

ECON 8545
ENVIRONMENTAL ECONOMICS II
FALL 2010
T-TH 12:30-1:45, ECON 5

Overview:

This course is an applied course in environmental economics with an emphasis on energy markets and energy consuming technologies. The focus is on empirical studies of environmental regulation, measurement of damages from pollution, producer and consumer behavior. The goal is to provide students interested in these topics, the tools necessary to begin conducting their own research.

Office Hours and Contact Information:

Professor: Jonathan Hughes
Office location: Economics 4B
Office hours: Tuesdays and Thursdays from 2:00 pm to 3:30 pm (or by appointment)
Phone: (303) 735-0220
Email: jonathan.e.hughes@colorado.edu
Class web site: CULearn

Background Texts:

There is no required textbook for this course. Course readings can generally be downloaded from JSTOR, NBER, etc. or for other working papers, from the web sites listed in the course schedule. Please *contact me* if you have difficulty downloading the required readings. In addition to these readings, graduate texts in environmental economics, industrial organization and applied microeconometrics will provide useful background to the topics covered in the course. Excellent examples include:

Cameron and Trivedi, "Microeconometrics: Methods and Applications."
Baumol and Oates, "The Theory of Environmental Policy."
Freeman, "The Measurement of Environmental and Resource Values."
Tirole, "The Theory of Industrial Organization."

Course Requirements and Grading:

Reading/class participation	15%
Referee reports	15%
Midterm exam	20%
Final exam	20%
Research paper/proposal	30%

Reading/Class Participation:

Please come to class each day ready to discuss the assigned reading. Please prepare a ½ page summary of each paper that discusses: the main research question; data used in the analysis; the empirical approach, structural versus reduced form, identification of the parameter(s) of interest, etcetera; and any major assumptions or limitations of the study. I will randomly select several of these summaries during the semester to evaluate as part of your class participation grade.

Referee Reports:

Each student is required to submit two original referee reports on unpublished empirical papers in environmental economics. I will select each paper from the NBER EEE or similar working paper series. The report should not exceed 4 pages. Each report should (briefly) summarize the main contribution of the paper, strengths and weaknesses and areas for improvement. Your goal is to critically evaluate the manuscript and provide feedback the author(s) could use to improve their work. Due dates are: **October 5, 2010** and **November 16, 2010**.

Examinations:

There will be an in class mid-term exam on **October 14, 2010** and a final exam on **Saturday December 11** from 7:30 – 10:00 pm. If you have a conflict with the mid-term exam date, please see me during the first week of class to discuss alternate arrangements.

Research Paper/Proposal:

You have begun to transition from consumers of economics to producers of economics. An important part of this process is developing original research questions. Each student will complete a research paper or well-developed research proposal due on the last day of class, Dec. 9th. A one-page description of the project that identifies the data you will use and potential research questions should be turned in on **September 23, 2010**. The project should deal with an important empirical question in environmental economics. I am not necessarily looking for a finished paper. However, a successful project must: 1.) Pose an interesting and original research question. 2.) Identify and obtain data suitable for answering this question and 3.) Outline an empirical strategy that can plausibly answer the question of interest.

Late Assignments and Missed Examinations:

Problem sets and other assignments are due before the start of class on the date due. No late assignments will be accepted except in the case of documented medical or family emergency. No make-up exams will be given. If you foresee a conflict, contact me as soon as possible in order to make alternate arrangements for you to complete the requirements of this course.

Disabilities: If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and <http://www.Colorado.EDU/disabilityservices>

If you have a temporary medical condition or injury, see guidelines at <http://www.colorado.edu/disabilityservices/go.cgi?select=temporary.html>

Disability Services' letters for students with disabilities indicate legally mandated reasonable accommodations. The syllabus statements and answers to Frequently Asked Questions can be found at <http://www.colorado.edu/disabilityservices>

Religious Observances: Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, students with conflicts due to religious observances should contact me during the first week of class or as soon as possible if an unforeseen situation arises. Once a conflict is identified, we will work together to find an alternative arrangement for you to complete the requirements of the course. Missed assignments shall be due at the start of the first class following the conflict. Missed examinations shall be scheduled for the first business day following the conflict. See full details at http://www.colorado.edu/policies/fac_relig.html

Appropriate Behavior: Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly 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. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

Discrimination and Harassment: The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of sexual harassment or discrimination or harassment based upon race, color, national origin, sex, age, disability, creed, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>

Academic Conduct: All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-735-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

Tentative Schedule:

* Denote required readings

I. Introduction

8/24/10	<p>* Angrist and Jorn-Steffen Pischke (2010), “The Credibility Revolution in Empirical Economics: How Better Research Design is Taking the Con out of Econometrics.” <i>Journal of Economic Perspectives</i>, Spring 2010</p> <p>Angrist and Krueger, “Empirical Strategies in Labor Economics”</p>
8/26/10	<p>* Einav and Levin (2010), “Empirical Industrial Organization: A Progress Report.” <i>Journal of Economic Perspectives</i>, Spring 2010</p> <p>Reiss and Wolak, “Structural Econometric Modeling: Rationales and Examples from IO”</p>

