Efficiently Unequal: The Global Rise of Kaldor-Hicks Neoliberalism

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Abstract:

This paper offers a history of the "Kaldor-Hicks" concept of economic efficiency from its European birth in the 1930s to its American resurgence in the 1970s to its widespread implementation in the Global South by the early twenty-first century. While philosophers, economists and legal theorists have written widely about Kaldor-Hicks – global-minded intellectual historians have not. As a result, scholars have yet to place its creation, dissemination and ascendency into a broader historical context or examine the reasons behind its global spread. As this paper will demonstrate through the rise of cost-benefit analyses based on "willingness to pay" metrics, while Kaldor-Hicks efficiency was invented by neoclassical economists in the late 1930s, its ascent to policy dominance is part-and-parcel of the neoliberal revolution of the past half century. Linking the history of economic thought with the rise of global neoliberalism, this paper demonstrates how Kaldor-Hicks efficiency emerged as a central pillar of a new, interventionist, wealth-maximizing and market-based form of depoliticized technocratic governance that not only marginalizes distributive concerns but actively exacerbates the problem of global inequality.

Keywords: neoliberalism, inequality, capitalism, neoclassical economics, intellectual history, global studies

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In 2006, the Panamanian government was debating whether it should move forward with four major hydroelectric projects surrounding the Changuinola-Teribe watershed, an area inhabited mostly by the indigenous communities of Ngobe and Naso. To assist in this crucial decision, an American NGO by the name of Conservation Strategy Fund (CSF) was brought on by private investors and public representatives to conduct a cost-benefit analysis.

According to their website, CSF was founded in 1991 "on the conviction that economics is a critical element for transforming conservation efforts around the world by revealing the true tradeoffs of development, demonstrating the values of nature, and generating financially viable environmental solutions." Its founder is Harvard-trained John Reid, an economist who – according to the *New York Times* – "pioneered the use of economic insights to conserve forests and other ecosystems globally."[1] Along with conducting numerous analyses of its own all over the Global South in the past few decades so as to "influence more than $21 billion in development investments," the CSF has also been a leading light in spreading the cost-benefit gospel across the world. Since its inception, it has trained over 3000 policymakers from over 700 organizations in over 30 countries in "economic boot camps" that teach its participants (mostly from the Global South) to see - and price – the world as economists. "Since the beginning, we've taught people about instruments for market-based environmental protection," Reid explained in a 2009 interview. The article went on to describe what went on in these boot camps:

> The core course starts with a few days of basic microeconomics – how markets work and how individuals, families, and companies behave as participants in markets. While there have been other courses in valuing environmental services, Reid says those have skipped over basic market theory – things like supply and demand, what makes a competitive market, and how to privatise a public good.

After learning how to commodify and privatise the world around them, students get to the conceptual core of the boot camp:

> The course wraps up with a cost-benefit analysis, using spreadsheets to calculate rate of return and net present value of an investment, taking examples from everything from a small-scale sustainable animal husbandry project to a $6 billion hydropower project that threatens indigenous groups.[2]

Speaking of "billion-dollar hydropower projects that threaten indigenous groups," CSF conducted two separate cost-benefit analyses regarding the aforementioned Panamanian dams. The first one, designed mostly to attract potential investors to the project, focused strictly on the financial aspects of the proposed infrastructure: how much it would cost versus how much it would yield to those who financed it. Capitalizing the future revenue flows of the project into its current financial "net present value" (NPV) just as they taught their international student body in their boot camps, CSF concluded that the project would be highly profitable to bankers, bondholders and investors. As Sarah Codero explained in her description of the report, CSF calculated a positive NPV which "indicates that the results are efficient," and in this instance the financial NPV was projected to be "in excess of 68 million dollars."[3]

The second cost-benefit analysis, on the other hand, was designed to check if the project would also be beneficial to the Panamanian people, flora and fauna. Would the economic, social and environmental benefits of this project outweigh its economic, social and environmental costs? Even though this cost-benefit analysis dealt not with potential profits but social welfare and environmental sustainability, "efficiency" was again defined strictly in terms of wealth maximization in the form of "economic net present value" – much like in the first cost-benefit analysis. After pricing the deforestation of trees, destruction of fish and displacement of indigenous people through a dizzying array of complex – if not somewhat arbitrary – quantitative assumptions and techniques, CSF determined that the project was indeed efficient and worth executing since its economic NPV would be $62 million dollars. In other words, CSF gave the green light for the project because it reached the conclusion that more wealth would be created by proceeding with the project than by not. Bolstered by their analysis and prodded by international development organizations and giant American corporations, the Panamanian government went on to approve these massive infrastructure projects.[4]

The CSF deemed the project worthwhile because it added together all the monetised costs and benefits and found that the benefits outweighed the costs. Yet a closer, disaggregated look at their analysis reveals that things were hardly so cut and dry since there were clear winners and losers. The biggest winners by far would be the bankers financing the project, who would receive a return of $193 million. Another big winner would be the Virginia-based, Fortune-500 AES Corporation, the energy giant behind the planned development, construction and operation of the project which was set to make $68 million as well as the Panamanian government which would benefit $86 million. The biggest losers, on the other hand, were the thousands of people who made up the Naso and Ngöbe indigenous communities who had lived along the soon-to-be-extinct rivers for generations. Attempting to put a price tag on the social dislocation, community erasure, cultural destruction and loss of autonomy which would take place if these communities were forced to relocate is impossible, and CSF did not even try to do so. Yet they nevertheless went on to price the damage done to the indigenous at a rather paltry $56 million by narrowly calculating only the losses they would incur by no longer having free access to the natural resources in the area - as if this was all that the indigenous people had lost. Luckily for the bankers and the energy corporation, this relatively low figure only put a small dent in the aggregated cost-benefit analysis. Corporate profits still outweighed indigenous losses, and so – accordingly to the logic of cost-benefit analysis which only looks at the size of the pie and not how it is sliced – the project was deemed economically efficient.[5]

Following CSF's lead, the Panamanian government also ignored the highly unequal distributive ramifications of the project. Not only did they approve the project, but they decided that they would not provide any compensation to the indigenous communities that would be destroyed. The construction of the dams over the next four years were met with significant local resistance and protests but these were violently put down by national security forces, whose aggressive tactics led to a sharp rebuke from the Inter-American Human Rights Commission.[6] In 2011 the first of the four dams opened, flooding the river valley. Cost-benefit analysis had claimed that the dam was for the greater good, but this is not how local indigenous people felt. “Nothing good came from what happened here,” said Bernadino Morales, whose family was forced to leave its home due to the flooding. “The river is gone. One thousand people were forced to move. A lot of forest is under water.” Incredibly, as quoted above, CSF proudly markets its economic boot camps as courses where the techniques of cost-benefit analyses are used on case studies such as “a hydropower project that threatens indigenous groups.”[7] They should have added that what really threatened the indigenous people of Panama was not only the project, but CSF.

