



WATER RESOURCES MANAGEMENT

BENEFIT-COST ANALYSIS

INTRODUCTION

- Theory of the Firm
- Value of B/C approach

THEORY OF THE FIRM

- Firm is a technical unit that produces commodities; in water resources that commodity could be:
 - Raw water (drinking, irrigation, product)
 - Head (for power generation, navigation)
 - Heat exchange (cooling water)
 - Dilution-Attenuation-Factor (waste assimilation)

FIRM BEHAVIOR

- Allocation of resources for production
- Determine level of production
- Respond to changes in price for inputs and outputs

PRODUCTION FUNCTION

- A relationship between outputs and inputs
- For example, y could be pounds of corn, x_1 irrigation water volume, x_2 fertilizer application