

Lecture: Cost-Benefit Analysis (SS 2016)

Date and Time: Tuesday, 14:00 – 17:00 (First meeting on April 26)

Room: Seminar Room #215, Bergheimer Str. 20

Language: English

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Course overview [Kommentar]

Did you ever ask yourself how do economists make practical use of their studies in making real-life decisions? Or more precisely, how is microeconomics related to actual business and government decisions? This course deals with an important application of economic theory to real-life decision making. Cost-benefit Analysis (CBA) is a practical tool used by governments, regulatory bodies and other agencies as an aid to making public policy decisions. It is related to financial analysis or capital budgeting as done by private firms, but is distinct in that the goal is not to maximize profits but, rather, to seek the most beneficial course of action from the larger social perspective.

Cost-benefit analysis is required by law in several countries like U.S.A., U.K., Canada and Australia, before taking decisions on projects related to environmental, health, transportation, etc. For instance, whether or not to build a new terminal in Heathrow airport? Whether or not to ban smoking in public places?

Course content [Inhalt]

The goal of this course is to introduce students with cost-benefit analysis (CBA). CBA is a policy assessment method that quantifies the value of policy in monetary terms to all members of society. We first study the microeconomic foundations of cost-benefit analysis. Then, we study particular issues in cost benefit analysis (such as identification of costs and benefits, discounting, dealing with uncertainty, valuing intangibles, shadow prices, etc.).

Assessment [Leistungsnachweis]

The assessment will be based on a final exam (“Klausur”) [100%]

Required Literature [Literatur]

This course follows a textbook (copies are available in the library):

Boardman A. E, Greenberg D.H., Vining A. R., and Weimer D. L. (2011) *Cost-Benefit Analysis* (Fourth edition), Pearson Education inc.: New Jersey, USA

Complementary seminar

In addition to the course, I also offer a seminar in Cost Benefit Analysis where students will be asked to conduct a Cost Benefit Analysis. This seminar is especially recommended for those students who took (taking) in the lecture.