

Review

Reviewed Work(s): Benefit-Cost Analysis. A Political Economy Approach by A. Allan Schmid

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Source: *Journal of Economic Issues*, Vol. 25, No. 1 (Mar., 1991), pp. 261-263

Published by: Taylor & Francis, Ltd.

Stable URL: <http://www.jstor.org/stable/4226399>

Accessed: 17-08-2017 12:25 UTC

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the real alternatives" (p. 305). His answer to the question "Can mankind cure itself" is dim: Mankind does not learn from its own history or current experience and technological progress has made mankind not less conceptually confused. For Lauterbach, "about the best that can be done . . . is to get used to living permanently with social crisis and insecure individual existence" (p. 309). "Clarification of the arguments could offer some modest hope that a self-cure of mankind is not altogether impossible and that the mistrust, hatred and intolerance among groups and nations can at least be sufficiently reduced or made less destructive during the decades to come" (p. 310). Here it seems that the author tries to give us the ray of hope we need "in order to function" (p. 30). To conclude, this is a very interesting book, but the "ray of hope" for a successful end of the *odyssey of rationality* is weak.

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BENEFIT-COST ANALYSIS. A POLITICAL ECONOMY APPROACH. By A. Allan Schmid. Boulder: Westview Press, 1989. Pp. 354. \$29.50 (cloth).

This book can be seen as a handbook or textbook in conventional benefit-cost analysis (BCA) written by an experienced scholar. Allan Schmid discusses how fields of collective decisionmaking such as transportation, irrigation, and health care can be approached and suggests ways of dealing with the various issues of monetary evaluation.

As is known to many of the readers of this journal, Schmid is also the author of *Property, Power and Public Choice* (1987), a book in which he emphasizes the role of institutional arrangements or the rights structure in a society. Schmid brings in these issues of distribution of rights and incomes at various places in the present book and in this way adds a new dimension to the cost-benefit literature. It is, however, only toward the end of his book that he concedes that "the analytic rules for BCA are themselves matters of ownership definition" (p. 303) or that "BCA rules are themselves property rights instituting value judgments which in turn determine what is efficient" (p. 305).

This tension between traditional expectations upon economists to come up with specific solutions using BCA, and the political implications of this approach, plays a central role in a foreword to Schmid's

book by Warren Samuels. Samuels turns out to be more critical about BCA and in a note, he even argues that “economists tend not to be skeptical enough of their own established techniques.”

Compared to other textbooks advocating the use of Benefit-Cost Analysis, this one gets a high ranking. But at issue is whether benefit cost analysis should be undertaken at all given the specific valuational and ideological elements inherent in BCA.

My personal judgment is that many of the problems that we face today—environmental problems, for instance—are indicative of a need to reconsider our ideas of economics and methodology. When looked upon in this way, BCA may be a dangerous technique for us and for our children “and those yet to be born,” to use a phrase from Schmid’s dedication.

Today, not only institutionalists but also members of the Austrian school question the idea of a societal objective function implicit in benefit-cost analysis. Ideas of prices that are “correct” for purposes of societal resource allocation are simply not compatible with a democratic society. Other approaches that are systematic but more disaggregated and open-ended, for instance with respect to values, seems called for. Such approaches exist in the form of some kinds of systems analysis and policy analysis, and it can be argued that Schmid fails to recognize the opportunity cost principle at this fundamental level of alternative methodologies.

The inherent logic of BCA is one of trading everything in monetary terms at specific prices. This does not fit well into environmental issues where irreversibility of impacts and conflicts of interest is the normal case. Why should one apply the BCA ideology, which is essentially a GNP growth ideology, to “solve” these problems? What about other possible ideological or ethical standpoints, such as some version of an ecological ethics? Those who have a world view and values that broadly coincide with the BCA technique will certainly regard this instrument as attractive, but what about all others? I have seen BCA being used systematically by road planning agencies as a weapon not only against environmentalists with a different opinion about values but also against land owners and other interested parties.

So, those politicians, administrators, and even university scholars who are skeptical about the use of BCA may have good reasons. Schmid is aware of the existence of such critical arguments as indicated by references to the work of Peter Self and Steven Kelman, but he ends up with a different overall judgment, seeing no alternative to the conventional approach. It is our task as institutional economists to demon-

strate that there are useful alternatives to BCA just as there are alternatives to other parts of neoclassical economic theory.

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SOCIAL ECONOMICS: RETROSPECT AND PROSPECT. *Edited by Mark A. Lutz.* Boston: Kluwer Academic Publishers, 1990.

This volume of thirteen essays on social economics is part of the Recent Economic Thought series. An objective of the series is to provide “a critical constructive view” of the field under discussion and “a forum through which leading scholars of international reputation may voice their perspectives on important related issues.” With twelve leading scholars presenting different perspectives on the nature, scope, and method of social economics, this volume has definitely achieved that objective.

Traditionally, social economics has been associated with Catholic social doctrine through the Catholic Economic Society and its journal *Review of Social Economy*. In 1970, the name of the association was changed to Association for Social Economics. In the preface, the editor states that this volume of essays reflects the “conviction that social economics is a highly pluralistic discipline, inspired and enriched by several often radically different world views, Schumpeterian visions, and at times even quite antagonistic social doctrines” (p. ix). Lutz identifies four major “strands” of contemporary social economics: a Catholic solidarist strand; a Marxist socialist strand; American institutionalism, and a “humanistic strand.” Warren J. Samuels refers to these strands as “theological idealism, materialism, pramatism-instrumentalism, and moral humanism,” respectively (p. 274).

Part I—*Social Economics in Historical Perspective*—contains two essays that trace the evolution of modern social economics. In a very lengthy essay (virtually a monograph), Thomas O. Nitsch reviews the first 200 years of social economics, tracing its origins to the French physiocrats in the eighteenth century. William R. Waters, who served with distinction as editor of the *Review of Social Economy* during the transitional period beginning in 1965, presents a very readable history of the Association for Social Economics and the *Review of Social Economy*. That history involved two stages. In the first (1941–1965), social