Beneath this specific and local incident, lies a broader, global intellectual history. Indigenous people lost their homes and communities in Panama while receiving little or no compensation in part because of the manner in which mainstream economists – and the people they teach, train an influence through global institutions such as CSF –have come to define and measure efficiency. As seen in the prototypical cost-benefit analysis implemented in Panama, the criterion for determining whether a policy is efficient or not in modern, “applied economics” is wealth maximization mixed with an utter disregard for distributional effects. Such economists and cost-benefit practitioners define an efficient outcome as one in which the overall amount of monetized wealth increases in the aggregate, regardless of who *actually* receives these monetary gains – or losses. Since wealthy (mostly foreign) investors would, in the example of the Panamanian hydro project, gain more than the local indigenous people would (supposedly) lose, the project was deemed – in accordance with the teachings of modern, neoclassical economics - efficient and – therefore - worthwhile.

This definition of economic efficiency is widely known today as "Kaldor-Hicks efficiency." It was first established in the late 1930s by two economists in Great Britain, Nicolas Kaldor and John Hicks. After being critiqued and marginalised for almost forty years, the Kaldor-Hicks criterion roared back in 1970s America – just as neoliberalism was taking off - as the dominant tool for determining if a given policy, regulation, decision or law should be given a green light or not. While it has also come to be used by conservative American judges as the intellectual centerpiece of the "Law and Economics" movement, Kaldor-Hicks efficiency's most influential global application by far has undoubtedly been cost-benefit analyses. Through development organizations such as CSF but also the EU Commission, the OECD, the World Bank, and USAID, Kaldor-Hicks efficiency has rapidly spread across the globe in recent decades. As one expert on the globalization of cost-benefit analysis recently summarised, "the use of benefit-cost analysis, for both public projects and public regulation of private activities, is now unfolding in countries on every habitable continent around the world."[8] Wherever cost-benefit goes, it takes its Kaldor-Hicks logic with it since, as one former cost-benefit analysis practitioner for the EU nicely put it, "the Kaldor- Hicks principle is the polar star of current impact assessment practice." [9] Yet despite what many of these practitioners are taught, the Kaldor-Hicks star around which so many regulatory and policy decisions now orbit is not a value neutral or objective methodology but rather, as seen in the Panamanian example above, a powerful – and yet oft-overlooked – intellectual engine of global inequality.

This paper will offer a brief history of the Kaldor-Hicks principle from its European birth in the 1930 to its American resurgence in the 1970s to its adoption in the Global South by the early twenty-first century. While philosophers, economists and legal theorists have written widely about Kaldor-Hicks – intellectual historians have not.[10] As a result, few scholars have yet to place its creation, dissemination and ascendency into a broader historical context and none (as far as I can tell) have explicitly examined its global spread. Whether supportive or critical, most of the existing literature on Kaldor-Hicks centers on whether or not it is a good definition of efficiency or not. While I will not try and hide my disdain for Kaldor-Hicks, the main purpose of this paper is to understand why Kaldor-Hicks emerged when it did and how it became so influential.

In the first section of this paper, I will trace the European intellectual and political forces which led to Kaldor-Hicks' initial articulation in the pages of the *Economic Journal* in 1939 and why it soon became marginalised. In the second part, I will demonstrate how, with the help of Richard Posner and the Chicago School, it entered the American mainstream in the late 1970s as a key pillar in the neoliberal turn. In the final section I will show how Kaldor-Hicks based cost-benefit analyses have spread throughout the Global South in recent decades, often through global "development" institutions such as the World Bank, USAID and the OECD.

As this paper will demonstrate, while Kaldor-Hicks efficiency was invented by neoclassical economists in the late 1930s, its ascent to policy dominance is part-and-parcel of the neoliberal revolution of the past half century. As such, Kaldor Hicks serves as a unique window not only into the relationship between neoclassical economics and neoliberal statecraft, but also how exactly global neoliberalism differs from classical liberal "laissez-faire". As has been argued by the likes of Quinn Slobodian and Wendy Brown, unlike classical liberalism, *neo*-liberalism does not take market society as a natural given but rather something that must be created, designed, and constantly managed by experts while also being insulated from local democratic or populist pressures. [11] The use of Kaldor-Hicks efficiency in cost-benefit analyses is a perfect example of this crucial intellectual shift as it was invented explicitly to *replace* classical liberal, “hands-off” policy approaches and legitimise a far more aggressive, activist and *neo*-liberal form of technocratic – yet market-oriented - economic governance and management in which the economy is run not by the free market or democratically elected politicians but rather market-minded expert-economists.[12] As such, unlike the invisible hand of Adam Smith which was sought to govern only those things which are bought and sold in actual markets, the Kaldor-Hicks principle – much like neoliberalism as a whole – seeks to inject market values and logics into every nook and cranny of life.

