Cost Benefit Analysis

Professor Stuart Shapiro  Course: 34:833:632
EJB 538  Tuesday 9:50-12:30
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Overview

The goal of this course is for students to be able to conceptualize the costs and benefits of public policy decisions and to effectively critique professional cost-benefit analyses. After an introduction to the utilitarian roots of cost-benefit analysis, we will deal with particular issues in doing cost benefit analysis. These include identification of costs and benefits, discounting, dealing with uncertainty, valuing health and human life and comparisons with cost-effectiveness analysis. The course will conclude with a series of case studies where students will be asked to evaluate a cost benefit analysis that played a role in a policy decision.

Requirements

The class is divided into two parts. The first nine weeks of the class are mostly lecture oriented. During this period of the class there will be 7 take home assignments (worth 40% of the grade). The second portion of the class will be case studies of cost-benefit analyses. The class will be divided into six groups with each group leading the discussion on one of the cases and each individual writing an evaluation of the analysis. Leading the discussion will be worth 10% of the grade in the course (there will be one grade for the group) and the papers will be worth 30% of the grade. The remaining 20% of your grade is class participation, which will be particularly valuable during the case study section of the course.

While students are encouraged to work in small groups on the take home assignments, they must be written up individually. Late assignments are not accepted.

You are also required to uphold the university standards for academic integrity found here: http://academicintegrity.rutgers.edu/

Readings

The required text is An Introduction to Cost-Benefit Analysis by Gines de Rus. Numerous readings in the first portion of the class are from this text. Other readings are available on the course website on Sakai or have links below.
Section I The Mechanics

Class 1 September 9 (rescheduled from September 6), Introduction and Economic Roots of CBA


Chapter 1 de Rus (not appendix)

Class 2 September 13, Ethical Debate over CBA


Memo 1 Due

Class 3 September 20, Measuring Costs and Using Market Prices to Measure Benefits.

De Rus, Sections 2.1 – 2.3, 3.1-3.2


Class 4 September 27, Other Techniques for Measuring Benefits

De Rus ch.5, 6.1-6.2


Memo 2 due

Class 5 October 4, Discounting

De Rus Chapters 7 and 8.


Memo 3 due

Class 6 October 11, Uncertainty, Sensitivity Analysis, Simulations, and Climate Change

De Rus. Chapter 9


Memo 4 due

Class 7 October 18 Valuing Life and Health and Cost Effectiveness Analysis


Memo 5 due

Class 8 October 25, Climate Change and Cost-Benefit Analysis

Bob Litterman “What is the Right Price for Carbon Emissions” *Regulation* Summer 2013

**Memo 6 Due**

**Class 9 November 1, How Does Government Regulation Affect Employment?**


Available on sakai.

Institute for Policy Integrity Report, “Regulatory Red Herring: The Role of Job Impact Analyses in Environmental Policy Debates” available on Sakai


**Memo 7 Due**

**Section II  Case Studies**

**Class 10 November 8, Should Government Help You Help Yourself? and Labeling for Trans-Fatty Acids**

Debate between Susan Dudley and Cass Sunstein articles available on Sakai.


*Optional Memo 8 Due*

**Case Studies – Group Presentations**

This guidance will help you throughout the case work.

OMB guidance on cost-benefit analysis.
http://www.whitehouse.gov/sites/default/files/omb/assets/regulatory_matters_pdf/a-4.pdf

**Class 11 November 15. Group 1: Mandatory Inspection of Fish of the Order Siluriformes and Products Derived From Such Fish**

[https://www.federalregister.gov/articles/2015/12/02/2015-29793/mandatory-inspection-](https://www.federalregister.gov/articles/2015/12/02/2015-29793/mandatory-inspection-)


Class 14 December 13 Wrap up