

SSM 1040H - Managerial Economics for Sustainability Management

2015 - 2016

Thursdays: 4:00PM – 6:00PM
or by appointment
e-mail:

Lectures: Tuesdays 10:00-13:00

Course Objectives

This course covers the economic approach to environmental problems and sustainability. The first seven lectures focus on economic principles that explain the operation of markets and firms. Theories of consumer demand, supply, the economic nature and function of business firms, business decision rules, and game theory, are presented. Efficiency criteria pertaining to the operation of firms and markets, the role of property rights, and the scope of public policy are also examined. The subsequent lectures will discuss divergences between private and social costs, the tragedy of the commons, the economics of sustainability, externalities, pollution, the allocation of depletable and renewable resources over time, social cost and social benefit analysis, the valuation of ecosystem services, and mechanisms for regulating environmental problems.

Course Website: The course materials will be posted on Blackboard.

Required Texts

Christopher Ragan, **Microeconomics**, 14th Canadian Edition; copyright 2014, Pearson Canada (henceforth Ragan)

Recommended

Environmental Economics - Third Canadian Edition. Barry Field and Nancy Olewiler. McGraw – Hill Ryerson. 2015 {Referred to as F.O.}

Grade Composition:

Mid Term Test

35%

Master of Management in Sustainability Management Program
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2 Assignments – 5% each	10%
Class Participation	10%
Final Examination	45%

Missed Tests:

Make-ups: There will be no make-up tests for the missed midterm. The weight of the midterm will be added to that of the final exam.

Final Exam: If you miss a final examination for unforeseen reasons, notify the MScSM Program office within 24 hours of the scheduled test/examination. If the office is not notified within this time frame, you may receive a grade of zero for that test/examination. A final examination may be deferred for the following reasons:

1. documented medical grounds;
2. documented compassionate grounds.

Please use the University of Toronto Student Medical Certificate if you are submitting missed exam reports based on medical grounds. If you write a scheduled examination, you will not be allowed to ask for an alternative assessment or special consideration in marking after the fact.

Re-marking: If a student wants one or more questions on the midterm test re-marked, we reserve the right to re-mark other questions on the test as well.

Academic Misconduct: Students should note that copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties. Please refer to the Code of Behaviour on Academic Matters

<http://www.writing.utoronto.ca/advice/using-sources/how-not-to-plagiarize>

Lectures

Class #	Topic	Readings	Class discussion
1 September 15	The Nature and Scope of	Ragan, Chapters 1, 2. R. Coase, "The	Scarcity, choice, exchange, property rights, externalities.

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	Microeconomics; Costs	Problem of Social Cost," <u>Journal of Law and Economics</u> , 1960. Handout on the Coase Theorem.	
2 September 22	Demand	Ragan, Chapters 3,4,5,6 (including appendix)	The theory of consumer choice.
3 September 29	Demand and Supply	Ragan, Chapters 3,4,5,6 Application: The Consumer Price Index	Market demand and Supply.
4 October 5	The Theory of the Firm; Theory of Perfectly Competitive Markets. Supply.	Ragan, Chapters 7, 8, 9.	Production and cost; the concept of opportunity cost. Perfect competition. Supply and Demand.
5 October 13	Monopoly and Oligopoly	Ragan, Chapter 10	Monopoly
6 October 20	Game Theory; Strategic Behaviour by Firms; Oligopoly	Ragan, Chapter 11	Game theory and strategic behaviour; oligopoly.
October 27	Midterm Test		Midterm test is 2 ½ hours.
7 November 3	Welfare Economics, Externalities, Property Rights, Transaction Costs.	Ragan Chapters 12, 15, 16.	Economic Efficiency, Welfare Economics, Public Policy.
8 November 10	Static and	Field and Olewiler	

	Dynamic Efficiency; Environmental Regulatory Mechanisms.	Chapters 1, 2, 3. Handout: Regulatory Mechanisms	
9 November 17	The Allocation of Depletable and Renewable Resources: Sustainability	Field and Olewiler Chapters 4, 5, 6. R. Solow, “Sustainability: An Economist’s Perspective.”	Guest Lecture (1 Hour)
10 November 24	Environmental Preservation, Sustainability, and Ecosystem Services.	Field and Olewiler Chapter 17, 19 Shashi Kant and R. Albert Bery, “Sustainability, Economics, and Forest Management,” in <u>Economics, Sustainability, and Natural Resources</u> , S. Kant and R.A. Berry (editors), pg. 1-22, Springer 2005. Alexander, A., List, J.A., Margolis, M., d’Arge, R.C., 1998. “A method for valuing global ecosystem services.” <u>Ecological Economics</u> 27 (2), 161-171. Arrow, K., Fisher, A.C., 1974. “Environmental preservation, uncertainty and irreversibility.” <u>Quarterly Journal of Economics</u> 88, 312-319. Bishop, Richard C., 1978. “Endangered species and uncertainty: the economics of a safe minimum standard.” <u>American Journal of Agricultural Economics</u> 60 (1), 10-18. Chichilnisky, G., Heal, G., 1998. “Economic returns from the biosphere.” <u>Nature</u> 391 (6668), 629-630. Costanza, R., 2000. “Social goals and the valuation of ecosystem services.” <u>Ecosystems</u> 3, 4-10. Daly, H.E., 1992. “Allocation, distribution, and scale: towards an economics that is efficient, just, and sustainable.” <u>Ecological Economics</u> 6, 185-193. Norton, B., Costanza, R., Bishop, R., 1998. “The evolution of preferences: why ‘sovereign’ preferences may not lead to sustainable policies and what to do about it.” <u>Ecological</u>	

		<p><u>Economics</u> 24, 193-211.</p> <p>Sagoff, M. 1998. "Aggregation and deliberation in valuing environmental public goods: a look beyond contingent valuation," <u>Ecological Economics</u> 24, 213-230.</p>
11 December 1	The Valuation of Ecosystem Services.	<p>S. Farber, R. Costanza, M. Wilson, "Economic and Ecological Concepts for Valuing Ecosystem Services," <u>Ecological Economics</u>, 41, 2002.</p> <p>R. de Groot, Integrating the Ecological and Economic Dimensions in Biodiversity and Ecosystem Service Valuation (2010).Ch1.</p>
	FINAL EXAM	TBA