Yet Kaldor-Hicks did not only emerge as a central form of market-based, wealth-maximizing technocracy. It also did so while completely marginalizing the distributive ramifications of its policy. While much attention has rightly been given in recent years to policymaker’s obsession with maximization of Gross Domestic Product and its sidelining of distributive issues, the wealth-maximizing mores of Kaldor-Hicks has been overlooked in this regard, save for amongst a few critical legal scholars. What is more, as this paper will show, Kaldor-Hicks does not only *ignore* the thorny issue of global inequality but rather – through its neoclassical value theory based on “willingness-to-pay” metrics – actively exacerbates the problem of global inequality in such a way that often can lead to an upward redistribution to wealthy western investors and global elites.[13]

If there is one quote that all intellectual historians of economic thought enjoy citing, it is John Maynard Keynes’ famous closing words in the *General Theory* on the power of economic ideas: “The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood,” Keynes declared. “Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.”[14] Yet despite the popularity of this quote, relatively few historians of economic thought have actually tried to prove that it is accurate. Most intellectual histories of neoclassical economics have remained highly internalised affairs, secluded off from the everyday world of “practical men” and focusing only on the economists who initially gave these ideas life rather than the (often unequal) effects such ideas had on the world.[15]

Even more specifically, it appears that relatively few intellectual histories have explored how exactly modern neoclassical economics not only escaped the confines of economic departments but then spread across the globe, often in the form of neoliberal era policies.[16] In light of these lacunas, one of the central goals of this paper is to first offer a brief history of Kaldor-Hicks efficiency but then - rather than stop there as previous scholars have done - continue to trace how this neoclassical idea became a powerful engine of inequality by infiltrating the Global South through neoliberal calculative practices that were implemented not only in Panama but also Vietnam, India, South Africa, Sri Lanka and across the globe.

In so doing, this article explores the global intellectual history of inequality from a somewhat different angle than most of the other articles in this issue. Rather than focusing mostly on how intellectuals from the Global South have conceived and thought of inequality - a crucial endeavor in its own right - this article looks at how various American and European economists, corporations and aid organizations used their economic and political clout to embed inegalitarian neoclassical ideas into the technocratic infrastructure of Global South governments. While this paper does not focus on thinkers from the Global South, I nonetheless hope this paper will prove useful for the overarching goals of this issue since if we are to succeed in “decolonizing” global economic thought we first must recognise which economic ideas were used to “colonise” it in the first place. Cost-benefit analysis is an especially good place to begin such decolonizing intellectual projects since such calculative techniques are based on wholly subjective and Eurocentric theories of economic value and distributive justice.

The Neoclassical Need for Kaldor-Hicks Efficiency

In the late nineteenth and early twentieth century, economic thought underwent a neoclassical revolution. As a result of this sea change, the very definition of value was overturned. Rather than submit, like the "classical" economists before them, to an objective theory of value based on the material costs – be it in the form of labour, tools, machinery or natural resources - inherent in the production of a given good, a new generation of neoclassical economists came to the fore with a new theory of value. At the center of this novel theory of value lay the idea of subjective scarcity, which was expressed in the principal of diminishing marginal utility. The value of a good now depended on the subjective utility it provided its user or owner, which in turn was dependent on the amount of the aforementioned good that an individual already possessed or consumed. The reasons for this shift to marginal utility were myriad, and include the problems inherent in the static nature of a strictly material theory of value, the rise of consumer culture and individualist sensibilities, the emergence of the psychological-centered stock market, the compatibility of marginal utility with (seemingly) scientific mathematical expressions and equations, and the desire of some bourgeois economists to undermine socialist theories of capitalist exploitation that can easily develop from a classical economics which placed labour at the center of its value theory.[17]

Yet while the turn to a marginal theory of utility may have impeded classical notions of Ricardian or Marxist exploitation, it quickly led to an alternative theory which also legitimised the redistribution of wealth from rich to poor and from capital to labour. A key assumption required for marginal utility to make any sense whatsoever was diminishing returns. The more one consumed of a product, the less valuable it became to them. Yet this seemingly innocuous assumption led respectably liberal economists like Arthur Pigou down a potentially radical path. For if the theory of marginal utility was correct, it would mean that a rich man enjoyed his final (or marginal) dollar of income far less than a poor man. As Pigou concluded in his 1912 book *Economics of Welfare,* redistribution of wealth was, therefore, the most efficient way to maximise welfare because "more intense wants to be satisfied at the expense of less intense wants must increase the aggregate sum of satisfaction." Soon known as "Benthamites" for their utilitarian inclinations, other economists of the era such as Hugh Dalton soon backed Pigou, supporting these claims with some of the leading mathematical calculations of the day. [18]

Suffice to say that these controversial conclusions caused quite the stir amongst liberal economists across Western Europe. From the early days of Adam Smith and David Ricardo, political economy was in large part a discipline which pointed the way towards laissez-faire "liberty", not government redistribution. What were the bourgeois economists of Europe to do? Beginning with Wilfredo Pareto in the early 1900s and concluding with Lionel Robbins work in the mid-1930s, more conservative leaning free market economists responded by developing a clever solution to this prickly problem by arguing that it was either impossible (Pareto) or unscientific (Robbins) to compare the utilities of two different individuals. Robbins – an anti-Keynesian London School of Economics economist and Mont Perelin member who first hired Friedrich Hayek and i one of the more overlooked founders of modern neoliberal thought - was especially influential in the 1930s, arguing that the assumption that all people experience happiness equally if they have the same amount of wealth (thus making initial endowments the key determinant of marginal utility) was a political, subjective, unscientific argument that must be rejected by all economists. Turning, revealingly, to the relationship between Brahmin elites and untouchable Dalit in India as his example for this, Robbins claimed that it would be an unscientific value judgement to assume that poor, lower-caste people experience happiness at the same levels as elites, even if given the same amount of wealth. Ironically, a discipline that tended to condense human behavior into a singular type of "economic man" was now arguing that on this one specific point – but little else - universalizing humanity was a subjective and therefore illegitimate act.[19]

The rejection of interpersonal comparisons of utility by what would come to be called the "New Welfare School" insured that distributive problems would be marginalised by generations of future economists. If one cannot compare utilities, one cannot claim that shifting wealth from the rich to the poor would increase the aggregate amount of utility – otherwise known as social welfare - of a society. In fact, denying the ability to compare utilities removed the very possibility of aggregating utility, and thus calculating social welfare, at all. We now had individual utility without any possibility of social utilitarianism - a most comfortable situation for conservative economists like Robbins and Pareto who wanted to ensure that economics remained wholly in the laissez-faire realm of methodological individualism and secure property rights.[20]

