Syllabus

Instructor:	Richard Schwinn
Class Times:	MWF 12:00p-12:50p
Classroom:	CLS 3005
Office:	Library 407
Office Hours:	M 9:25a-10:55a (Library 407)
	MWF 1:05p-1:55p (Library 407)
Phone mail:	(773) 442-5699
Email:	r-schwinn@neiu.edu
Class Webpages:	http://neiu.blackboard.com

POLICIES AND GRADING

Text:	A Guide to Benefit-Cost Analysis by Edward M. Gramlich ISBN-10: 0881339881 Public Finance and Public Policy by Jonathon Gruber ISBN-10:0716766310
Attendance:	Attendance and participation will be taken into account. You begin with 100 points. If you are not present when I call your name in class, I deduct 10 points from your participation grade. If however you notify me at least one day *in advance*, by email or in person, you will be exempted from penalty. (100)
Homework:	There will be 5 homework assignments with full credit awarded only to complete assignments submitted on time. At least one homework will come in the form of a presentation (5 * 80 = 400)
Exams:	There will be 2 exams (one midterm and one final) worth 250 points each. (2 * 250 = 500)
Grading:	Attendance/Participation is worth 100 points; homework is worth 400; and each exam is worth 250 points. (100 + 400 + 500 = 1000)

A 1000-900	B 899-800	C 799-700	D 699-600	F 599-000

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Extra Credit:	I may announce extra credit problem sets as needed. I will not accept late extra credit.
Academic Integrity:	You are expected to adhere to the Student Code of Conduct. Those who do not risk penalty.
Other:	Students with special needs are invited to contact me.

PROPOSED SCHEDULE

Week (of)	Readings	Topics	Changes
One 1-12	· Review of syllabus · Math Foundations	· Conceptual Foundation · Microeconomics Review	
Two 1-19	· Handouts	· Conceptual Foundation · More Math Tools	
Three 1-26	· Gramlich: 1, 2	· Introduction to Cost Benefit Analysis · Costs and Benefits in Primary Markets	
Four 2-2	· Gramlich 3, 4	· Valuing Benefits and Costs in Secondary Markets	
Five 2-9	· Gramlich 4, 5	· Dealing with Uncertainty: Expected Value, Sensitivity Analysis, and the Value of Information	
Six 2-16	· Gramlich 6	· Discounting Benefits and Costs in Future Time Periods · Option Price and Option Value	
Seven 2-23	· Gramlich 8, 9	· Physical and Human Investment	
Eight 3-2	· Gramlich 11	·	
Nine 3-9	· Government Projections Handouts	· Valuing Impacts from Observed Behavior: Direct Estimation of Demand Curves · Cost-Effectiveness Analysis	
Ten 3-16	· Chapters 5, 6, and 7 of Gruber	· Public Goods and Externalities · **Midterm**	
3-23	· SPRING RECESS	· SPRING RECESS	
Eleven 3-30	· Chapters 5, 6, and 7 of Gruber	· Public Goods and Externalities	
Twelve 4-6	· Chapters 12 & 13 Gruber	· Social Insurance	
Thirteen 4-13	· Chapter 13 Gruber	· Health Insurance	
Fourteen 4-20	· Handouts	· Comparing Alternative Health Plans	
Fifteen 4-27	· Handouts	· Federal Bailouts	
Final Exam on 5-7@12p	· Final Exam	· Good luck!	

