Contents

Preface vii
Acknowledgments viii
List of Cases ix

1. **Introduction to Cost–Benefit Analysis** 1
2. **Conceptual Foundations of Cost–Benefit Analysis** 28
3. **Microeconomic Foundations of Cost–Benefit Analysis** 55
   Appendix 3A. Consumer Surplus and Willingness to Pay 75
4. **Valuing Impacts from Observed Behavior: Direct Estimation of Demand Schedules** 87
   Appendix 4A. Introduction to Multiple Regression Analysis 102
5. **Valuing Impacts in Output Markets** 119
6. **Valuing Impacts in Input Markets** 143
7. **Valuing Impacts in Secondary Markets** 162
8. **Predicting and Monetizing Impacts** 182
9. **Discounting Future Impacts and Handling Inflation** 201
   Appendix 9A. Formulas for Calculating the Present Value of Annuities and Perpetuities 226
10. **The Social Discount Rate** 237
11. **Dealing with Uncertainty: Expected Values, Sensitivity Analysis, and the Value of Information** 269
    Appendix 11A. Monte Carlo Sensitivity Analysis using Commonly Available Software 299
12. **Risk, Option Price, and Option Value** 315
    Appendix 12A. Signing Option Value 332
13. **Existence Value** 339
    Appendix 13A. Expenditure Functions and the Partitioning of Benefits 347
14. **Valuing Impacts from Observed Behavior: Experiments and Quasi-Experiments** 354
15. **Valuing Impacts from Observed Behavior: Indirect Market Methods** 389
16. **Contingent Valuation: Using Surveys to Elicit Information about Costs and Benefits** 422

17. Shadow Prices from Secondary Sources 464

18. Cost–Effectiveness Analysis and Cost–Utility Analysis 511

19. Distributionally Weighted CBA 537

20. How Accurate Is CBA? 565

Name Index 579
Subject Index 586