

6th Conference on Roads and Regional Development

Economic Aspects

Rob de Leeuw van Weenen

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Translating facts into vision

Cost Benefit Analysis

- ◆ Why roads? It's the economy!
- ◆ Where roads?
- ◆ Assess socio-economic feasibility; CBA
- ◆ Prioritize alternative investments
- ◆ Include as many as possible effects
- ◆ Difference with financial analysis: no real financial flows required



How to make CBA work

- ◆ Internalization of externalities
- ◆ Market prices (for marketed goods)
 - ◆ Universality (anyone can and must own)
 - ◆ Exclusivity (one at a time)
 - ◆ Transferability
 - ◆ Enforceability
- ➔ Many environmental goods do not satisfy these conditions; “Tragedy of the Commons”

How to make CBA work

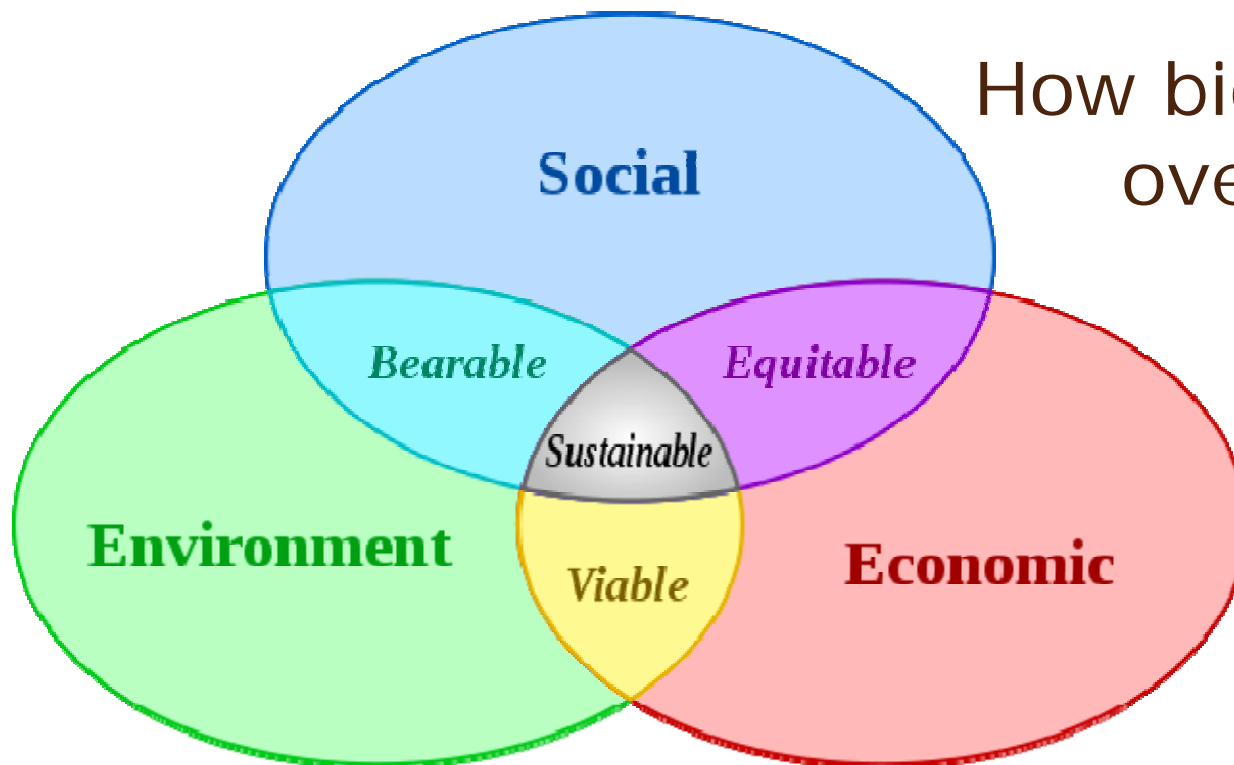
- ◆ Surrogate measures (for non-marketed goods)
 - ◆ Exploitation
 - ◆ Option
 - ◆ Species
- ◆ Pricing methods
 - ◆ Hedonic pricing
 - ◆ Contingent valuation
 - ◆ Damage cost avoided
 - ◆ Benefit transfer
- ◆ Discounting – how far do we look ahead?

Monetarizing the environment

- ◆ Implications of purely economic approach
- ◆ “Optimal Extinction”
- ◆ Conditions
- ◆ Objective evaluation?
- ◆ Stated vs revealed preferences
- ◆ Income bias...

Economy and Sustainability

- ◆ Economic/Financial
- ◆ Social
- ◆ Environmental



How big is the overlap?