

Economics 454
Benefit-Cost Analysis
Spring 2021
Prof. Robert Halvorsen

In ECON 454 we will discuss how benefit-cost analysis *should* be done. In real life, benefit-cost analyses are often done very badly, frequently because the people doing them are trying to provide support for what they have already decided to do, rather than objectively analyzing what they should do. By the end of the Quarter, students should have a firm understanding of the issues, techniques, and practical difficulties involved in benefit-cost analysis and therefore the ability to critique real-life benefit-cost analyses.

The prerequisite for this course is ECON 300 and the class discussions will assume that students have a solid understanding of intermediate level microeconomics. Two, non-cumulative, exams will count for 80% of the course grade, with the (curved) grade for the exam on which you do better receiving a weight of 0.7 in calculating the overall exam grade and the exam on which you do less well receiving a weight of 0.4. The exams will be open-notes. Last Quarter's exams are posted on Canvas as a preview of the types of questions that will be asked and as sources of practice questions in studying for this Quarter's exams.

Six problem sets will count for 20% of the course grade and will be graded credit/no credit. Detailed answer sheets will be posted for the problem sets. Reviewing the answers and comparing them to your own are excellent ways to learn the course material.

Exams and problem sets do not need to be typed but do need to be easy to read. They are to be submitted to Canvas as PDFs. If you do not have access to a scanner, you can use a cell phone scanning app (e.g., Adobe Scan).

There is no textbook or course pack. Lectures will be recorded and posted on Zoom and lecture notes will be posted on Canvas.

My office hours are on Tuesday from 4:30 – 5:30 p.m. An appointment to meet at another mutually agreeable time can be made by email at halvor@uw.edu. You may also use email to ask any short-answer questions that may arise as you review your notes or work on the problem sets.

Washington state law requires the UW to have a policy for accommodation of student absences or significant hardship due to reasons of faith or conscience, or for organized religious activities. The UW's policy, including more information about how to request an accommodation, is available at [Religious Accommodations Policy](https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/)
[\(https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/\)](https://registrar.washington.edu/staffandfaculty/religious-accommodations-policy/)

Course Schedule

All dates except for the final exam are subject to revision.

March 30 th	Lecture 1: Introduction
April 1 st	Lecture 2: Evaluation criteria
April 6 th	Lecture 3: Aggregation over commodities
April 8 th	Lecture 4: Aggregation over commodities Problem Set 1 Due
April 13 th	Lecture 5: Aggregation over Time
April 15 th	Lecture 6: Aggregation over Time Problem Set 2 Due
April 20 th	Lecture 7: Aggregation over Time
April 22 nd	Lecture 8: Aggregation over States of the World Problem Set 3 Due
April 27 th	Lecture 9: Aggregation over States of the World
April 29 th	REVIEW FOR MIDTERM EXAM
May 4 th	MIDTERM EXAM
May 6 th	Lecture 10: Aggregation over Individuals Problem Set 4 Due
May 11 th	Lecture 11: Valuation of Commodities with Incomplete Market Data
May 13 th	Lecture 12: Valuation of Commodities with No Market Data
May 18 th	Lecture 13: Valuation of Risks to Life Problem Set 5 Due
May 20 th	Lecture 14: Valuation of Risks to Life
May 25 th	Lecture 15: Stated preference method
May 27 th	Lecture 16 Problem Set 6 Due
June 1 st	REVIEW FOR FINAL EXAM
June 3 rd	FINAL EXAM