

Course Outline

Department of Economics
School of Business and Economics

ECON 3700-3

Benefit-Cost Analysis and the Economics of Project Evaluation (3,0,0)

Calendar Description

Students examine projects that are commonly evaluated using benefit-cost analysis, and the appropriate methods for determining their cost effectiveness. Topics include project evaluation techniques; measuring welfare change; correcting for market distortions using shadow wages and prices; finding the appropriate discount rate; making valid valuations that incorporate inflation and appropriate planning horizon, scrap, and spillover and secondary effects; public enterprise pricing rules; valuing intangibles; and incorporating risk and uncertainty. Case studies of projects are analyzed from a variety of areas, such as natural resources, the environment, human resources, public service, and transportation.

Educational Objectives/Outcomes

Upon completing this course, students will be able to:

1. Answer evaluation questions civil servants, public or NGO managers face such as:
 - How does time matter to an evaluation?
 - Should the public sector provide this good or service?
 - If so, how much of it?
 - What are the implications of market distortions in terms of welfare evaluation?
 - What are the implications of external benefits or costs to public provision?
 - How should one deal with intangibles and tricky issues as the value of life?
 - How should one deal with the issues surrounding job creation?

Prerequisites

ECON 1900

Co-requisites

Texts/Materials

Peter G.C. Townley, *Principles of Cost Benefit in a Canadian Context*, Pearson Education.

or
Boardman, Anthony et. al., Cost-Benefit Analysis Concepts and Practice, Pearson Education, 2011.

Student Evaluation

Midterm(s)	75%
Project	25%

Course Topics

1. Introduction
 - Benefit-cost analysis
 - Applications
2. Project Evaluation Techniques
 - Discounting
 - Time-stream evaluation and investment criteria
 - Review of relevant parts of microeconomics
 - Purely competitive standard
 - Market failure
 - Monopoly
3. Assessing Costs and Benefits
 - Measuring welfare change
 - Compensation and potential pareto
 - Measuring welfare changes
 - Correcting market distortions
 - Shadow wages and prices
 - Choosing a discount rates
 - Valid valuations
 - Inflation, starting dates, planning horizons, scrap
 - Spillover and secondary effects
 - Public enterprise pricing rules
 - Natural monopoly, two-part tariffs
 - Optimal departures from marginal cost pricing
 - Valuing intangibles
 - Noise abatement
 - Value of life, value of time
 - Risk and uncertainty

Methods for Prior Learning Assessment and Recognition

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

Use of Technology – Optional