Cost-benefit Analysis in Participatory Planning: Deliberative Theory Coming to Use

TORE SAGER

Department of Civil and Transport Engineering,
Norwegian University of Science and Technology (NTNU)
tore.sager@ntnu.no

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Abstract

The paper provides an overview assessment and critique of CBA as an evaluation technique to be applied in participatory processes, including communicative and collaborative planning. Broad citizen involvement requires different things from the evaluation technique than expert-oriented processes, as participants should be able to grasp what the experts are doing, make sense of the technique, and figure out how they are likely to be affected by the proposed project. Individuals who are very strongly devoted to one single value or one special kind of project effect (environmental degradation, for example) will find the economic reasoning of CBA particularly unsatisfactory. The preferences of wholeheartedly dedicated people are not likely to be properly incorporated in the CBA by standard tools, and some consequences of this are outlined. One suggested solution is to elicit non-market preferences not only from contingent valuation techniques but also from hybrid techniques involving both stated preference interviews and deliberative small-group processes. This brings analytic evaluation closer to communicative planning theory. The recently proposed 'deliberative monetary valuation' can for example make use of focus groups, citizens' juries, consensus conferences, and deliberative polls and thus allow for preferences that change throughout the planning process.

1. Introduction

Planning processes can differ widely in character, ranging from top-down strategies organized by the state at the national level, to local bottom-up empowerment efforts initiated by grass-root movements. The problems of selecting the best method/process combinations and adapting well-known analytic techniques to

participatory processes have been pondered for decades, also when it comes to the cost-benefit analysis (CBA) (Sager 1979, 1982). Since the 1970s, much progress has been made on problems that are highly relevant to the theme of the present chapter: how small-group problem solving and dialogical planning processes can form and yield preferences; distinguishing types of preferences, and the potential (and limitations) of stated preference techniques for eliciting preferences that are appropriate for collective decision-making; deliberative monetary valuation of environmental consequences.

Two very different approaches can be used in planning and decision-making. One might employ an algorithm allowing calculation of 'the best' solution, or one might discuss the matter and try to reach an agreement. Planning can be algorithmic or communicative, and the title of the paper indicates that even hybrids are possible. The purpose of this paper is to show that standard CBA employs techniques and procedures that may de-motivate lay participants, and to suggest how the drawbacks can be ameliorated by methodological simplifications and recent developments of theory and practice, such as deliberative monetary valuation. As understood here, the CBA is an economic evaluation method which is used ex ante to calculate in monetary terms the net benefit to society from an infrastructure investment, a plan or a policy (Mishan and Quah 2007). The focus here is on the philosophies and techniques for establishing the entries on the list of costs and benefits expressed in monetary metrics. The part of the evaluation dealing with consequences that are not transformed to pecuniary figures is not discussed. Participatory planning is conceived as preparation for democratic decisions by means of processes in which the citizenry as well as the stakeholders are involved and can debate the planning proposal with each other, developers, public planners and other bureaucrats.

This paper presents a critical view of CBA in participatory planning processes. Every theory and method in the social sciences can be criticized from some relevant perspective, and the CBA is no exception. It should thus be said already at the outset that knowledge of valid criticism does not imply that one should abstain from using the method. Furthermore, it is a good rule to avoid making a caricature of the method under scrutiny and not waste energy on chasing some imaginary bogyman. Criticism hits harder if it is valid even in a sympathetic interpretation of CBA.

