[ECON2133]
[Cost-benefit Analysis]

Course Description
Cost-benefit analysis (CBA) provides an analytical framework for evaluating public policy options. More precisely, CBA attempts to measure and compare the economic efficiency of policy options. This type of analysis has become standard for evaluating public projects such as transportation, healthcare, water resources, urban infrastructure, or environmental projects. The following topics will be covered in the course: Foundations of CBA, Efficiency and Market Failures, CBA in Primary Markets, CBA in Secondary Markets, Non-market Valuations, CBA under Uncertainty, CBA over Time, and CBA with Distributional Concerns.

<table>
<thead>
<tr>
<th>Semester and Year</th>
<th>S2 2014</th>
</tr>
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<tbody>
<tr>
<td>Course URL</td>
<td></td>
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<tr>
<td>Mode of Delivery</td>
<td>On campus</td>
</tr>
<tr>
<td>Prerequisites</td>
<td>Completion of or concurrent enrolment in ECON2101/2111 Microeconomics 2 (P or H)</td>
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<tr>
<td>Incompatible Courses</td>
<td>As listed in Programs and Courses</td>
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<tr>
<td>Course Convener</td>
<td>Cagri Kumru</td>
</tr>
<tr>
<td>Office Location</td>
<td>Room 2031 H W Arndt Building</td>
</tr>
<tr>
<td>Phone</td>
<td>02 6125 6126</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:cagri.kumru@anu.edu.au">cagri.kumru@anu.edu.au</a></td>
</tr>
<tr>
<td>Consultation hours</td>
<td>TBA</td>
</tr>
<tr>
<td>Bio and research interests</td>
<td>Cagri Kumru is a Public Economist who specializes on large scale quantitative models. His research appeared in major international academic journals such as Journal of Public Economics and European Economic Review.</td>
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<tr>
<td>Tutor(s) (optional)</td>
<td>See Wattle</td>
</tr>
<tr>
<td>Student Administrators</td>
<td>Room 1014 H W Arndt Bldg. 09:00 – 17:00</td>
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COURSE OVERVIEW

Course Learning Outcomes
Upon successful completion of the requirements for this course, students will be able to:

1. understand the theoretical underpinnings of the governments’ intervention to the markets
2. determine when a CBA may be performed in a meaningful way;
3. perform the CBA as completely as possible under relevant modeling assumptions or approximations;
4. identify the elements that may compromise the validity of the CBA such as limitations in modeling assumptions, limitations in data, and political concerns;
5. effectively communicate the results of the CBA to the relevant parties.

Research-Led Teaching
The lecturer of this course is an active researcher in the field of Public Economics. To support lectures, the recently published articles related to the subject matter will be uploaded to Wattle.

Continuous Improvement
We use feedback from students, professional bodies and staff to make regular improvements to the course. In response to this feedback, design improvements from the previous version of the course include:

- More real-world examples
- A small CBA project as a Homework Assignment instead of traditional homework assignment contains short-essay questions and problems.

Technology, Software, Equipment
N/A

Requisites
N/A

Co-teaching
Students enrolled in ECON8018 CBA follow the lectures and tutorials of ECON2133 CBA. In addition, there will be separate classes for them. These students should read the additional course outline for ECON8018 for the details.

Student Feedback
All CBE courses are evaluated using Student Experience of Learning and Teaching (SELT) surveys, administered by Planning and Statistical Services at the ANU. These surveys are offered online, and students will be notified via email to their ANU address when surveys are available in each course. Feedback is used for course development so please take the time to respond thoughtfully. Course feedback is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise
excellent teaching and to improve courses across the university. For more information on student surveys at ANU and reports on feedback provided on ANU courses, visit http://unistats.anu.edu.au/surveys/selt/students/ and http://unistats.anu.edu.au/surveys/selt/results/learning/

**COURSE SCHEDULE**

<table>
<thead>
<tr>
<th>Week</th>
<th>Subjects</th>
<th>Readings</th>
</tr>
</thead>
</table>
| 1    | Overview of Cost-Benefit Analysis | *BGVW Ch.1 & 2  
Budget of the United States Government, Fiscal Year 2011, Analytical Perspectives, Performance Management, Ch. 8 & 9.  
Guidelines for Cost Benefit Analysis (2010), Victoria Department of Transport  
| 2    | Theoretical Tools of CBA | *BGVW Ch. 3  
*Gruber Ch.2 |
| 3    | Efficiency and Market Failures | *Gruber, Ch. 5, 7, and 9 |
| 4    | Valuing Benefits and Costs in Primary Markets | *BGVW Ch. 4  
| 5    | Valuing Benefits and Costs in Primary Markets | |
| 6    | Valuing Benefits and Costs in Secondary Markets | *BGVW Ch. 5  
BGVW Ch.11  
<table>
<thead>
<tr>
<th>Week</th>
<th>Subjects</th>
<th>Readings</th>
</tr>
</thead>
</table>
| 7    | The Net Present Value Rule | *BGVW Ch. 6  
| 8    | The Social Discount Rate | *BGVW Ch. 10  
| 9    | Accounting for Risk and Uncertainty | *BGVW Ch.7, 8  
| 10   | CBA Practice: Predicting and Monetizing Impacts in Markets | *BGVW Ch.12, 13  
| 11   | Non-market Valuation | *BGVW Ch.14  
Vedantam, S. 2006. "In a Sea of Uncertainty, We All Have an Anchor" |
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<tr>
<th>Week</th>
<th>Subjects</th>
<th>Readings</th>
</tr>
</thead>
</table>
| 12   | Special Cases of Non-Market Goods in CBA | *BGVW Ch.16  
| 13   | Final Exam Preparation | |

Please note that required readings are denoted by an asterisk (*) and are listed first (see the READING LISTS section for more information).

