EBGN 310: Environmental and Natural Resource Economics, Fall 2019

Jared Carbone

September 5, 2019

Contents

1 Logistics 1
2 Description 2
3 Student Learning Outcomes 2
4 Brief List of Topics Covered 2
5 Format 3
6 Materials 5
7 Outline and Reading Assignments 5
8 Other Useful Resources 10
9 University Policies 10

1 Logistics

• Instructor: Jared Carbone
• Class meetings: MWF, 11-11:50p, Berthoud Hall 205
• Office hours: MW, 3:30-5p or by appointment
• Contact info: Email: jcarbone@mines.edu, Phone: x2175, Office: EH 311
2 Description

This course is an introduction to the fields of environmental and natural resource economics. Topics include analysis of pollution control, benefit/cost analysis in decision-making and the associated problems of measuring benefits and costs, non-renewable resource extraction, measures of resource scarcity, renewable resource management, and the analysis of environmental regulations and resource policies. The fields of environmental and resource economics relies heavily on ideas from microeconomic theory. As a result, the main prerequisite for the course is completion of a course in introductory microeconomic theory (EBGN 201).

3 Student Learning Outcomes

At the conclusion of the class students will...

1. Have an understanding of the major themes covered by the fields of environmental and resource economics.

2. Be able to apply the tools of these fields to the analysis of contemporary policy issues.

4 Brief List of Topics Covered

1. Principles of applied microeconomic theory

2. Theory and policy of managing renewable and non-renewable natural resources

3. Theory and policy of pollution and environmental externalities

4. Valuation of environmental resources

I do not typically use Canvas for anything except keeping you abreast of your grades in the course. All course materials will be administered through the course webpage.
5 Format

5.1 Readings

The chapters in the Keohane-Olmstead textbook listed in the course schedule (below) should be read prior to lecture. In addition, I may periodically assign readings from other sources, such as short articles from the New York Times, for example. These reading assignments will be posted on course webpage at least a week in advance of day we will discuss them in class. The discussion and lecture in our class meetings will build on the readings — not replicate them.

5.2 In-Class Activities

Typically, I will spend Monday and Wednesday of each week lecturing on the topic du jour. In the Friday class meeting that week, we will apply the concepts from the previous lecture, working on in-class exercises in small groups. Completing these exercises help us gauge your understanding of the key concepts and learn from each other. I will not grade your answers to the in-class exercises but your participation in these activities will determine — in large part — the class-participation component of your final grade in the course. The in-class exercises will be drawn from sets of review questions that I will provide you with. Those review questions are also intended to serve as an aid to your studies for the quizzes and exams.

A number of the in-class exercises involve manipulating data in a spreadsheet program, such as Microsoft Excel or Google Sheets. Because of this, it’s best for at least one member of your group to bring a computer to class on days when we complete these exercises. These days it seems most students have access to a laptop or other portable device that can be used for this function but please let me know if this requirement is a hardship for your group.

The final in-class assignment will involve a group project in which I ask you to research a contemporary application of environmental and resource economics of your choosing and give a short (15 min) class presentation on your findings.

5.3 Quizes

There will be approximately eight in-class quizzes over the course of the semester. These are graded on a numerical basis and will count toward your final grade. More importantly, they will give you more feedback on
your understanding of the course material and aid you in studying for the exams.

5.4 Exams

There will be two in-class midterm exams and final exam during the exam period. The style and content of the exam questions will be based on the review questions and our class discussions. Each midterm exam will focus on material covered in class meetings prior to the exam but subsequent to the previous exam. The final exam will be comprehensive but weighted toward coverage of the material that occurs after the second midterm. The exams will be graded on a numerical basis.

5.5 Evaluation

- Class Participation (20%)
- Quizes (20%)
- First Midterm Exam (20%)
- Second Midterm Exam (20%)
- Final Exam (20%)

5.6 Grading Procedures

Assignments and exams are marked on a numerical (percentage) basis, then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, the following letter grade equivalence will generally apply:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>97-100</td>
</tr>
<tr>
<td>A</td>
<td>93-96</td>
</tr>
<tr>
<td>A-</td>
<td>90-92</td>
</tr>
<tr>
<td>B+</td>
<td>87-89</td>
</tr>
<tr>
<td>B</td>
<td>83-86</td>
</tr>
<tr>
<td>B-</td>
<td>80-82</td>
</tr>
<tr>
<td>C+</td>
<td>77-79</td>
</tr>
<tr>
<td>C</td>
<td>73-76</td>
</tr>
<tr>
<td>C-</td>
<td>70-72</td>
</tr>
<tr>
<td>D+</td>
<td>67-69</td>
</tr>
<tr>
<td>D</td>
<td>60-66</td>
</tr>
<tr>
<td>F</td>
<td>&lt; 60</td>
</tr>
</tbody>
</table>