Relevant objections to CBA as an element in participatory planning can point out theoretical, practical, and political inadequacies. There are limits to meaningful critique, however:
(1) Critique should be in line with the purpose of the analysis under scrutiny. For example, the ambition should not be for analytic method to provide final answers in a democracy, as that would make elected politicians superfluous (Saitua 2007:29). CBA should not be blamed for giving an incomplete basis for making decisions. Findings obtained from the CBA can have a legitimate role as an input into, but not as a substitute for, political deliberation.
(2) Critique should not be utopian. CBA is a tool for practical planning and decision-making in the real world, so suggestions based on assumptions of a perfect society or

reaching for unachievable ideals are of little use. For example, in the context of participatory planning processes one objection to CBA might be that one should instead ask people how well they like the project or plan (Osborne and Turner 2010). However, to yield answers comparable with the CBA, this assumes much more information among people than they actually possess. The answers would not tell us whether or not the project contributes to the economic efficiency of society.
(3) Critique should be directed towards good established practice (state of the art), not towards misconception or careless use of the method. For example, double-counting of benefits occurs time and again in evaluations by means of CBA. This happens when the same attractive consequence is hidden in several entries on the list of benefits. In assessments of road projects including the entries 'better accessibility' and 'improved transport standard', both can be valued partly because of the travellers' time savings, which would then be counted twice in a carelessly conducted analysis. Double-counting is not an inherent weakness of CBA, but the result of sloppy practice.
(4) Critique put forward in this paper does not deal with the way single variables are gauged or the way parameters are estimated. For example, the economic value of reducing CO_2 emissions by one ton, and the correct size of the social discount rate in long-term environmental projects, are both controversial. Current practice will nevertheless not be discussed here.

The next section explains a few concepts from moral philosophy. These will prove helpful in the following when responding to potential critical questions about CBA from groups of participants, and when considering what is reasonable to demand from evaluation techniques in processes with citizen involvement.

2. Philosophical background for critique of the CBA

Planning processes with broad participation are likely to include people with very different motives, values, and rules to live by. Some will see opportunities to reap advantages where others will see breach of principles or self-serving violation of values. Such conflicting positions often have philosophical counterparts. The philosophies are only sketchily outlined here, as the modest aim is to give just enough background to understand why they – consequentialism and deontology – help to explain different attitudes to the CBA.

Deontological ethics determines the value of an action (project, plan, policy) not primarily from its anticipated consequences and, for example, welfare effects. The duties one tries to do by carrying out the action are important for its moral value. A road project that interferes with a vulnerable ecosystem can be rejected regardless of economic costs and benefits by people believing that they have a duty to protect the natural environment. And a gentrification plan regarded by some as entailing an encroachment on the rights of working-class inhabitants of the regeneration district can be voted down by people feeling a duty to defend rights regardless of economic considerations. For some people, deontological ethics requires that certain rights

should be respected not only for humans, but also animals, plants, and ecosystems. Duties and rights are often treated as absolutes, while the CBA assumes that anything can be traded off. This can alienate deontologists in the planning process and lead to protest responses in the valuation process.

Consequentialism is an ethical position holding that the consequences of an action should be the ultimate basis for judgment about the rightness of that action. It is morally right to implement a project, plan, or policy if it is expected to produce an overall good net outcome – a tenet that is endorsed in the CBA. Consequentialism is usually contrasted with deontology, although the distinction may be less clear than it appears at first glance. Sen (2000) contends that anticipated violations of rights can be regarded as consequences, and thus be incorporated in a consequentialist CBA.

The consequentialist position gives room for a wide range of assessment rules, among which only rules differing along the equity dimension are mentioned here. Several evaluation approaches that emphasize equity and fairness more than economic efficiency put heavier weight on those who are worst off or stand to lose because of the proposed action (prioritarianism). For example, the Difference Principle of Rawls (1971) takes the form of making the worst-off members of the society as well off as possible. This implies a radical breach with the everybody-counts-equal principle and takes us a long way from classical utilitarianism.

Classical utilitarianism says that a proposed action is to be subjected to the following test: will it produce a greater balance of benefits over harms than any competing course of action? It is right to perform that action which will be productive of the greatest happiness of the greatest number, which will have the greatest utility (MacIntyre 1977). In calculating the greatest utility, the standard utilitarian practice is to let everybody count for one and nobody for more than one, which is also CBA procedure. CBA may be regarded as an operational definition of what is implied by basing a public policy on a utilitarian calculus. There will most often be some losers, but the plan is nevertheless recommended if there is the theoretical possibility of fully compensating the losers by costless redistribution of money – the Kaldor-Hicks criterion.

