Preface

The origin of this book was an invitation from Edward Elgar Publishing to construct a handbook on cost–benefit analysis (CBA) that would be a starting-point for those working on a PhD in this area. As someone who has spent his entire professional career writing, researching and advocating the use of CBA, and someone, in fact, whose own PhD was in this field, this was an invitation that was easy to accept. So this handbook provides an overview of the key areas of current research interest in the field of CBA and is designed as a starting-point for those interested in undertaking advanced research work.

The following guidelines were suggested to all potential contributors: choose an aspect of your subject area that you consider to be interesting and important to which you feel you have something that you want to add; identify the main policy choices and their impacts; address how the impacts have been, or could be, quantified in monetary terms; if specific impacts are hard to measure in monetary terms identify what types of study would inform the valuation process; choose whatever theoretical model or framework that you consider is the most appropriate for your purposes; leave it to the editor to relate your analysis to the general CBA field and to other contributions in the volume.

The end result, I am happy to report, was that not only did a very distinguished set of economists agree to contribute to the handbook, they also very much adhered to the guidelines. So the final selection consists of a set of newly commissioned studies which aim to be both comprehensive and innovative such that the current state of the art is covered and a suggested future agenda is indicated. The most important theoretical concepts are identified and the relevant matching empirical research is presented. In large measure, the chapters are surveys of their particular topics, and the introduction is simply a survey of their surveys.

The handbook is organized into four parts. Part I is the introduction, which provides a brief overview of CBA and then highlights how the various chapters have made contributions to the development of this field. Part II, which contains about a half of the chapters, involves the more standard microeconomic policy evaluations. Included are a series of surveys devoted to most of the main sectors in which CBA has been, or could be, applied. The main government areas, such as health, education and transport, are covered, but included also are policy concerns, such as
financial regulation and labor markets, where CBA ideas have only more recently been applied. Part III shows how the relatively neglected area of macroeconomic policy can be integrated into a formal CBA framework. Policies for setting price stability, financing public debt, promoting economic growth and alleviating poverty can all be viewed with the lens of having associated costs and benefits and consequently higher or lower net benefit levels. Part IV, the final part, is devoted to dealing with dynamic considerations in CBA, whether it be in a microeconomic or macroeconomic setting. Benefits and costs change over time and this requires that a whole new set of considerations be included in CBA.

The success of the handbook will only be known by the extent to which there will be a new generation of research output adding to the cost–benefit literature.

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