COURSE OBJECTIVES

This course aims to provide you understanding of the following concepts:
- The Purpose and Steps Involved in Cost Benefit Analysis
- The Microeconomic and Welfare Foundations of Cost-Benefit Analysis
- The Rationale for Policy Intervention
- The Calculating Costs and Benefits
- How to Aggregating Costs and Benefits: The Net Present Value Rule
- How to Deal with Uncertainty
- The Valuation of Non-Market Goods
- The Public and Private Discount Rates
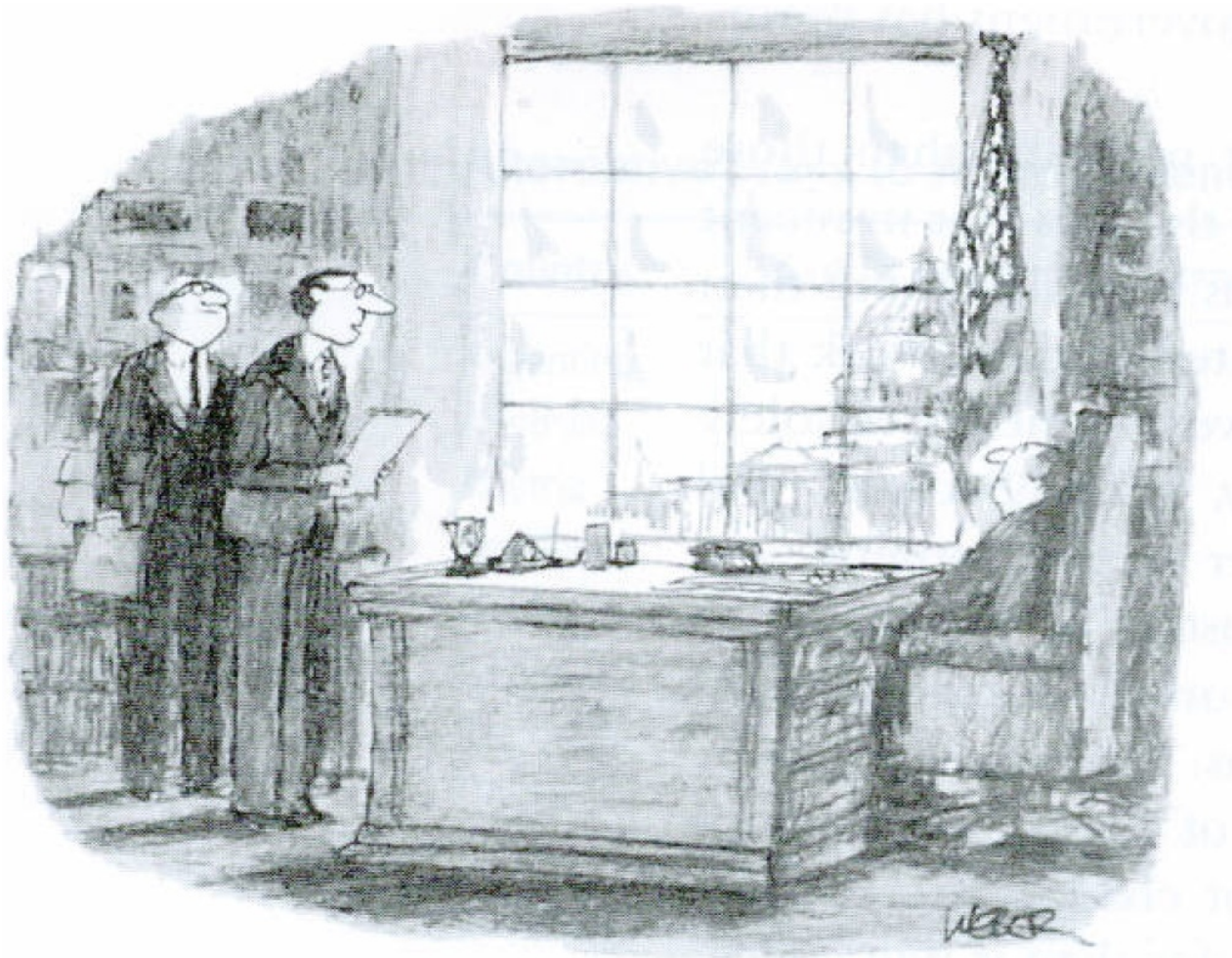
"These projected figures are a figment of our imagination. We hope you like them."

The Army Corps of Engineers has proposals for building six dams, with benefits (b) and costs (c) listed as follows:

DAM	B	C
1	40	20
2	30	10
3	30	20
4	10	20
5	15	10
6	15	20

a)   Compute the net benefits and benefit cost ratio for each dam.

b)   Find the optimal sized budget and the dams that should be built within it.

c)   Find the dams that should be built if the budget were limited to 20.

d)   If dams 3 through 6 were substitutes (in the same river basin), which should be built?