

**U6016: Cost-benefit analysis**  
School of International and Public Affairs, Columbia University  
FALL 2003  
**Lecture outline**

II. ECONOMIC APPRAISAL: MARKET-BASED COSTS AND BENEFITS

**A. Economic appraisal: an overview**

1. Rationales for and examples of government intervention
2. Review of basic microeconomics: social surplus
3. Economic appraisal: a general recipe
4. Comments

**B. Valuing costs/benefits in undistorted markets**

1. Physical investment projects
  - a. No pre-existing markets
  - b. Existing markets
  - c. Special cases
2. Regulation

**C. Valuing costs/benefits in distorted markets**

1. Physical investment projects
2. Regulations

**D. Algebraic derivation of market-based costs and benefits**

1. Review of basic microeconomics: algebra of market equilibrium
2. Calculation of market-based costs and benefits: notation
3. Costs/benefits of physical investment projects
  - a. Effects on output market
  - b. Effects on input markets
4. Costs/benefits of regulations/policies
  - a. Regulations affecting marginal costs of suppliers
  - b. Regulations affecting willingness to pay of consumers

**E. Estimating changes in surplus**

**F. Valuing costs/benefits in secondary markets**