

Road Map: Overview of WSIPP Benefit-Cost Model

1. Compute Effect Sizes (from 2 literatures)

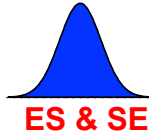
Program Evaluations: What Works?

Method:

Meta-analytic reviews

Example:

Does early childhood education increase the likelihood of HSGrad?



Linkages Between Two Outcomes

Method:

Meta-analytic reviews

Example:

Does high school graduation cause reduced crime rates?



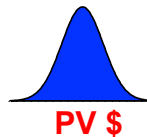
2. Apply Monetary Valuation (to Unit Changes)

Direct Monetization

Example:

Effect of change in HSGrad probability:

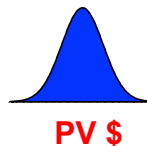
1. Lifetime labor market earnings
2. Taxes paid



Indirect Monetization of Benefits, Example:

Effect of crime change on:

1. Crime victim costs
2. Criminal justice system costs



3. Compute Benefit-Cost Statistics

Additional Information

1. Cost of program
2. Discount rates
3. Dead-weight costs
4. Tax rates
5. Inflation index

Convert all nominal dollars to base year.

Perform "trumping."

Arrange cash flows from investment year.

Compute:

1. Net Present Value,
2. Benefit-Cost Ratio
3. Internal Rate of Return

Perform Monte Carlo Simulation:

1. Vary all inputs randomly, run the model many times
2. Compute risk: the odds that an investment will not break-even.

