6 Book Notes

Friday, September 25, 2020 11:44 AM

Valuing Impacts in Input Markets

opportunity cost of resources used = loss input markets

6.1 Valuing costs in Efficient Markets

6.1.1 Perfectly elastic Supply Curves

Small Purchases see horizontal supply curves

reasonable to assume that expenditures for project inputs equal their social costs

6.1.2 Perfect inelastic Supply Curves

6.1.3 Efficient Markets w/ Noticeable Price Effects

big projects have upward sloping supply curves

6.2 Valuing costs in Distorted Markets

when efficient, $P = MC$

6.2.1 Purchases at below opportunity costs

Jury stipend/per diem

6.2.2 Purchases when inputs are in fixed supply

6.2.3 Hiring unemployed labor

unemployed workers are "in surplus"

five measures of social cost of hiring L unemployed workers

E < actual < B

6.2.4 Hiring labor when Rural → urban migration within a Developing country is important

Rural → urban for higher wages

L = city workforce size E = employed (L-U)
U = # unemployed

migrate if $RW < VW(E/L)$

urban projects draw urban workers

6.2.5 Purchases from a monopoly

monopoly rents

budgetary expenditures > social costs

6.2.6 The general rule

opportunity cost = expenditures on inputs - gains in PS or CS