But how then would economists make claims that certain polices were better or more "efficient" for society than others? Out of the rejection of interpersonal utility comparisons arose what economists came to refer to as "Pareto efficiency." Since it was believed that interpersonal utility comparisons could or should never be made, a definite efficiency improvement could *only* be proven to take place if one person was made better off without harming anyone else – even in the very slightest. According to this logic, even though a starving man would intuitively derive more utility from a single dollar than a billionaire, the status quo is efficient since there is no way to improve the state of the starving man without harming the billionaire. Behind this new theory was a strikingly inegalitarian view of the world. The marginal utility of people could never be compared, for their cognitive capacity to experience happiness was not necessarily equal, no matter how large the wealth gap between them grew. Oddly, economists concluded that comparing utilities was "political" but *not* comparing utilities was scientific. In so doing, questions of distribution were removed from neoclassical analysis, and the leading line became that such considerations must be left to politicians and moral philosophers – but never economists.[21]

As is often the case with rapidly changing economic principles, Pareto efficiency closed the door on one problem but opened the door onto another: It was almost impossible to imagine a real-life policy prescription that did not harm at least one person. As a result, in turning to Pareto efficiency to avoid the distributive ramifications of marginal utility, neoclassical economists were making themselves utterly irrelevant to policymakers. No one drove this point home better than English economist and future Keynes biographer Roy Harrod. In a 1938 article in the *Economic Journal*, which came on the heels of Robbins' article claiming that interpersonal utility comparisons were unscientific, he wrote:

> Consider the Repeal of the Corn Laws. This tended to reduce the value of a specific factor of production - land. It can no doubt be shown that the gain to the community as a whole exceeded the loss to the landlords - but only if individuals are treated in some sense as equal. Otherwise how can the loss to some - and that there was a loss can hardly be denied-be compared with the general gain? If the incomparability of utility to different individuals is strictly pressed, not only are the prescriptions of the welfare school ruled out, but all prescriptions whatever. The economist as an adviser is completely stultified, and unless his speculations be regarded as of paramount aesthetic value, he had better be suppressed completely.[22]

Harrod was hitting economists where it hurt. For most economists of this era, the crown jewel of economic policy was the repeal of the Corn Laws in the 1840s, a massive political victory of British industrial capital and liberal thought which brought an end to mercantilist tariffs and ushered in a new era of free trade. Now, Harrod was suggesting that according to the new logic of incomparable utilities, such a beloved policy prescription had not, in fact, technically proven to be efficient.

Neoclassical economists were in a bind. On one hand, many of them feared the distributive consequences of their new theory of marginal utility and therefore wished to sidestep questions of inequality. On the other hand, they yearned to be in the halls of power, aiding policymakers with their economic models and mathematical calculations. It was at this moment that Nicholas Kaldor and John Hicks entered the fray, each writing in 1939 an article in the *Economic Journal* designed to deal with this very quandary.

Both men offered very similar solutions to Harrod's challenge. Kaldor's article, which was much shorter than Hicks, was published first. The entire premise of the Kaldor-Hicks criterion is perfectly encapsulated in a single one of his paragraphs, in which he directly addresses the Corn Law example raised previously by Harrod:

> In all cases, therefore, where a certain policy leads to an increase in physical productivity, and thus of aggregate real income, the economist's case for the policy is quite unaffected by the question of the comparability of individual satisfactions; since in all such cases it is possible to make everybody better off than before, or at any rate to make some people better off without making anybody worse off. There is no need for the economist to prove - as indeed he never could prove - that as a result of the adoption of a certain measure nobody in the community is going to suffer. In order to establish his case, it is quite sufficient for him to show that even if all those who suffer as a result are fully compensated for their loss, the rest of the community will still be better off than before. Whether the landlords, in the free-trade case, should in fact be given compensation or not, is a political question on which the economist, qua economist, could hardly pronounce an opinion.[23]

If the winners of a new policy can compensate the losers so that the latter are not harmed by the policy change and yet the winners are still - even after deducting the compensation to the losers - better off than they were before, Kaldor argued, then this serves as proof that the aggregate economic pie has gotten larger and, therefore, the policy is economically efficient and should be endorsed by economists.

Yet, and this is key, at the end of the passage Kaldor makes plain that this crucial compensation test – the heart of the Kaldor-Hicks criterion - is *strictly hypothetical* and under no circumstances should economists recommend whether or not the winners should, in fact, actually compensate the losers or not. Here we see that Kaldor has completely imbibed the anti-Benthamite logic of the Robbins-Pareto "New Welfare School." It appears that he also believed, at least at this point in his career, that economists mustn't deal with questions of economic distribution at all, as these are inherently "political" questions since they require economists to universally assume that all human beings are more-or-less equal in their capacity to experience happiness. Thanks to Kaldor, economists could finally escape the policymaker prison that they had created for themselves through the idea of non-comparative utilities and Pareto efficiency, and sign off on policies that could potentially harm certain people or groups. Yet such policies, incredibly, could only be recommended by economists if they completely disregarded its *actual* distributive ramifications.

The other major development in Kaldor's argument was that he managed to deftly and elegantly make the shift from measuring welfare in units of utility to measuring welfare in units of money. Kaldor's crucial move was arguing that economists need not maximise utility but overall wealth. As we have seen, maximizing total utility was only possible if you allowed for interpersonal comparisons which, in turn, would lead economists down a highly redistributive road. By claiming utilities could not be compared or aggregated, neoclassical economist shut that door. Yet in order to make policy prescription one had to be able to compare and aggregate welfare *somehow*. Kaldor was now telling them how: Instead of maximizing aggregate utility, economists should maximise aggregated wealth – yet, at the same time, not say a word about how this pile of wealth would actually be divided amongst the people.

