Policy Evaluation – PMAP 4061
Quiz 4: Cost-Benefit Analysis

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1. (1 point) Which of the following rates of return makes the investment below worth pursuing?

Time	Cost	Benefit
0	$10,000	
1		$4,000
2		$4,000
3		$4,000

    A. 9%

    B. 10%

    C. Both of the above

    D. None of the above

2. (1 point) Move the $10,000 cost item down to time 1 (i.e., backloading costs). Which rate(s) would make the investment worth pursuing?

    A. 9%

    B. 10%

    C. Both of the above

    D. None of the above

3. (1 point) Move the first $4,000 payment up to time 0 (i.e., frontloading payments). Which rate(s) would make the investment worth pursuing?

    A. 9%

    B. 10%

    C. Both of the above

    D. None of the above

4. (1 point) Which of the following project(s) is amenable to cost-benefit analysis?

    A. The reform of US electoral colleges

    B. The implementation of a new high school curriculum

    C. The hire of a Summer intern to help on a Festival preparation

    D. Both B) and C)

5. (1 point) Using the table below, calculate the hedonic price of the public park.

    A. $20,000

    B. $40,000

Feature	Apt. A	Apt. B	Apt. C	Apt. D
Gym	no	yes	yes	yes
Public Park	no	yes	no	yes
Rooftop	no	no	yes	yes
Cost	$80,000	$100,000	$140,000	00,000

    C. $60,000

    D. $80,000

6. (1 point) Calculate the Value of Statistical Life (VSL) using the table below. The table below reports the number of annual fatalities for 100,000 workers and salaries for two different jobs.

Job	Fatality rate	Salary
A	0.01	$150,000
B	0.02	$200,000

    A. $5 mln

    B. $10 mln

    C. $20 mln

    D. $50 mln

7. (1 point) Hedonic price theory hinges upon an important principle in economic policy analysis. Which one is that?

    A. Time discounting

    B. Revealed preferences

    C. Bounded rationality

    D. Pareto efficiency

8. (1 point) Educational policy analysis is often involved with rate of return calculations for class size policies. People are interested in the rate of return for policies which reduce class size. What data points are needed to evaluate said policies?

    A. Current earnings of kids and future earnings of teachers

    B. Future earnings of kids and future earnings of teachers

    C. Current earnings of kids and current earnings of teachers

    D. Future earnings of kids and current earnings of teachers

9. (1 point) Who is going to discount his future earnings the most?

	Opportunity Cost
Average Joe	Market historical rate of return
Government	US treasury bonds 2020 yearly return
Elon Musk	Tesla's 2020 yearly return
Warren Buffett	S&P500's 2020 yearly return

    A. Average Joe

    B. Government

    C. Elon Musk

    D. Warren Buffett

10. (1 point) Romans and behavioral economists have something in common. No cost-benefit analysis would ever convince them of taking down the Colosseum. They heed to the _____ of the amenity.

    A. Statistical value

    B. Hedonic value

    C. Time value

    D. Bequest value