Outline of Material Covered for Midterm
ECNS 432
Fall 2020

Introductory material
Chs. 1 & 2 (Boardman et al.)

-What is CBA? Why do we conduct CBAs and who uses them?

-Conceptual Foundations
    -Pareto efficiency is our working definition of efficiency
    -WTP as our measure of benefits
    -Opportunity costs as our measure of costs

-Social Choice Mechanisms
    -Pareto Criterion
    -Potential Pareto Improvement
    -Compensation Principle
    -Voting

-Issues related to using WTP as our conceptually correct measure of benefits
    -Limitations of WTP as basis for social ordering
    -Dependence of WTP on distribution of wealth
    -Dependence of net benefits on assumptions about standing

Micro Foundations of CBA
Ch. 3 (Boardman et al.)
-CS is measure of welfare on the demand side
-Taxes used to finance projects (leakage and elasticity of demand are important concepts here)
-PS is measure of welfare on the supply side
-Social surplus = CS + PS + GS
-DWL

Valuing Benefits and Costs in Primary Markets
Ch. 4 (Boardman et al.)
-Why might conceptually correct measure of benefits differ from the measures used in practice?
-Valuing benefits when a policy impacts supply curves in efficient markets
    -Case 1: Policies that directly affect the quantity of a good available to consumers
    -Case 2: Policies that shift the supply curve down by altering the price or availability of some input used to produce the good in question
-Valuing benefits in distorted markets
    -We considered the following: monopoly, info asymmetry, and externalities

Valuing Benefits and Costs in Secondary Markets
Ch. 5 (Boardman et al.)
-When can secondary market impacts often be ignored in CBA?
-Efficient secondary market effects without price changes
-Efficient secondary market effects with price changes

Discounting Benefits and Costs in Future Time Periods
-Present value analysis
    -Net present value analysis weighs the present value of benefits vs. the present value of costs

Items covered that are not in textbook chapters:
-Positive externality problem (beekeeper and apple orchard farmer)
-Highway congestion problem