In the following, I shall assume that standard practice of CBA is in line with classical utilitarianism. Utilitarianism requires that consequentialism be combined with another pair of ideas. These are utility as a measure of value, and sum-ranking, meaning that the ranking variable is the sum of the individuals' net utilities.

3. Questions from participating groups

This section answers five pertinent questions that might hypothetically be raised by sceptical citizens involved in a planning process that makes use of CBA for providing background information to the public debate.

Why don't you just ask us?

Like other evaluation techniques, the CBA disaggregates the future impact of the project into a number of consequences and then adds up again all these costs and benefits. Maybe some aspect or byproduct of the project is lost in the way the totality is split into separate items and then put together again. As already mentioned, we do not know that a monetary assessment of the project as a whole would be equal to the sum of the entries in the CBA account.

Planners may, for example, *impute* that the local users of a new road will obtain a positive net utility from the project because of time savings, fewer accidents, reduced driving costs, etc. In principle, these users might nevertheless be opposed to the new road. The reasons may be their conviction that:

- Some politician promised in the last election campaign that the road would be postponed to protect nature
- The money would come to better use on other public tasks
- They have been let down in the planning and decision-making process
- The project is in conflict with the rights of some group
- The project is ugly or it does not fit with the image of the locality
- The project should be further examined before a decision is made
- The funding of the project should have been organized differently
- Some unpopular big shot stands to gain from the project.

The list could be expanded, but the above suffices to make the point: There will very likely be considerations extraneous to the CBA which contribute to citizens' overall assessment of projects. The CBA is not meant to give a complete picture of the viewpoints that form people's opinion. Instead, the CBA answers questions about efficient use of society's resources, which are not clarified by asking for citizens' opinion. This is not a weakness of the CBA.

We have other goals than economic efficiency. Will the CBA take them into consideration?

Academics can handle a problem in different ways. They may be able to change reality and solve the problem, or they may try to change people's conception and interpretation of reality so that the problem no longer seems to be important. Academics are sometimes modelling the problem away, making it invisible in their theoretical world. The CBA provides an example: Many people see unfair distribution of economic welfare as a real and important problem. But the more attention given to CBA as the normative basis of decision-making, the less likely we are to deal with the equity problem, as standard CBA models it away by complying with the Kaldor-Hicks criterion and thus not requiring factual compensation of losers.

Transfers between domestic accounts cancel each other out in the national summation of costs and benefits. CBA is therefore not well suited for evaluating policies which aim at redistributing economic activity between regions, such as relocating state agencies from the capital to peripheral cities. For the same reason, CBA may not be the best technique for evaluating measures improving Universal Design. The main objective in many UD projects is fairer treatment of people with reduced ability to master the transport system, for example. The wish to increase their access to a range of destinations is founded more on justice than on the anticipation of economic benefits.

CBA is, by and large, a summation of willingness to pay for good things, minus summed willingness to accept compensation for bad things. Analysis founded on preferences deduced from revealed willingness to pay raises serious worries about equity goals, given the unequal endowments among members of society. Willingness to pay is affected by ability to pay, and as we live in a market society, what we can do is constrained by what we can afford.

Equity is not the only goal to be inadequately treated by CBA. CBA cannot measure multi-dimensional aspects of project desirability, such as sustainability, issues of rights, and social values associated with respect, dignity and identity. Several environmental goals are closely connected to ethical values and are better catered for in deontological than in consequentialist analysis. Projects that are primarily aiming to affect goal variables of, for example, ecosystem management, biodiversity loss, and global climate change might not be adequately assessed by CBA.

When we state our preferences, will they be built into the CBA at the expense of market information?

