



CAPACITY-BUILDING OF THE GEORGIAN LEADERSHIP COMMUNITY FOR IMPROVED DECISION-MAKING AND NEGOTIATION SKILLS

COST/BENEFIT ANALYSIS

SYLLABUS

Developed by Professor Richard Murray: murray@telia.com

Aim of the course: to add the cost-benefit-perspective to the students' understanding of policy analysis, so that students, when writing policy-papers, will be able to apply cost-benefit-approaches or include references to cost-benefit-analyses.

Objectives:

- 1) Understanding of the foundations of CBA – welfare analysis
- 2) Understanding the individualistic and subjective nature of welfare
- 3) Understanding the nature of market economies in relation to welfare
- 4) Understanding the concept of “opportunity cost”
- 5) Understanding “willingness to pay” and its connection with welfare
- 6) Knowledge of the basic steps in conducting a CBA

Lecture 1:

The virtues of CBA and the critique of CBA. Foundations of Cost-Benefit-Analysis. Areas in which CBA has been applied. CBA addresses the special needs for policy-analysis regarding public sector programs and business.

Lecture 2:

Eleven steps in doing a CBA. Example used: investments in “citizen’s terminals”. Emphasis on generating a baseline and alternatives. Crucial assumptions and risks. Calculation techniques. Present values decision criterion.

Lecture 3:

Discussion with students about their own examples of policy-analyses on how to frame them in CBA.

Lecture 4:

CBA as project management. How to organize a CBA-work-group. Time-and-cost-planning. Planning how various items in the CBA may be worked out. Emphasis on creativity, on checking with the principal, on the importance of having critically-minded people in the work-group.

Summing up: the dos and don'ts of CBA.

Literature:

Pearce, D. G. Atkinson and S. Mourato, Cost-Benefit Analysis and the Environment – Recent developments, OECD 2006 (selected chapters).

Bohm, Peter: Social efficiency: a concise introduction to welfare economics, Palgrave Macmillan, 2nd edition, 1987.