Students must successfully complete all components of the course to successfully complete the course. At my prerogative, remedial assignments for partial credit may be requested of students who have attempted term work without achieving passing grades. Any work that is not attempted and submitted will be assigned a grade of zero. I will not accept work handed in after
the assigned due date. I will not schedule make-up exams or assignments. If a student must miss an assignment or exam due to an excused absence (i.e. one that has been arranged in advance with me or involves a documented illness), additional weight will be placed on the remaining exams (in equal measure) in calculating the final grade for the course. I will also drop the lowest grade a student receives on a quiz in calculating the final grade.

Students seeking reappraisal of a piece of graded term work should discuss their work with me within two weeks of the work being returned to the class.

5.7 Coursework Return Policy

Graded coursework will be returned to students within two weeks of the date it is submitted for evaluation.

5.8 Absence Policy (e.g., Sports/Activities Policy)

You are required to attend lecture. Notification of planned absences must be given to the instructor in advance.

6 Materials


Other required supplemental information: Course materials distributed via the course website or as books on reserve at Arthur Lakes Library.

7 Outline and Reading Assignments

This list is preliminary. I reserve the right to modify the topics if I feel it is in the best interest of the class.

NB – I update the course website as we go along. If you are search for materials that I claim are on the course website but which you are not finding there when you go to your web browser, please refresh/reload the page (typically ctrl-r or command-r on Windows and Mac computers, respectively).
7.1 Introduction and Review of Principles of Microeconomics [Weeks 1-2, 8/19-8/28]

Topics:
- Introduction
- Scarcity and Opportunity Cost
- Economic Efficiency and Surplus Measures
- Equation of Benefits and on the Margin
- Properties of Competitive Markets
- Working with Supply Demand Curves
- Efficiency and Environmental Policy
- Positive and Normative Analysis

Suggested Reading:
- K-O Ch. 1, 2 (pp.11-30) & 4

Assignments and Other Materials:
- My slides from the introductory lecture
- My slides from the microeconomics review
- Review questions, electricity data, suggested answers

Labor Day: 9/2

Topics:
- Social Choice and Utilitarianism
- Example Approaches to Decision-Making
- Efficiency vs. Equity
- Benefit-Cost Analysis
- Measuring Surplus Changes from Environmental Policy Interventions
- Incidence of Regulation
- Discounting Costs and Benefits over Time

Suggested Reading:
- K-O Ch. 2 (pp.30-34) & 3

Assignments and Other Materials:
- Review questions
- CPR story on CO Proposition 112.
- COGCC report on impacts of Prop. 112.

7.3 Decision-making over Time and Natural Resource Management [Weeks 3-6, 9/6-9/25]

Topics:
- Dynamic efficiency
- Nonrenewable resources
- Hotelling’s rule
- Effect of market power in nonrenewable resource markets
- Renewable resources
- Timber rotation model and extensions to include conservation motives
• Static and dynamic fishery models
• Inefficiency of open-access management of fisheries

Suggested Reading:
• K-O, Ch. 6 & 7

Assignments and Other Materials:

Midterm #1: 10/9
Fall Break: 10/14

7.4 Market Failures [Weeks 6-8, 9/27-10/9]

Topics:
• Open-access resources
• Externalities
• Public goods & bads
• Private provision of public goods
• Coase theorem
• Role of property rights in remedies for market failures

Suggested reading:
• K-O, Ch. 5

Assignments and Other Materials:

7.5 Regulating Pollution [Weeks 9-11, 10/11-10/30]

Topics:
• Prescriptive vs. incentive-based regulatory designs
• Efficiency vs cost-effectiveness
• Cost-effectiveness of emission fees
• Efficiency of Pigouvian fees
• Cost-effectiveness of tradable emission permits
• Key differences in performance of fees, subsidies & permits
• Price vs. quantity instruments under uncertainty about abatement costs
• Efficiency properties of tradable performance standards
• Voluntary approaches to pollution control

Suggested Reading:
• KO, Ch. 8-10

Assignments and Other Materials:

