

## Learning from Practice: Benefit Cost Analysis and Economic Impact Analysis

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In the United States, benefit-cost analysis (BCA) and economic impact analysis (EIA) are two commonly applied tools in transportation planning and project selection. However, application and acceptance of each approach varies widely by organization. The purpose of this paper is to compare the *practice* of BCA and EIA to determine tradeoffs between them, thereby lending insight into their selective acceptance and application. Unsurprisingly, we find that BCA is generally better-suited to address questions of user welfare and effects to broader society than EIA, and that EIA yields more insight into how projects are likely to affect the economy. What is surprising is that as currently practiced, BCA is better at answering questions about economic efficiency (return on investment), as well as spatial equity, and so this method is sometimes preferred *even when economic development is a primary goal of the project*. We argue that EIA is better-suited to handle questions of economic efficiency because it addresses the mechanisms of economic growth and change, but that as currently practiced it lacks a consistent methodological framework (as well as consistent terminology) to translate these concepts into simple measures. We therefore suggest the broad outline of an EIA approach that addresses the question of economic efficiency. Hopefully, moving EIA in this direction would give public and private organizations a more accurate measure of economic efficiency when making infrastructure investment decisions.