CBA calculates profitability on the basis of individual preferences. This is an attractive feature in participatory planning, as it is regarded as democratic that people's input about what they like and dislike is applied in the evaluation. Nevertheless, there have been objections of at least two types. The first relates to the characteristics of individual preferences; their knowledge base, independence, stability, and consistency (Kahneman and Tversky 2000). I concentrate on the second type of objection to the use of individual preferences for making collective decisions, questioning the way preferences are elicited. Different elicitation procedures can produce dissimilar orderings of options, so individual preferences sometimes seem to provide a weak basis for imputing the prices serving as value coefficients in the CBA.

Where market prices are available, standard CBA procedure is to use them for establishing pecuniary measures of costs and benefits. When market imperfections are caused by externalities, for example, market prices should be corrected. Even with corrections, value coefficients deduced from preferences revealed through market transactions may well differ from value coefficients deduced from 'stated preferences'. Stated preferences are elicited from individuals who fill in elaborate

interview forms. The respondents state their choice between a number of hypothetical options which are designed to enable the planners to estimate the monetary value that the respondent puts on some cost or benefit component in the CBA.

There may well be a difference between the private preferences people reveal when buying goods and services in the market, and the 'laundered' preferences stated in interviews (Goodin 1985). The first reflects their selfish desires as consumers. However, when co-deciding on a public good that will serve numerous people, they might aim to act morally superior to the standard they manage to keep in day-to-day private affairs. They might want to act in a public spirit as good citizens, with an other-regarding attitude. Preferences for collective decision-making can thus differ from those that can be inferred from willingness to pay in market transactions.

Individual preferences are seldom exogenously given. They are rather formed in the planning process designed for exchange of information, debate, and consensus building. The private preferences of participants in open and inclusive planning are influenced by the social and interactive process (Niemeyer and Spash 2001). Participants must be prepared to defend their viewpoints and arguments against critique from groups with opposing interests. It is usually assumed in communicative planning and theories of deliberative democracy that ignorance, malevolence, envy, and revengefulness will form the resulting laundered preferences to a lesser extent than the initial private ones.

CBA can be used for assessing street lighting, roads, parks, sanitation systems, and water purification facilities, among many other kinds of public goods. We buy toothpaste without any need to know what others are willing to pay for the tube. However, when asked for the amount of money we will contribute to a public good, the answer depends on what others are expected to pay. Uncertainty about this affects the estimated utility of environmental conservation projects as well as man-made public goods. For example, the relative value of noise abatement compared to other aspects of a road project depends on the organization of the planning process. Psychological and economic literature on public goods experiments shows that communication between potential contributors tends to increase their willingness to pay (Meier 2006). CBA can take into account other preferences than those revealed in markets, but even stated preferences can insufficiently reflect the preference 'laundering' taking place in participatory planning processes.

Does the CBA respect that we know our own best?

Lay participants know that decision-making politicians are not bound to comply with their wishes. Against individual preferences, government can set default rules and take certain other limited actions that the government believes are in most individuals' self-interest, for example, concerning prevention of climate change or prohibition of building on ground prone to land slide or avalanche (Mandel and Gathii 2006:1054-55). Participants may still worry whether expert tools such as CBA

do justice to their opinions and preference input. We shall see that several lines of reasoning open for CBA practice that can lead to paternalism. Paternalism is defined as the interference of an individual or a collective actor with another person, against the will of the latter, and justified by claiming that the person interfered with will be better off or protected from harm. Paternalistic attitudes on the part of experts and decision-makers may de-motivate lay participants in planning processes.

It is difficult to evaluate paternalistic policies, such as prohibiting the use of segways, or making the use of cycle helmets compulsory. The reason is that a presumably significant cost element of such policies should reflect the annoyance created by restricting people's autonomy, and a credible way to value the loss of autonomy has not been developed.

