

# **Using the Kaldor-Hicks Tableau Format for Cost-Benefit Analysis and Stakeholder Evaluation**

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# Kaldor-Hicks Tableau (KHT)

- A matrix display of a project's economic and financial effects on stakeholders at an aggregation level the analyst chooses.
- Gives a fully-integrated and internally consistent picture of all project's effects at chosen aggregation level
- Advantages of KHT Format
  - **For Efficiency Analysis**
    - 1) transparent evaluation/stakeholder education
    - 2) stakeholder impact analysis to assess political feasibility
    - 3) stakeholder impact analysis to assess project sustainability
    - 4) iterative simulation modeling of project design alternatives
  - **For Beyond-Efficiency Analysis**
    - 5) distributional effects assessment/multiple goals analysis

# **Current Role of KHTs in Project Appraisal**

## **I. International Development**

The World Bank, Handbook on Economic Analysis of Investment Operations, 1996, World Bank, Washington, D.C

Jenkins, G. Project analysis and the World Bank, *The American Economic Review* 87: 38-42, 1997.

## **II. “Stakeholder Analysis” in Social Policy**

Long, D. and C.D. Maller, C.V.D. Thornton, Evaluating the benefits and costs of the jobs corps, *Journal of Policy Analysis and Management* 1: 55-76, 1981.

# Justification for Greater Application 1 of 2

- **Begs questions: do stakeholder effects subsumed in “traditional” CBA matter?**
- **”involuntary” impacts raise questions about political acceptability**

Shepsle and Weingast, Political solutions to market problems, *American Political Science Review* 78: 418-434, 1984.

- **”voluntary” impacts raise questions about project sustainability**

Jenkins, G. Evaluation of stakeholder impacts in cost-benefit analysis, *Impact Assessment and Project Appraisal* 17: 87-96, 1999.

Harrison, G., I. Morten, and M. Williams. Estimating individual discount rates in Denmark: A field experiment, *The American Economic Review* 92: 1606-1617, 2002.

Warner, J. and S. Pleeter. The personal discount rate: Evidence from military downsizing programs, *The American Economic Review* 91: 33-53, 2001.

# **Justification for Greater Application** 2 of 2

- **Particular issue: Jurisdictional Stakeholders and Accounting Domains**
- **KHT format offers a conceptually consistent, integrated analysis of economic efficiency and all stakeholder effects.**
- **Informational Issues? Qualitatively Different than Others?**
- **Aggregation/Sensitivity Analysis can be used to address informational issues**

# Using the KHT Format for Broader Assessments than Economic Efficiency Analysis

- **Normative Assessment of Distributional Effects**

Boardman, A., D. Greenbert, A. Vining, and D. Weimer. *Cost-Benefit Analysis: Concepts and Practice, 3rd Edition*. (Upper Saddle River, N.J.: Pearson, Prentice Hall, 2006)

Harberger, Basic needs versus distributional weights in social cost-benefit analysis, *Economic Development and Cultural Change* 32: 455-474, 1984.

- **Warm Glow and Moral Sentiments**

Hanemann, W. Valuing the environment through contingent valuation, *The Journal of Economic Perspectives* 8: 19-43, 1994.

Portney, P. The contingent valuation debate: Why economists should care, *The Journal of Economic Perspectives* 8: 3-17, 1994.

Zerbe, R. Should moral sentiments be incorporated into benefit-cost analysis? An example of long-term discounting, *Policy Sciences* 37: 305-318, 2004.

- **Other Analysis Permutations Beyond Efficiency**

Vining, A. and A. Boardman, Metachoice in policy analysis, *Journal of Comparative Policy Analysis* 8: 77-87, 2006.

# Conclusions

- **More standard usage of the KHT format could improve efficiency analysis within CBA**
- **Having a KHT as the target output should force the degree of stakeholder analysis needed to assure the projects benefits and costs are accurately depicted, as well as offering a completely-integrated accounting of a project's economic and financial effects.**
- **Particular Strengths**
  - **Format transparency**
  - **evaluation of jurisdictional impacts and different accounting stances**
  - **iterative project design analysis for political acceptability and project sustainability**
  - **adaptability to other kinds of analyses besides standard economic efficiency**