page. Further information and a link to the Student Request for Accommodation form can also be found on the [Disability Accommodations](#) page.

Ethics & Plagiarism

JHU Ethics Statement: The strength of the university depends on academic and personal integrity. In this course, you must be honest and truthful. Ethical violations include cheating on exams, plagiarism, reuse of assignments, improper use of the Internet and electronic devices, unauthorized collaboration, alteration of graded assignments, forgery and falsification, lying, facilitating academic dishonesty, and unfair competition. Report any violations you witness to the instructor. Read and adhere to JHU's [Notice on Plagiarism](#).

Dropping the Course

You are responsible for understanding the university's policies and procedures regarding withdrawing from courses found in the current catalog. You should be aware of the current deadlines according to the [Academic Calendar](#).

Getting Help

You have a variety of methods to get help on Blackboard. Please consult the help listed in the "Blackboard Help" link for important information. If you encounter technical difficulty in completing or submitting any online assessment, please immediately contact the designated help desk listed on the [AAP online support page](#). Also, contact your instructor at the email address listed atop this syllabus.