Mainstream economic theory treats society as the sum of individuals, and individual preferences are added up (or in other ways aggregated) to the welfare of society. Næss (2006) advances an heterodox viewpoint when professing, on a critical realist platform, that the value of something for society is not reducible to the aggregate utility of individuals. If preferences of society – over and above the preferences of individuals – are allowed into the CBA, the possibility arises that individual preferences will be overruled, which in turn opens for paternalism. It seems difficult to defend a planning process in which citizens are first invited to actively take part, and then not trusted to know their own best. Furthermore, if the decision-makers were to determine society's preferences in the CBA, it would be difficult to separate the advisory ex ante evaluation from the actual decision. Such a mix-up, designing CBA to simulate the final answer, is an often-voiced critique of elaborate evaluation tools.

Some scholars hold that the satisfaction of people's preferences is not an adequate index of well-being because there are conceivable circumstances in which these preferences might be satisfied, even though the individuals' true interests are far from being served. Adler and Posner (2000) examine the reasons for such distorted preferences, for example, lack of information and unjust social conditions. The preferences of some participants in the planning process may have been misshapen by poverty, lack of basic education, or damaged self-respect. Adler and Posner argue that CBA can and should be modified in a way that corrects for the failings caused by inserting distorted preferences into the analysis. Disrespect for some preferences invites paternalism, however.

Distorted preferences would not disappear in practice even if people were to express volitions and inclinations in dialogical and deliberative processes rather than through market behaviour or stated preference studies. Misuse of power can distort the outcome of communicative processes as well as bias the result of analytic work. It is not obvious that more confidence should be placed in preferences drawn from a 'willingness to say', than in preferences inferred from a willingness to pay.

Standard CBA takes preferences as exogenously given, thus not distorted in the planning process. Preferences revealed in market transactions are usually taken at face value. There is more room for paternalism when using stated preference studies and adjusting them for lexicographic preferences and protest responses. Such adjustments are briefly discussed below.

We have strongly felt values that we do not want to compromise. How does the CBA deal with that?

According to mainstream economic thinking, everything can be compared and traded if the price is right. All items in the CBA account are regarded as commensurable and measured in money metrics and can therefore be summed.

Lexicographic preferences follow from absolute values or duties and are associated with deontological ethics. With such preferences, one particular consequence dealt with in the CBA is seen as overwhelmingly important, while other consequences are insignificant as long as the state of the primary goal variable is not satisfactory. In stated preference interviews it often happens that the option of protecting the environment is chosen by a significant share of the respondents no matter which attractive attributes the alternative options are supplied with. Hypothetically, the environment would be protected at any cost (Spash 2000).

Stated preference studies work best when interviewees adjust to a utilitarian mode of thinking when filling in the forms. The reaction of deontologists to methods like contingent valuation concerning environment or justice can engender protest responses resulting in missing answers, zero or infinite registered willingness to pay, or very strange observations as judged from rational choice theory (Price 2000:188). The planner may treat such preference data as unreasonable outliers, branding the respondents as irrational. Some value coefficients in the CBA may easily become biased if the planners exclude or misinterpret the answers from those who express a willingness to uncompromisingly protect the environment.

Much work has been done on the design of stated preference studies to avoid protest responses of various kinds, but the underlying difficulty is that asking people to trade their principles, even hypothetically, is seen as inappropriate and even morally disreputable to some. They are reluctant to choose between something of instrumental value and a truly moral position (Söderholm 2001:489). Ultimately, CBA risks developing into an institutional mechanism that systematically pushes the preferences of a significant group to the background; that is, the part of the citizenry believing in inviolable rights (Spash 2008). Lexicographic preferences do not necessarily receive proper treatment even in alternative decision tools, though. In referenda, for example, a majority of people with weak preferences always defeats a minority with strong preferences.

4. Demands on evaluation technique for use in participatory planning

This section deals with the following characteristics of evaluation techniques, which seem to be attractive in participatory processes. I comment on the points below in the same sequence as they are listed.

