Economics 110 Cost Benefit Analysis

The course will provide students with a general introduction and practical guide to the theoretical and conceptual foundation underlying cost benefit analysis (CBA). While the essential basics of CBA will be conveyed, the course will emphasize the practical difficulties, limitations and problems associated with using this tool of economic analysis. Whenever possible, the course will examine the applications of CBA by practitioners within the public sector making decision about allocating scarce resources.

Grading: Three of four essay examinations will be given during the semester. Your grade will be determined by your performance on the examinations, exercises and spreadsheet assignments.

Reading Assignments
Required Text: Boardman, et.al., Cost-Benefit Analysis: Concepts and Practice

Introduction: CBA
Chapter 1
What’s the difference? Impact Analysis/Cost Benefit Analysis
For an example of an impact analysis check out: IEAB, “Review of Local Economic Impact Studies Tri-port Economic Impact Study,” www.nwppc.org/t8-9_rep.htm

Basic Conceptual Framework
Chapters 2-5
[www.Econorthwest.com](http://www.Econorthwest.com)

IEAB, “Comments on Restoring the Lower Snake River: Saving Snake River Salmon and Saving Money by the Oregon Natural Resource Council: Executive Summary,” 1998  
[www.uidaho.edu/~joelh/IAEB/OtherReviews/ONRCReview.htm](http://www.uidaho.edu/~joelh/IAEB/OtherReviews/ONRCReview.htm)

### Test 1 and 2

**Discounting**
- Chapter 6 (read pages 156-162, 166-167, 176)
[http://wcufre.ucdavis.edu/benmod.htm](http://wcufre.ucdavis.edu/benmod.htm)

### Test 3

**Sensitivity Analysis, Uncertainty, and Non-User Benefits**
- Chapter 7 (read pages 156-162, 166-167, 176-182)
- Chapter 8 (read pages 192-196, 201-202, 205-208)
- Chapter 9 (read pages 213-219)
[www.rff.org](http://www.rff.org)

- USGS, “Review of seismic-hazard issues associated with the Auburn Dam,”  
[http://water.wr.usgs.gov/auburn/review.html](http://water.wr.usgs.gov/auburn/review.html)

- Sacramento Area Flood Control Agency (SAFCA)  
[http://safca.org](http://safca.org)


- A revised “Return to the River” focusing on chapters 1 and 12, can be found at  

To pursue this matter further (optional) read the summary and the chapter titled “Addressing Uncertainty” of a report published by Ecosystem Diagnosis and Treatment, “A Multi-Species Framework Approach for the Columbia River Basin: Integrating Fish, Wildlife, and Ecological Functions,” 2002.  
[www.edthome.org/framework/TOC_020212.htm](http://www.edthome.org/framework/TOC_020212.htm)

### Test 4

**Social Discount Rate**
- Chapter 10 (read pages 227-231, 236-250)
- Oswald, “Cost-Benefit Analysis for Geographic Information System,”  
[www.nysgis.state.ny.us/constanal.htm](http://www.nysgis.state.ny.us/constanal.htm)

To be distributed in class.
Valuing Impacts and Contingent Valuation
   Chapter 11 (concentrate reading on answering exercise 4)
   Chapter 12 (concentrate reading on answering exercise 1)
   Chapter 13 (read pages 329-334, 336-340, 344-354)
   Chapter 14

Shadow Pricing
   Chapter 15

Cost Effectiveness Analysis, Distribution Issues
   Chapter 17 (read pages 437-444, 452-453)
   Chapter 18
   Chapter 19
Kopp, “Cost-Benefit Analysis and Regulatory Reform,” For those interested in a rigorous analysis evaluating the usefulness of CBA (optional)  www.rff.org

Required Exercises
I expect students to answer the following exercises, however, those exercises requiring the use of
a spreadsheet (Excel) will be turned in unless instructed to the contrary. Answers to the spreadsheet exercises will be posted on my door.

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