All other readings are voluntary. If you would like to have a deep understanding of the CBA, they would help you substantially. Yet, not reading them would not affect your course performance if you do the recommended readings, study lecture PPT slides, keep your own notes in lectures, and study tutorial questions.

Other relevant information

- Handouts, in the form of PowerPoint slides, will be uploaded to WATTLE usually three days before the relevant lectures.

- Students should note that the handouts are to be regarded as a brief summary of lecture and relevant reading materials. Therefore, reading handouts only cannot substitute following lectures and reading required and recommended materials.

- Copies of the textbooks are placed on the Reserve Collection (2-hour loan). All other supplementary readings listed on the above table will be uploaded to WATTLE usually one week before the relevant lectures.

- The lecturer’s e-mail is only to be used when you need to contact him about administrative or personal matters. It is not to be used for instructional purposes.
When you have a question regarding with the course material, please consult your tutor or lecturer in person.

COURSE ASSESSMENT

<table>
<thead>
<tr>
<th>Item</th>
<th>Title</th>
<th>Value</th>
<th>Due Date</th>
<th>Linked Learning Outcomes (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>H W Assignment</td>
<td>%15, compulsory and non-redeemable</td>
<td>Week 10</td>
<td>1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>2</td>
<td>Mid-semester exam</td>
<td>%25, redeemable</td>
<td>Week 7</td>
<td>1, 2, 3, 4, 5</td>
</tr>
<tr>
<td>3</td>
<td>Final exam</td>
<td>%60, compulsory and non-redeemable</td>
<td>Final examination period</td>
<td>1, 2, 3, 4, 5</td>
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Assessment Task 1: H W Assignment
Details of task:
This is a group-based assignment. The details will be announced in Wattle.

Assignment Submission
Hard copy submission: Assignments will be submitted through the ECON2133 CBA course assignment box located in the first floor of H W Arndt Building (next to the School Office). It must include a cover sheet. Please keep a copy of tasks completed for your records.

Extensions and Penalties
Late submissions will receive zero mark.

Returning Assignments
Marked assignment can be collected from the lecturer’s office during consultation hours.

Resubmission of Assignments
N/A

Examinations
Mid-semester exam: The details regarding with mid-semester exam will be announced in lectures and posted on Wattle. The mid-semester exam will provide you an early feedback about your performance of the course.

Final-exam: The final exam will be comprehensive i.e. the exam will assess all materials covered in the course. I will post the last years’ final exams and their answers to Wattle. The details regarding with the final exam will be announced in the lectures and posted on Wattle.

Scaling
Your final mark for the course will be based on the raw marks allocated for each assignment or examination. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed or equal the scaled mark of that student), and may be either up or down.
Referencing Requirements
See Wattle.

READING LISTS

Prescribed text


Recommended text


Other texts

- Guidelines for Cost Benefit Analysis (2010), Victoria Department of Transport (a copy uploaded to Wattle)


TUTORIAL AND/OR SEMINAR REGISTRATION

Tutorial and/or Seminar signup for this course will be done via the Wattle website. Detailed information about signup times will be provided on Wattle or during your first lecture. When tutorials are available for enrolment, follow these steps:

1. Log on to Wattle, and go to the course site.
2. Click on the link “Tutorial signup here”
3. On the right of the screen, click on the tab “Become Member of ……” for the tutorial class you wish to enter.
4. Confirm your choice

If you need to change your enrolment, you will be able to do so by clicking on the tab “Leave group…” and then re-enrol in another group. You will not be able to enrol in groups that have reached their maximum number. Please note that enrolment in ISIS must be finalised for you to have access to Wattle.

COMMUNICATION

Email
If necessary, the lecturers and tutors for this course will contact students on their official ANU student email address. Information about your enrolment and fees from the Registrar and Student Services' office will also be sent to this email address.
Announcements
Students are expected to check the Wattle site for announcements about this course, e.g. changes to timetables or notifications of cancellations. Notifications of emergency cancellations of lectures or tutorials will be posted on the door of the relevant room.

Course URLs
More information about this course may be found on:

- Programs and Courses (http://programsandcourses.anu.edu.au/2014/Catalogue)
- the College of Business and Economics website (http://cbe.anu.edu/courses) and
- Wattle (https://wattle.anu.edu.au), the University's online learning environment. Log on to Wattle using your student number and your ISIS password.

Tutorial and/or Seminar Registration
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Policies
The University offers a number of support services for students. Information on these is available online from http://students.anu.edu.au/studentlife/

ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University's academic standards, and implement them. You can find the University's education policies and an explanatory glossary at: http://policies.anu.edu.au/

Students are expected to have read the Student Academic Integrity Policy before the commencement of their course.

Other key policies include:

- Student Assessment (Coursework)
• Student Surveys and Evaluations