Review Questions – II (covering material since Exam #1)

Describe the following procedures for measuring non-marketed outputs. For each procedure, be able to describe the procedure, the conditions under which the procedure is appropriate, problems or shortcomings of the procedure:

- Hedonic price models
- Travel cost method
- Costs savings (or changes in profits) for intermediate goods.
- Contingent valuation methods

Suppose you are responsible for assessing the benefits of a new road that is going to be built from a town into a rural area with farms. The new road will reduce the travel time for people in the rural area to get to the town. What are the possible benefits from building this road, and you would you design a project to measure these benefits (assume you had no budget limitations).

Boardman et al. Chapter 13, exercise 3 (p. 355.)

Boardman et al. Chapter 14, exercises 1-3 (pp 383-384).

Zerbe and Dively Chapter 6, exercise 3 (pp. 108-109).

Be able to draw and explain the shapes of "social indifference curves" that correspond to the following social welfare formulations:

- Bentham / Kaldor-Hicks
- Bergson-Samuelson
- Rawls