Hicks' article may have been much longer but it was strikingly similar. Much like Kaldor, Hicks main goal was to find a way to reject Harrod's claim that the inability to compare or aggregate interpersonal utilities was going to doom economics to a life of irrelevance. While he admits that neoclassical economists' refusal to compare or aggregate utilities could indeed become "an excuse for the shirking of live issues, very conducive to the euthanasia of our science," he optimistically retorted in the following sentence that "fortunately there is no need for us to accept it."[24]

As with Kaldor, at the heart of Hicks solution lay a hypothetical compensation test that would allow economists to turn from aggregating utility to aggregating money. Hicks recognised that the key move was the idea (but just the idea) of compensation, noting how "the main practical advantage of our line of approach is that it fixes attention upon the question of compensation." Making the same argument as Kaldor, he concluded that economists must support reforms that "allow of compensation to balance that loss, and they will still show a net advantage." Yet just like Kaldor this was only a hypothetical balancing test. "I do not contend that there is any ground for saying that compensation ought always to be given," Hicks made clear. "Whether or not compensation should be given in any particular case is a question of distribution, upon which there cannot be identity of interest, and so there cannot be any generally acceptable principle." Yet revealingly, later in the article Hicks hints at the suggestion that he does not think compensation should actually be given in most instances. [25]

Kaldor-Hicks efficiency represented a crucial departure from the conservative, classical liberalism of Pareto efficiency and gave sanction to a far more activist and government-led form of market-based policy that could undermine the status-quo. Undergirding the assumptions behind Pareto efficiency was a clear emphasis on secure property rights, minimum government intervention and voluntary, individual consent. No matter the broader economic ramifications on society, any government policy deemed efficient by Paretian standards required that no economic actor could be harmed by a newly minted economic policy. In contrast, Kaldor-Hicks efficiency allowed for such economic harm, even if it came at the uncompensated expense of previous property holders - so long as the aggregate pie grew larger. Anticipating the rise of neoliberal governance, such a theory had the potential to unshackle economic policy from the chains of a highly limited, laissez-faire, conservative outlook by demanding that the maximization of wealth – regardless of its social, political or economic effects - become the central economic goal of policymakers.[26]

A crucial point, however, must be made: Ignoring distributive effects is *not* the same as sanctioning policies that will often lead to an increase in economic inequality. In fact, one could argue – as Kaldor and Hicks essentially did with the example of the Corn Laws – that one major advantage of the Kaldor-Hicks criteria is that it could theoretically *legitimise* policy changes that not only increase the aggregate economic pie but also helps reduce inequality by harming the rich and powerful. Could one, therefore, suggest that Kaldor-Hicks can just as easily be used as a social instrument which, by ignoring distributional effects, allows governments to support polices that in practice redistribute wealth in a far more egalitarian manner?

The short answer to this question is - no. Kaldor-Hicks did not only ignore questions of distribution. Hardwired into its most basic assumptions was a form of economic measurement that – more times than not - benefits the rich, not the poor. To understand why, we must take a closer look at how Hicks – and future neoclassical economists who followed in his footsteps- sought to calculate the (imaginary) level of compensation that winners would pay out to the losers so that the losers would consent to the policy change. Recall this is a crucial calculation since it is what also enables Kaldor and Hicks to shift from units of utility to units of money. It is also the calculation which determines whether a given policy will be deemed efficient or not in accordance to the Kaldor-Hicks compensation test.

As a neoclassical economist who believed that value was inherently subjective, Hicks method for calculation this hypothetical compensation was not surprising nor original: He turned to the notion of "consumer surplus" which measured the difference between how much one is *willing to pay* for a given good with how much it actually costs in the market. Leaning on this subjective, neoclassical notion that the true value of any good to an individual can only be measured by examining how much they were willing to pay for it, Hicks suggested that the only way to conduct the Kaldor-Hicks criterion test was to compare the amount that the winner was willing to pay for the new policy to be implemented with the amount that the loser was willing to accept in order to consent to the policy change. If the amount the winner was willing to pay was larger than the amount that the loser was willing to accept, then this was evidence that the economic pie had gotten larger, wealth was being maximised, and the policy change was efficient. In a footnote, Hicks made clear that the main benefit of "this use of consumer surplus" was that it allowed one to sidestep the distributional ramifications of diminishing marginal utility since it "does not involve either interpersonal comparisons or the measurement of utility." In the following years, Hicks would expend great energy to tweaking and "rehabilitating" the idea of consumer surplus, and it is one of the main reasons he would later win the Nobel Prize in Economics. [27]

Yet in turning to these subjective notions of willingness to pay or accept, Hicks was actually insuring that the Kaldor-Hicks criterion would often favor the wealthy. The reason for has been noted by numerous critics: Willingness to pay is extremely dependent on ability to pay and often reflects the initial endowments of the individual and not the level of his utility from the proposed policy change or consumer good. On the flip side, a poor man who is constrained by a meager income will accept a far lower level of compensation than a rich man since – ironically – the marginal utility of a dollar for him is much higher since he is poor. In the discarded "Benthamite" welfare economics of Pigou, measuring welfare or efficiency in units of marginal utility of income inherently favored the poor since, as we have seen, they would enjoy that final dollar more than the rich. With Kaldor-Hicks and the New Welfare School the exact opposite was true since now welfare and efficiency were measured by willingness to pay which favors the rich.[28]

Thanks to Kaldor-Hicks' reliance on willingness-to-pay metrics, neoclassical economics was now rapidly turning into a discipline that could legitimise policy changes which led to wealth maximization that benefited the rich. Of course, such a mechanism was not entirely novel – it was essentially how any market, such as an auction, works: The rich have the ability to buy things they might not need (or use as effectively) as the poor who, in part due to the rich driving up the price, may find themselves "priced out" of these very markets. By mimicking market relations, Kaldor-Hicks was simply inserting the basic inequities of the marketplace into government policymaking and the valuation of uncommodified aspects of life – be it natural resources or emotional feelings.

Yet in the midst of the Great Depression of the 1930s, the Kaldor-Hicks' definition of efficiency failed to catch on. While the era of laissez-faire small government had clearly ended, confidence in both neoclassical economics and market mechanisms was at an all-time low. In search of major structural economic changes, policymakers across the world were far more interested in the Keynesian revolution (as well as the Communist one) than the neoliberal one. Kaldor-Hicks would, therefore, lay mostly dormant for another forty years.