Midterm #2: 11/15

7.6 Valuing the Environment [Weeks 11-14, 11/1-11/20]

Topics:
• Non-market valuation
• Marginal & total willingness to pay for environmental quality improvements
• Use & non-use values
• Option value
• Revealed vs stated preference methods
• Hedonic price method
• Avoidance expenditures method
• Travel cost method
• Contingent valuation and other survey-based methods
• Experimental methods
Suggested Reading:


Assignments and Other Materials:

Thanksgiving break: 11/27, 11/29

7.7 Contemporary Issues and Student Presentations: [Weeks 14-16, 11/22-12/4]

Topics:
- Climate change impacts and U.S. policy options

Assignments and Other Materials:

Final exam: time and place TBA

8 Other Useful Resources

- Resources for the Future (RFF) is the premier environment policy think tank in Washington DC analyzing current policy issues through an economics lens. Also, a great source of ideas for the final project.

9 University Policies

9.1 Policy on disability support

The Colorado School of Mines is committed to ensuring the full participation of all students in its programs, including students with disabilities. If you are registered with Disability Support Services (DSS) and I have received your letter of accommodations, please contact me at your earliest convenience so we can discuss your needs in this course. For questions or other inquiries regarding disabilities, I encourage you to visit http://disabilities.mines.edu for more information.
9.2 Policy on academic integrity/misconduct

The Colorado School of Mines affirms the principle that all individuals associated with the Mines academic community have a responsibility for establishing, maintaining and fostering an understanding and appreciation for academic integrity. In broad terms, this implies protecting the environment of mutual trust within which scholarly exchange occurs, supporting the ability of the faculty to fairly and effectively evaluate every student’s academic achievements, and giving credence to the university’s educational mission, its scholarly objectives and the substance of the degrees it awards. The protection of academic integrity requires there to be clear and consistent standards, as well as confrontation and sanctions when individuals violate those standards. The Colorado School of Mines desires an environment free of any and all forms of academic misconduct and expects students to act with integrity at all times.

Academic misconduct is the intentional act of fraud, in which an individual seeks to claim credit for the work and efforts of another without authorization, or uses unauthorized materials or fabricated information in any academic exercise. Student Academic Misconduct arises when a student violates the principle of academic integrity. Such behavior erodes mutual trust, distorts the fair evaluation of academic achievements, violates the ethical code of behavior upon which education and scholarship rest, and undermines the credibility of the university. Because of the serious institutional and individual ramifications, student misconduct arising from violations of academic integrity is not tolerated at Mines. If a student is found to have engaged in such misconduct sanctions such as change of a grade, loss of institutional privileges, or academic suspension or dismissal may be imposed.

The complete policy is [online](#).

9.3 Discrimination, harassment and Title IX

All learning opportunities at Mines, including this course, require a safe environment for everyone to be productive and able to share and learn without fear of discrimination or harassment. Mines’ core values of respect, diversity, compassion, and collaboration will be honored in this course (More information can be found here) and the standards in this class are the same as those expected in any professional work environment. Discrimination or harassment of any type will not be tolerated. As a participant in this course, we expect you to respect your instructor and your classmates. As your instructor, it is my responsibility to foster a learning environment that supports
diversity of thoughts, perspectives and experiences, and honors your identities. To help accomplish this:

Course rosters are provided to the instructor with the student's legal name. I will honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. If something is said or done in this course (by anyone, including myself) that made you or others feel uncomfortable, or if your performance in the course is being impacted by your experiences outside of the course, please report it to:

- Me (if you are comfortable doing so)
- Wellness Center Counseling [https://www.mines.edu/counseling-center/]
- Speak Up [https://www.mines.edu/speak-up/] - Anonymous Option

In this course, we will cultivate a community that supports survivors, prevents interpersonal violence, and promotes a harassment free environment. Title IX and Colorado State law protects individuals from discrimination based on sex and gender in educational programs or activities. Mines takes this obligation seriously and is committed to providing a campus community free from gender and sex-based discrimination. Discrimination, including sexual harassment, sexual violence, stalking, and domestic violence, is prohibited and will not be tolerated within the Mines campus community. If these issues have affected you or someone you know, you can access the appropriate resources here: [http://www.mines.edu/title-ix/] You can also contact the Mines Title IX Coordinator, Karin Ranta-Curran, at 303-384-2558 or krcurran@mines.edu for more information.

It's on us, all of the Mines community, to engineer a culture of respect.