

Outline of Material Covered for Midterm
ECNS 432 (Spring 2021)

Introductory material

Chs. 1 & 2 (Boardman et al.)

- 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

Uncertainty

Ch. 7 (Boardman et al.)

- Anything covered in class on 3/2/2021 is fair game.

Items covered that are not in textbook chapters:

- Positive externality problem (beekeeper and apple orchard farmer)
- Highway congestion problem