The Rise of Kaldor-Hicks Efficiency

Kaldor-Hicks efficiency got off to a rocky start. I. M. D. Little, the Oxford economist who first invented and popularised the very term "Kaldor-Hicks criterion," promptly when on to demolish it in his widely-read 1950 book *A Critique of Welfare Economics*. Little made a simple argument: In shifting the focus from marginal utility to monetary compensation, both Kaldor and Hicks were claiming that an increase in aggregate wealth reflected an increase in aggregate welfare and that their criterion could therefore be used, in the words of Hicks, as a "perfectly objective test" for determining whether a proposed policy was worthwhile or not.

Little thought this was ridiculous, due to Kaldor and Hick's utter disregard for the question of distribution and inequality. As he nicely put it:

> It seems improbable that many people would, in England now, be prepared to say that a change, which, for instance, made the rich so much richer that they could (but would not) overcompensate the poor, who were made poorer, would necessarily increase the welfare of a community. Admittedly people might be prepared to say that such a change would increase aggregate real income, so long as the proviso was always added that it would probably decrease welfare.[29]

Little would go on to suggest his own criterion, which demanded that economists take such distributive ramifications into account as well. Sifting through the (infrequent) times in which Kadlor-Hicks was mentioned in the next two decades, it appears as if Little's critique had a lasting impact. In 1965, for instance, the Royal Economic Society and the American Economic Association published a wide-ranging survey of welfare economics by E.J, Mishan which concluded that economists must be wary of Kaldor-Hicks because "to say that a policy which meets the Kaldor-Hicks criterion increases the 'efficiency' of society is, in effect, to recommend it. Whereas if the value judgments implicit in the criterion are bared, it is unlikely to find favor with many people."[30]

Government policy reflected this skeptical outlook as well. In the late 1960s, for instance, new landmark environmental and safety regulations passed in the United States that were not based on wealth-maximizing cost-benefit analyses. "We're talking about people's lives, not the indifference of some cost accountants," declared Texas Senator Ralph Yarborough in regards to these life-saving regulations. As late as 1970, President Richard Nixon signed the Clean Air Act which set air quality standards without regard to cost. Americans were no outliers in this regard –until 1970 not a single nation in the world had implemented policies and institutions in which major laws and regulations had to first be approved by cost-benefit-analyses. [31]

Yet as with so many other issues of the era, as economic growth (and corporate profit margins) began to falter in the early 1970s the winds of neoliberal change began to blow. In

1972, the American government passed another major environmental laws, commonly known as the Clean Water Act. Yet unlike the Clean Air Act, this law required that the newly created Environmental Protection Agency (EPA) "initiate and promote…the most effective practicable tools and techniques for measuring the social and economic costs and benefits of activities which are subject to regulation under this Act." In response to this, the EPA held a symposium in September 1973 under the direction of the liberal-leaning Urban Institute whose goal it was "to determine and advance the state of the art of cost-benefit analysis in water quality." A year later, an official report was published by the EPA based on "papers resulting from the symposium." In this 1974 report, the term Kaldor-Hicks efficiency first appeared in an official document of the American federal government.[32]

When reading the part which explicitly mentions Kaldor-Hicks it appears, at first, that little had changed. "Thus, while the Kaldor -Hicks criterion is concerned only with the economic efficiency effects of a resource reallocation," the report explains, "the Little criterion inserts equity considerations explicitly into the discussion." This sounded much like how economists spoke of the issue in the 1950s and 1960s. Yet in its opening pages of this report, a very different approach was placed front and center, the same approach initially articulated by Kaldor, Hicks and the neoclassical economists of the New Welfare School in the 1930s:

> It is generally accepted that in a cost-benefit analysis, the allocative benefits should be valued whenever possible, while the strictly distributional effects should be omitted from any valuation. The cost-benefit analyst should not assume the role of judging the dollar gains of one group versus the dollar losses to another group.[33]

Here is clear evidence that a marked intellectual shift was underway just as cost-benefit analyses were becoming a more central tool of governance. Little's critique was pushed to the margins of the report, while Kaldor-Hicks was placed in the center with an admission that "the Kaldor Hicks criterion…will receive primary attention." That said, it would seem that the liberal-leaning authors of the report still had somewhat cold feet about this turn, adding in a footnote that while distributional aspects must be segregated from the actual economic analysis they did believe that a “listing” of such distributive effects should be made “for purposes of policy evaluation.” They also felt the need to note that there had been some recent attempts from a few economists “to integrate distributional considerations into the formal cost benefit framework.” They were quick to add, however, that “there is by no means a general consensus on this matter.”[34] What these authors were apparently referring to was the still inchoate idea that cost-benefit results should be “weighted” on the basis of initial unequal endowments to ensure that distributive effects and diminishing marginal utility were accounted for. Or in other words, economists would actually take the notion of diminishing utility as seriously as Pigou had an accept that a dollar to a poor person is worth more than a dollar to a rich one. Yet not only were such ideas not in the “consensus,” as the authors had noted, they also complicated cost-benefit analyses by raising the question of how such weights would be set. For technocrats searching, by order of the U.S. Congress, for “practicable tools” the sheer simplicity of Kaldor-Hicks wealth maximization was far more attractive and enticing.[35]

Nearly twenty years later, in 1991, Kaldor-Hicks efficiency would once again come up in an official American government report. This time, the authors were members of the Office of Management and Budget (OMB), the powerful executive office greatly strengthened by President Ronald Reagan. Following Reagan’s groundbreaking executive order in 1981, every newly proposed federal regulation *had* to undergo a cost-benefit analysis by the OMB. By the early 1990s, there was no hedging on the part of the OMB when it came to the worthiness of Kaldor-Hicks efficiency. They were unabashedly supportive of it, despite being fully aware of the existing critiques. In cold, dry language they simply noted:

> A strict regulatory decision framework designed to maximise net benefits does not take such distributional effects into account. Rather, it is based on the Kaldor-Hicks