II. Environmental Regulation and Effects

A. Transportation

8/31/10	<p>* Auffhammer and Kellogg, “Clearing the Air? The Effects of Gasoline Content Regulation on Air Quality.” http://www.ucei.berkeley.edu/PDF/csemwp185.pdf</p> <p>Brown, Hastings, Mansur and Villas Boas (2008), “Reformulating competition? Gasoline content regulation and wholesale gasoline prices.” <i>Journal of Environmental Economics and Management</i>, 55: 1-19.</p>
9/2/10	<p>* Davis (2008). “The Effect of Driving Restrictions on Air Quality in Mexico City.” <i>Journal of Political Economy</i> 116(1): 38-81.</p>
9/7/10	<p>* Busse and Keohane (2007), “Market Effects of Environmental Regulation: Coal, Railroads, and the 1990 Clean Air Act.” <i>RAND Journal of Economics</i> 38(4): 1159-1179</p> <p>Hughes, “The Higher Price of Cleaner Fuels: Market Power in the Rail Transport of Fuel Ethanol.” http://spot.colorado.edu/~jonathug/Jonathan_E._Hughes/Jonathan_Hughes_files/RR_EtOH18.pdf</p>
9/9/10	<p>* Roberts and Schlenker, “Identifying Supply and Demand Elasticities for Agricultural Commodities: Implications for the U.S. Ethanol Mandate.” http://www.nber.org/papers/w15921.pdf</p>

B. Electricity and Manufacturing

9/14/10	<p>* Greenstone (2002), “The Impacts of Environmental Regulations on Industrial Activity: Evidence from the 1970 and 1977 Clean Air Act Amendments and the Census of Manufactures.” <i>Journal of Political Economy</i> 110: 1175-1219.</p> <p>Bushnell, Chong and Mansur, “Profiting from Regulation: An Event Study of the EU Carbon Market” http://www.econ.iastate.edu/sites/default/files/publications/papers/paper_13139.pdf</p>
9/16/10	<p>* Fowlie (2010), “Emissions Trading, Electricity Restructuring, and Investment in Pollution Abatement.” <i>American Economic Review</i>, June 2010, 837-869.</p>
9/21/10	<p>* Fowlie and Perloff, “Distributing Pollution Rights in Cap-and-Trade Programs: Are Outcomes Independent of Allocation?” http://nature.berkeley.edu/~fowlie/distributingpollutionrights.pdf</p>
9/23/10	<p>One page summary of research proposal due.</p> <p>* Fowlie, Holland and Mansur, “What Do Emissions Markets Deliver and to Whom? Evidence from Southern California's NOx Trading Program” http://www.nber.org/papers/w15082</p>
9/28/10	<p>Referee Report 1 Assigned. Due: 10/5/10</p> <p>* Ryan, “The Costs of Environmental Regulation in a Concentrated Industry” http://econ-www.mit.edu/files/1166</p> <p>Hortascu and Syverson (2007), “Cementing Relationships: Vertical Integration, Foreclosure, Productivity, and Price” <i>Journal of Political Economy</i>, 115: 250-301.</p>

III. Consumers

A. Transportation

9/30/10	<p>* Goldberg (1995). “Product Differentiation and Oligopoly in International Markets: The Case of the U.S. Automobile Industry.” <i>Econometrica</i> 63: 891-951.</p>
10/5/10	<p>* Berry, Levinsohn and Pakes (1995). “Automobile Prices in Market Equilibrium.” <i>Econometrica</i> 63: 841-890.</p>
10/7/10	<p>* Busse, Knittel and Zettelmeyer, “Pain at the Pump: The Differential Effect of Gasoline Prices on New and Used Automobile Markets.” http://www.econ.ucdavis.edu/faculty/knittel/papers/gaspaper_latest.pdf</p>

	<p>Allcott and Wozny, “Gasoline Prices, Fuel Economy, and the Energy Paradox.” http://web.mit.edu/allcott/www/Allcott%20and%20Wozny%202010%20-%20Gasoline%20Prices,%20Fuel%20Economy,%20and%20the%20Energy%20Paradox.pdf</p> <p>Klier and Linn (2010), “The Price of Gasoline and New Vehicle Fuel Economy: Evidence from Monthly Sales Data.” <i>American Economic Journal: Economic Policy</i> 2(3).</p> <p>Knittel and Sandler, “Carbon Prices and Automobile Greenhouse Gas Emissions: The Extensive and Intensive Margin” http://www.nber.org/chapters/c12134.pdf</p>
10/12/10	<p>* Jacobsen, “Evaluating U.S. Fuel Economy Standards In a Model with Producer and Household Heterogeneity.” http://econ.ucsd.edu/~m3jacobs/Jacobsen_CAFE.pdf</p> <p>Bento, Goulder, Jacobsen and von Haefen (2009) “Distributional and Efficiency Impacts of Increased U.S. Gasoline Taxes,” <i>American Economic Review</i>, Vol. 99, No. 3, 2009.</p> <p>Goulder, Jacobsen and van Benthau, “Unintended Consequences from Nested State & Federal Regulations: The Case of the Pavley Greenhouse-Gas-per-Mile Limits” http://www.nber.org/papers/w15337</p> <p>Li, Timmins and von Haefen (2009), “How Do Gasoline Prices Affect Fleet Fuel Economy.” <i>American Economic Journal: Economic Policy</i> 1(2): 113-137</p>

