You work as an analyst for the State of Texas. The state is considering a project to remove a dam, draining the reservoir behind it. Here is a list of some of the consequences of the project.

1. A contractor will be hired to carry out most of the project.
2. The river downstream of the dam will now run faster, improving river rafting and fishing opportunities.
3. Labor for the maintenance of the park will be provided primarily by unemployed youth.
4. There will no longer be irrigation water available from the lake.
5. The improved river will provide habitat for a rare bird that is admired by many in the region.
6. With the elimination of the lake, fishermen will no longer be able to fish there.
7. During the removal process, there will be an increase in traffic and associated pollution in the area.
8. Land previously flooded by the reservoir will be sold by the state.
9. Some of the people who previously owned land around the lake will lose their waterfront property since the river will be much narrower than the reservoir.

Your job is to develop a plan to carry out a cost-benefit analysis of the proposed project.

a. Make two lists, one for the costs and one for the benefits of the project.
b. For each of the 9 consequences, how would you estimate its value (positive or negative)?
c. What values should be discounted in your final analysis?
d. Do you think a higher discount rate will make the project more or less attractive