> criterion, which states that policy A (e.g., a regulation) is preferred to policy B (e.g., the status quo) if the gainers could compensate the losers and still be better off. The Kaldor-Hicks criterion does not require that gainers actually compensate losers something for which the Kaldor-Hicks criterion has been criticised. Ironically, requiring such compensation would intensify the implicit preference given to the status quo.[36]

This is a quintessential neoliberal worldview: Brushing aside the clear distributional problems of Kaldor-Hicks, the OMB wholeheartedly supported the criterion because it would allow for a far more activist form of governance that could do away with the status quo. In this instance, however, ending the status quo did not lead to better social and economic outcomes for most Americans. Rather, as Thomas Piketty and numerous other economists have demonstrated, the early 1980s marked a key turning point in the massive increase in upward redistribution and wealth inequality. Seeing as Kaldor-Hicks wealth maximization had become a central criterion in the passage of nearly any major policy recommendation or regulation, one cannot help but reach the conclusion that it too – along with a string of other policies including union-bashing, deregulation, austerity and tax cuts - played a role in the sharp uptick in economic inequity that coincided with this regulatory policy shift.

One conclusion, however, is even more certain: the adoption of Kaldor-Hicks efficiency led the American regulatory state to ignore questions of distribution. In 2014, researchers at the Harvard Kennedy School combed through every major piece of regulation that underwent cost-benefit analysis under OMB supervision between 2009 and 2011 and discovered that "agencies typically provide little or no information on distribution across population subgroups" despite the fact that these "aggregate regulatory impacts may be regressive, benefitting the wealthy more than the poor." [37]

It is beyond the scope of this paper to examine all the reasons why Kaldor-Hicks efficiency took off in 1980s and 1990s America. That said, from a political standpoint two reasons seem most pertinent. First, the fact that Kaldor-Hicks just so happened to favor the rich certainly seems central in a country in which elites had gained an inordinate amount of policymaking power so as to make the opinions of everyday Americans in this era, according to one well-known Princeton study, statistically insignificant. Secondly, the fact that Kaldor-Hicks is based on a simple and seemingly objective pseudo-utilitarian methodology of wealth maximization made it popular not only with economic conservatives and economists but also Clinton and Obama era liberals who were eager to depoliticise key economic questions by removing them from the political sphere and transforming them into supposedly value-neutral calculative exercises wielded by unelected experts and officials.[38]

From an intellectual history standpoint, meanwhile, no one did more to popularise, legitimise and, in time, globalise Kaldor-Hicks governance more than Justice Richard Posner, the Chicago School's driving force behind the quintessentially neoliberal – and corporate funded - intellectual tradition known as "Law and Economics." Kaldor-Hicks' mid-1970s takeoff coincided with the publication of Posner's widely read *An Economic Analysis of the Law*, a textbook which became a foundational work for a future generation of lawyers, judges, "thought leaders" and policymakers and which has been cited, according to Google Scholar, over 16 thousand times. At the heart of the book's argument lay the wealth maximizing mores of Kaldor-Hicks efficiency and in its opening pages Posner echoed the neoclassical teachings of Kaldor and Hicks. "Pareto," Posner complained, was a "very austere conception of efficiency, with rather few applications to the real world." He then introduced the "the less austere concept of efficiency used in this book — the Kaldor-Hicks concept."[39]

In selling Kaldor-Hicks efficiency to a wide audience, all Posner really did was restate old neoclassical economic principals in a new, neoliberal packaging. More a talented propagandist than a groundbreaking intellectual, the actual economic theories and ideas undergirding nearly all of Posner's writings on efficiency were the same as those in the 1930s. In his best-selling textbook, he began with a basic definition of the neoclassical subjective theory of value, noting how "the economic value of something is how much someone is willing to pay for it or, if he has it already, how much money he demands to part with it." He then continued by equating this form of value with wealth, much like the Hicksian idea of consumer surplus. "Bear in mind that the term wealth as used by economists is not an account; it is measured by what people would pay for things (or demand in exchange for giving up things they possess), not by what they do pay for them. Thus, leisure has value, and is a part of wealth, even though it is not bought and sold." By defining value and wealth in such a manner, Posner was legitimizing the shift from utility maximization to wealth maximization by claiming that they were, in fact, quite similar. Since willingness-to-pay metrics could capture the "major ingredients of most people's happiness," Posner concluded that "wealth maximization is an important — and conceivably the only effective — social instrument of utility maximization."[40]

Yet as we have seen, the Kaldor-Hicks efficiency test's reliance on willingness-to-pay metrics made it far more beneficial to the haves than the have-nots. Posner did not overlook this prickly issue and his deflection of such criticism was unconventional - yet surprisingly successful. Rather than ignoring the distributive critique surrounding Kaldor-Hicks and WTP, Posner leaned into them with this very disturbing example:

> Suppose that pituitary extract is in very scarce supply relative to the demand and is therefore very expensive. A poor family has a child who will be a dwarf if he does not get some of the extract, but the family cannot afford the price…A rich family has a child who will grow to normal height, but the extract will add a few inches more, and his parents decide to buy it for him. In the sense of value used in this book, the pituitary extract is more valuable to the rich than to the poor family, because value is measured by willingness to pay; but the extract would confer greater happiness in the hands of the poor family than in the hands of the rich one.[41]

It would seem that Posner had painted himself into a corner with such a poignant example. But that was not how he saw it. Rather than dwell on this enormously important issue any longer, he simply noted in the following sentence that "as this example shows, the term efficiency, when used as in this book to denote that allocation of resources in which value is maximised, has limitations as an ethical criterion of social decision-making — although perhaps not serious ones, as such examples are very rare." The issue was not raised again in a book which spans of 700 pages and whose central message was that Kaldor-Hicks wealth maximization should become the central goal of the judiciary and regulatory system. Perhaps Posner thought that the extreme nature of his example would lead people to believe that this was a very infrequent occurrence, yet he never bothered to explain what made it so "very rare". If anything, Posner was describing the most quotidian of market experiences: Rich people can often afford to buy things they clearly need far less than poor people. Posner's seemingly "rare example" was, in fact, revealing the deepest problem not only of Kaldor-Hicks efficiency but economics' support of the market as a whole: Market mechanisms often benefit the rich over the poor, despite the fact that from a Pigouvian, diminishing marginal utility standpoint this is clearly a highly inefficient outcome.

