

Cost-Benefit Analysis of Multi-Level Government

The Case of EU Cohesion Policy and
of US Federal Investment Policies

Dr Alessandro Ferrara

Contents

<i>List of Figures, Tables, and Charts</i>	xviii
<i>Preface</i>	xix
<i>Acknowledgements</i>	xxi
<i>List of Abbreviations</i>	xxii
PART I	
Introduction	1
1 The Economic Theory of Shadow Pricing	3
1.1 Historical Overview	3
1.2 The Current State-of-the-Art	10
1.3 The New Theoretical Framework	21
1.4 Book Overview	27
1.5 Concluding Remarks	43
PART II	
Case Studies	45
2 The Cohesion Policy of the European Union	47
2.1 Preliminary Remarks	47
2.2 Historical Overview	47
2.3 Policy Objectives	53
2.4 Policy Instruments	55
2.5 Programming	62
2.6 Controlling Shadow Prices	69
2.7 Concluding Remarks	76
3 The Federal Investment Policies of the United States of America	79
3.1 Preliminary Remarks	79
3.2 Historical Overview	79
3.3 Policy Objectives	86
3.4 Policy Instruments	87

- 3.5 Programming 91
- 3.6 Controlling Shadow Prices 100
- 3.7 Concluding Remarks 107

PART III

The New Theoretical Framework	109
4 The Case for EU Intervention: discussion	111
4.1 Preliminary Remarks	111
4.2 Key Principles to Allocate Functions across Levels of Government	111
4.3 Allocative Efficiency	113
4.4 Equity	117
4.5 Stabilization	123
4.6 Concluding Remarks	128
5 The Case for EU Intervention: formalization	131
5.1 Preliminary Remarks	131
5.2 The Drèze and Stern Model	132
5.3 National Equilibrium Consistent with the National Government Preferences	146
5.4 National Equilibrium Consistent with the Preferences of the EU Social Planner	158
5.5 Comparing National Equilibria	163
5.6 Concluding Remarks	166
6 The Impact of EU Intervention	168
6.1 Preliminary Remarks	168
6.2 Grant Selection	168
6.3 Fund Budgeting	173
6.4 Bargained Policy Setting	180
6.5 The Overall EU Impact	187
6.6 Additional Remarks	189
6.7 Concluding Remarks	190
7 Welfare Weights	193
7.1 Preliminary Remarks	193
7.2 Current State-of-the-Art	193
7.3 Extension in Multi-Level Government	201
7.4 Concluding Remarks	208
8 Social Discount Rates	211
8.1 Preliminary Remarks	211
8.2 Current State-of-the-Art	211
8.3 Extension in Multi-Level Government	222
8.4 Concluding Remarks	226

9	Shadow Wage Rates	227
9.1	Preliminary Remarks	227
9.2	Current State-of-the-Art	227
9.3	Extension in Multi-Level Government	238
9.4	Concluding Remarks	248
PART IV		
	Theoretical Insights and Policy Implications	251
10	Theoretical Insights and Extensions	253
10.1	Different Objectives and Constraints	253
10.2	Decision-Making Process Based on the Sequence: fund budgeting – policy setting – project selection	259
10.3	Controlling Shadow Prices in Multi-Level Government	263
10.4	Directions for Further Research	268
11	Insights and Methodological Directions for the Case Studies	270
11.1	Current Guidelines Analysis	270
11.2	Methodological Directions	278
	<i>Appendix to Chapter 5</i>	282
	<i>Appendix to Chapter 6</i>	286
	<i>Appendix to Chapter 9</i>	289
	<i>Notes</i>	297
	<i>Bibliography</i>	314
	<i>Index</i>	322