- Methodological basis reflecting democratic values
- Transparency
- Procedures to display consequences for each affected group
- Ability to deal with preference change
- Openness to values and preferences articulated by participants in the planning process

A basic premise of CBA is that of consumer sovereignty, meaning that the analysis respects individual preferences. Government decisions should reflect what the citizens want their government to do. 'The will of the people' is a problematic concept, but other things equal, the mere fact that a citizen prefers an option counts in its favour (Richardson 2000:991). In addition, every individual's willingness to pay is given equal weight in the analysis. This gives CBA the flavour of being a fair and democratic analytic tool for preparing collective decisions, even if willingness to pay depends on how the respondent is blessed by the existing income distribution. When CBA is used as informational input to a democratic decision-making process, it can be a problem that the technique is not politically neutral. If lump-sum transfers are not feasible, CBA cannot rank projects without relying on specific normative and controversial assumptions, such as indifference to marginal redistribution of income in society (Medin et al. 2001, Nyborg and Spangen 2000). Moreover, the democratic flavour is diluted by the relatively low score of CBA on some of the other points above.

An evaluation technique can advance transparency in the sense of lifting choice criteria and value trade-offs from inside the head of the planner to a text that is available to the public. Here, however, transparency concerns the ease with which participants in the planning process can unlock the black box of expert analysis and figure out what the algorithms of CBA are really doing, and how the results of the analysis are correctly interpreted. The evaluation technique should use procedures and criteria for valuation that are easily understood and accepted both by lay persons and the political decision-making bodies. The purpose of several computation routines that make CBA hard to penetrate for lay people is to transform quantified environmental consequences from physical units to monetary metrics (Nyborg 2000, Vatn and Bromley 1994). Other algorithms that may be conceived as complicated make adjustment from private to social costs, discount future costs and benefits, monetarize time savings and accidents, forecast future demand, and derive individual preferences from stated preference approaches, such as contingent valuation. Participating lay people who are unable to play any meaningful role in this work may suffer reduced motivation, spilling over on their attitude even when there is eventually some real decision-oriented content to discuss.

The evaluation technique should be general enough to consider the consequences separately for initiators of the project, groups of project users, nearby residents, and workers and others in the vicinity. It is of special importance in controversial planning that evaluation deals properly with those bearing the disadvantages of implemented projects. It would be preferable, when addressing a politically diverse public, if the CBA were flexible and able to highlight the aspects of economic valuation of particular interest to the different stakeholders and affected groups. This need must be balanced against the disadvantage of complicating the CBA by including ever more hard-to-value social and environmental variables. It speaks in favour of CBA that just in situations with many conflicting interests and thus with fragmented presentation of the consequences of the plan, the decision-makers are most likely to request an aggregate assessment: Is the plan desirable for society regarded as a whole?

Preferences are not exogenous to the planning and decision-making process of the project being analyzed, and are not likely to be stable for the time frame in question. For instance, big highway projects in Norway often have a planning period of eight years or more. People do presumably have the capacity to reformulate ends and aims in light of what emerges about the costs and benefits of proceeding with a plan, and their preferences for the various planning alternatives will change accordingly. Such reconsideration is essential to using resources wisely and effectively, but CBA takes individual preferences as given and stable and lacks procedures for incorporating revisions (Richardson 2000). There can be considerable alterations in affected groups' ranking of the planning alternatives without any changes showing up in the CBA. The analysis in effect supposes that all significant practical reasoning has already taken place, or else there would still be room for revision of preferences.

Use of information from the participatory planning process itself should be an invariable rule. It is surely the case that dialogue and deliberation in planning can be distorted by manipulation, lies, threats and other power games, and – consequently – preferences can also be distorted and deviate from the real interests of the person who holds them (Adler and Posner 2000). But the solution is not to ignore preferences articulated in planning forums and place all confidence in preferences revealed by market transactions. Firstly, this is usually infeasible, as some environmental items on the list of costs and benefits are not traded in the market. Secondly, preferences revealed by transactions can also be distorted. There is a huge industry of public relations and marketing aimed at affecting purchasing behaviour and thus preferences.