Midterm Exam: 10/14/2010 in class

B. Electricity and Energy Efficiency

10/19/10	<p>* Rapson, “Durable Goods and Long-Run Electricity Demand: A Case Study of Air Conditioner Purchase Behavior.” http://www.econ.ucdavis.edu/faculty/dsrapson/AC20100701.pdf</p> <p>Davis, “Evaluating the Slow Adoption of Energy Efficient Investments: Are Renters Less Likely to Have Energy Efficient Appliances?” http://faculty.haas.berkeley.edu/ldavis/ee.pdf</p>
10/21/10	<p>* Bushnell and Mansur (2005), “Consumption Under Noisy Price Signals: A Study Of Electricity Retail Rate Deregulation In San Diego.” <i>Journal of Industrial Economics</i>, 53(4): 493-513.</p>

10/26/10	* Holland and Mansur (2008), "Is Real-Time Pricing Green? The Environmental Impacts Of Electricity Demand Variance." <i>Review of Economics and Statistics</i> 90(3): 550-561.
10/28/10	* Allcott, "Rethinking Real-Time Electricity Pricing." http://web.mit.edu/allcott/www/Allcott%202010%20-%20Rethinking%20Real-Time%20Electricity%20Pricing.pdf Wolak, "Residential Customer Response to Real-Time Pricing: The Anaheim Critical-Peak Pricing Experiment." ftp://zia.stanford.edu/pub/papers/anaheim_cpp.pdf
11/2/10	* Grant and Kotchen (2009), "Does Daylight Saving Time Save Energy? Evidence From A Natural Experiment In Indiana." <i>Review of Economics and Statistics (forthcoming)</i> http://www2.bren.ucsb.edu/~kotchen/links/DSTpaper.pdf Kellogg and Wolff (2008), "Daylight time and energy: Evidence from an Australian experiment." <i>Journal of Environmental Economics and Management</i> 56: 207-220.

C. Voluntary Measures/Information

11/4/10	* Cutter and Neidell (2009), "Voluntary information programs and environmental regulation: Evidence from 'Spare the Air'." <i>Journal of Environmental Economics and Management</i> , 53(3): 253-256. Reiss and White (2008), "What changes energy consumption? Prices and public pressures." <i>RAND Journal of Economics</i> 39(3): 636-663. Zivin and Neidell (2009), "Days of haze: Environmental information disclosure and intertemporal avoidance behavior." http://www.nber.org/papers/w14271
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IV. Estimating Damages

A. Air Pollution

11/9/10	Referee Report 2 Assigned. Due: 11/16/10 * Chay and Greenstone (2005). "Does Air Quality Matter? Evidence from the Housing Market." <i>Journal of Political Economy</i> , 113(2): 376-424.
11/11/10	* Davis (2010). "The Effect of Power Plants on Local Housing Values and Rents." <i>Review of Economics and Statistics (forthcoming)</i> http://faculty.haas.berkeley.edu/ldavis/pp.pdf

11/16/10	* Bajari, Cooley, Kim and Timmins, “A Theory Based Approach to Hedonic Price Regressions With Time Varying Unobserved Product Attributes: The Price of Pollution.” http://www.nber.org/papers/w15724
11/18/10	* Currie and Neidell (2005), “Air Pollution and Infant Health: What Can We Learn From California’s Recent Experience?” <i>Quarterly Journal of Economics</i> , 120(3): 1003-1030. Knittel, Miller and Sanders, “Caution, drivers! Children present. Traffic, pollution, and infant health.” http://www.econ.ucdavis.edu/faculty/knittel/papers/kms_latest.pdf Currie and Walker. “Traffic Congestion and Infant Health: Evidence from E-Z Pass” http://www.nber.org/papers/w15413

Fall Break 11/22/10 – 11/26/10

B. Climate Change

11/30/10	* Deschenes and Greenstone (2007), “The Economic Impacts of Climate Change: Evidence from Agricultural Output and Random Fluctuations in Weather.” <i>American Economic Review</i>
12/2/10	* Fisher, Hanemann, Roberts and Schlenker. “Climate Change and Agriculture Reconsidered.” http://www.columbia.edu/~ws2162/agClimateChange/agClimateChange.pdf
12/7/10	* Albouy, Graf, Kellogg and Wolff, “Aversion to Extreme Temperatures, Climate Change, and Quality of Life.” http://faculty.washington.edu/hgwolff/climatewelfare.pdf Deschênes, Olivier and Michael Greenstone (2008), “Climate Change, Mortality and Adaptation: Evidence from Annual Fluctuations in Weather in the U.S.” MIT working paper, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=995830 Zivin, Joshua Graff and Matthew Neidell (2010), “Temperature and the Allocation of Time: Implications for Climate Change.” http://www.nber.org/papers/w15717
12/9/10	Catch-up and discussion of final projects