Benefit-cost analysis is a widely applied method for evaluating government projects, policies, and regulations. This course reviews the theoretical foundations of benefit-cost analysis and derives formulas and procedures for the monetization of benefits and costs, aggregation over time, valuation of uncertain benefits and costs, and aggregation over individuals. At the end of the quarter students should have a firm understanding of the issues, techniques, and practical difficulties involved in benefit-cost analysis and the ability to critically assess 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. There will be two exams and weekly problem sets. The exams will count for 80% of the grade and the problem sets will count for 20%. The exam grade will be a weighted average of the numeric grades assigned to the individual exams, with the exam on which you do better receiving a weight of .6 and the exam on which you do worse receiving a weight of .4. Please refer to the next page for further, very important, information concerning the rules for taking the exams and policies with respect to academic honesty.

The exams may include some problems for which a calculator might be helpful. Only basic, non-programmable, calculators will be allowed during exams. If you don’t already own one, they can be purchased very inexpensively. For example, the University Book Store sells the Sharp EL-233 Basic calculator for $2.95.

There is no textbook for this course. Lecture notes are posted on the course webpage, which can be accessed through MyUW. Practice exams, problem sets, answers to problem sets, and other handouts will also be posted there.

If you have any questions at any point during the course, my office hours during the Spring Quarter are from 10:00 to 11:00 on Wednesday and Friday in Savery 351. An appointment to meet at another mutually convenient time can be made in person after class, by phone at 543-5546, or by email at halvor@uw.edu. Email may also be used to ask any short questions that may arise as you review your notes or work on the problem sets.
Exam Rules

I Exam Absence Policy

1. If you are unable to make it to an exam period due to illness or another unexpected happening, do the following:
   
   i. Notify me no later than the time of the exam that you are not able to take the exam and why.
   
   ii. If you missed the exam for health reasons, you need to show me a note issued by a medical professional documenting the reason you missed the exam.

   iii. If there was some other reason for missing the exam come and see me to explain the reason. You will need to show appropriate documentation. Not waking up or missing your bus/plane is not an acceptable excuse.

2. If you know that you are going to be away due to a University-related activity, such as participation in an away sport or debate, let me know well in advance so that arrangements can be made.

II Exam Taking Rules

1. Material allowed during an exam.
   
   i. You must use a large bluebook for your answers.

   ii. All books, papers, notebooks, etc., must be placed inside your backpack or other type of bag, which must be securely and fully closed. If you do not have a bag, you must place all your material out of your reach.

   iii. Except for a basic, non-programmable, calculator, no electronic devices can be accessible during the exam. Cellular phones must be turned off before entering the class and placed in your closed bag (not in your pocket). You are not allowed to use a cellular phone during an exam. Doing so will result in the termination of your exam time.

   iv. Baseball caps and any other kinds of headgear that conceal your eyes are not permitted.

2. Attendance and special accommodation

   i. You are not allowed to leave the room during the exam. This includes restroom use; be sure to use the restroom before the beginning of the exam.

   ii. If you arrive late to an exam, you cannot expect to get extra time after the official end of the exam to make up for the missing time at the beginning.

   iii. If you have a documented disability, please show me documentation from the Office of Disability Resources for Students on the first day of class, so that I can make any arrangements required for accommodations.

III Academic Integrity

1. Exams are individual work and cheating will not be tolerated. Looking at notes or your neighbors’ answers will result in the immediate termination of your exam time and a grade of zero for the exam.

2. Altering an exam before submitting it for a review of the grading, obtaining an advance copy of an examination, or arranging for a surrogate test-taker are all flagrant violations of University policy.

3. Cheating of any kind may result in expulsion from the University. The Department will follow University policy in case of academic misconduct. I strongly recommend that you review University policy at http://www.washington.edu/uaa/advising/help/academicintegrity.php. Students found to have engaged in academic dishonesty will be subject to sanctions, which range from a disciplinary warning to permanent expulsion from the University, depending on the seriousness of the misconduct.
Syllabus

Dates shown for lectures and exams may be revised as the Quarter proceeds.

I. Introduction (April 1\(^{st}\))
Lecture notes section 1: pages 1-2.

II. Conceptual Foundations of Benefit-Cost Analysis (April 3\(^{rd}\) and 8\(^{th}\))
Lecture notes section 2: pages 3-16.

III. Aggregation over Commodities Using Market Data (April 10\(^{th}\) and 15\(^{th}\))
Lecture notes section 6: pages 66-83.

IV. Aggregation over Time (April 17\(^{th}\), 22\(^{nd}\), 24\(^{th}\) and 29\(^{th}\))
Lecture notes section 4: pages 26-50.

FIRST EXAM COVERS SECTIONS I THROUGH IV (Tentative date is May 8\(^{th}\))

V. Aggregation over States of the World (May 1\(^{st}\) and 13\(^{th}\))
Lecture notes section 5: pages 51-65.

VI. Aggregation over Individuals (May 15\(^{th}\))
Lecture notes section 3, pages 17-25.

VII. Valuation when Market Data Are Incomplete (May 20\(^{th}\))

VIII. Valuation when Market Data Are Nonexistent (May 22\(^{nd}\), 27\(^{th}\), and 29\(^{th}\))

SECOND EXAM COVERS SECTIONS V THROUGH VIII (Tentative date is June 5\(^{th}\))