Self-reflection, response from others, and need to make one's own arguments sound reasonable to others, can make deliberators change their preferences. This is an important political reason for letting extensive deliberation processes precede final decisions, whether they are made by popular vote, legislative assembly, or government agency. Even if deliberation and dialogue do not lead all the way to consensus, the legitimacy of the final decision can be greatly improved, and thus also the willingness of the citizenry to comply with it. The recent trend among scholars is

to recommend that these political rewards be sought through deliberative monetary valuation (Niemeyer and Spash 2001, Söderholm 2001, Spash 2007, Vatn 2009). This approach is an interplay of analytic technique and social deliberation based upon values, interests, and policy options.

Several deliberation techniques have been proposed, such as focus groups, citizens' juries, consensus conferences, and deliberative polls. They have in common that lay people develop preferences about complex policy issues through informed discussion. Planners should not push hard for consensus in the valuation exercise. Conflicting views on environmental values can give useful information to decision-makers, and consensus can be repressive, particularly in communities with cultural diversity and historically excluded minorities. Deliberative monetary valuation in small groups seems to work best when:

- The important interest groups have their representatives in the deliberative valuation
- Countermeasures are taken against manipulation and domination in the small-group process
- Silent parties are encouraged to have their say
- Participants have a common set of rights and capabilities
- Communication between group members is comprehensible, factually true, sincere, and appropriate within the normative context of public planning.

Small-group deliberation faces problems of inclusiveness, representation, competence, and manipulation, so deliberative monetary valuation is no panacea. The deliberative approach can nevertheless answer some of the criticism against contingent valuation: The outcome is not limited by narrow definitions of rationality which result in exclusion of interlocutors' judgments on the suspicion that they are acting strategically, protesting, or just violating the accepted constraints of economic valuation.

5. Concluding remarks

In democracies, the final decision concerning important public plans and projects are made by elected politicians. The political decision can be influenced by the preceding process of policy analysis and planning, however. The paper at hand is about democratization of this process by demanding that analytical tools be designed to take into account the values of involved citizens and address their problems. Rather than having the many engage in the actual policy decision, this democratization asks that planners devise and actively practise ways to recruit and include citizens' views into the policy development and assessment process. More engagement with the evaluation techniques facilitates the partial return of planning and policy formulation to the constituencies (deLeon 1992). The finally enacted policy may not agree with their particular preferences, but for citizens to accede to a political judgment that they have helped formulate is presumably less alienating than

having to accede to a majority that have outvoted them without preceding deliberation.

The Kaldor-Hicks compensation test underlies the recommendations of standard CBA. In the words of Lutz (1995:190) it is 'contaminated with the inequities of the existing income distribution, as well as being blind to notions of human rights and human needs'. In order to centre policy evaluation on human dignity, he defends a three-steps procedure: It starts by testing the project in terms of its consistency with relevant rights, then appraises the project in terms of its impact on basic human needs. Only if the results of these steps are favourable is the project moved on to the third stage of assessing costs and benefits on the basis of market prices and stated preferences. This procedure is in line with the critique of CBA put forward in this paper.

Richardson (2000:1000) suggests that advocates of CBA as a normative standard face a dilemma: if democratic legislatures and elected representative councils at lower administrative levels are legitimate assemblies for setting collective ends, 'then these ends, as worked out in collective deliberation – and not individuals' preferences as revealed in the market or in contingent evaluation studies – should provide the crucial basis of evaluating alternatives'. As the party politics of local councils does not necessarily fully absorb the popular feeling and the interests of those strongly affected by a plan or project, this paper argues for a compromise: The values people hold regarding matters of collective choice can be constructed and articulated through reasoned dialogue and debate with other members of society in participatory and deliberative planning processes (Howarth and Wilson 2006). Deliberative monetary valuation is a promising set of hybrid techniques combining economic and political science knowledge to clarify participants' preferences and insert them into analytic evaluation.

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