Critics did not let Posner off the hook so quickly. Numerous articles were soon written in response by legal experts, philosophers, and even economists critiquing Posner's endorsement of Kaldor-Hicks. A symposium dedicated to "Efficiency as a Legal Concern" was held in Chicago in 1979 where a long list of eminent scholars lambasted the Kaldor-Hicks criterion from an array of different intellectual approaches. Even John Hicks himself, later in life, rejected his own invention.[42]

None of these critiques, however, appear to have stuck. Aided by an endless stream of cash coming in from libertarian billionaires like the Koch brothers, Posner managed to convince key sectors of the academic, legal and policymaking world that Kaldor-Hicks was the most practical, moral, and scientific way to measure not only aggregate wealth but aggregate welfare and utility. As the 1980s turned into the 1990s and early 2000s, Kaldor-Hicks efficiency became more and more popular. Moreover, it soon began to spread across the globe.[43]

The Globalization of Kaldor-Hicks Neoliberalism

The early twenty-first century has witnessed the globalization of Kaldor-Hicks governance mostly though the diffusion of cost-benefit analysis techniques, often referred to also as "Regulatory Impact Assessments" (RIA). As we have seen, the Reagan administration pioneered this move in the early 1980s but it took a while for it to go global. In the European Union, cost-benefit analysis only really took off after 2001, following the launching of the Better Regulation Initiative. Following in Reagan's footsteps, since 2010 the European Commission has required that every new regulatory proposal obtain a "positive opinion" before going forward. Although the EU often makes sure to mention the absence of distributive concerns in its analysis, these positive opinions are nevertheless based almost exclusively on the Kaldor-Hicks criterion of wealth maximization.[44]

Alongside the EU Commission, the OECD has also played a major role in pushing for more cost-benefit analyses across Europe and the globe. In 1998, only about half of the then 27 OECD member states had RIA-based cost-benefit analyses. By 2010, virtually all of the now thirty-one OECD member states did. Kaldor-Hicks governance, however, has not spread only within OECD nations. Since the turn of the twenty-first century, such regulatory practices are also cropping up in most developing countries such as Uganda in 2003, Kenya in 2007, Brazil in 2008 and Vietnam in 2009. In all of these instances the drivers of Kaldor-Hicks neoliberalism were project-funding international bodes such as the World Bank or USAID. In Vietnam, for instance, it was the USAID's "Vietnam Competitiveness Initiative" which led to the requirement that *any* bill must undergo some kind of cost-benefit analysis before it is presented to the national assembly.[45] Often times, these cost-benefit analyses are based on guides that have been written by the EU Commission, USAID or other international organizations.[46] Moreover, be it shrimp cultivation in Indonesia, energy programs in Georgia or biodiversity conservation in the Pakistani mountains, often times these international funding organizations also conduct the first wave of cost-benefit analyses in developing countries themselves.[47]

As for the prickly problem of inequality? In many instances - such as in the abovementioned analyses of Georgia, Pakistan and Indonesia – this issue was ignored. Other recent studies, however, do touch on distributive impacts briefly. Yet ironically, such instances allow us to gain a better understanding of why Kaldor-Hicks has spread so virulently across the globe. Take, for example, a 2013 guide designed to introduce "cost-benefit analysis for natural resource management in the Pacific" that was funded by USAID and GIZ and written by the Pacific Regional Environment Progamme (SPREP) – an "independent" intergovernmental organization in the South Pacific. Of the 52 pages of the report, three are dedicated to considering "distributional impacts" with one page even mentioning the possibility of weighing the different results in a way that would consider wealth disparities and diminishing marginal utility. On one hand, this shows that critiques of Kaldor Hicks are slowly seeping into the mainstream – such an example would not have appeared in guides from the 1980s or 1990s. Yet it also reveals the superficiality of such developments, which often feel more like lip service. First off, as opposed to the other long, detailed cost-benefit examples strewn throughout the report, the lone, brief example given for weighing results based on income is completely imaginary. This is almost certainly because it was difficult to actually find any *actual* cost-benefit analyses that had seriously taken distribution into account, a sign of Kaldor-Hicks' hegemony. Secondly, immediately after the brief, superficial, imaginary example was given, the authors undermined it with the following revealing comment:

> Unlike mapping which is an objective exercise that uses logic to deduce where costs and benefits are expected to fall, weighting of costs and benefits for specific groups is a subjective exercise, based on a society's (government's) judgement of the needs of different groups. Because weighting is subjective, reaching agreement on what the weights should be can be challenging. [48]

Here we see both why Kaldor-Hicks has become so attractive and so dominant in global elite circles. While taking wealth disparities into account is deemed "subjective," standard cost-benefit analysis (what they refer here to "mapping" costs and benefits without regard for initial endowments) is viewed as wholly "objective." This despite the fact that, as this paper has shown, ignoring distributive impacts and using WTP techniques is not value-neutral nor does it maximise social efficiency, utility or welfare but rather a very particular form of neoclassical-defined wealth that benefits the rich.

This willingness-to-pay (WTP) technique upon which Kaldor-Hicks calculations are made has also been exported across the globes through the work of academic economists in recent decades. To give but one typical example, in 2004, two economists from Australian universities published an article in *Ecological Economics* titled "The net benefit of saving the Asian elephant." Based on surveys in Sri Lanka, the study was pure Kaldor-Hicks as the authors hoped to discover "whether urban residents' WTP for the conservation of elephants is sufficient to compensate farmers for the damage caused by elephants." The compensation question was, of course, only theoretical. Unsurprisingly, the study found that (the wealthier) urban residents were willing to pay more to conserve elephants than the (the poorer) rural residents were willing to accept, thus leading the authors to conclude that "there is a strong economic case for the conservation of the wild elephant population in Sri Lanka." Besides the highly disturbing fact that the elephants in question were *only* valued in accordance to how much they make human beings happy or unhappy, the reliance on WTP metrics led to a replication of the existing inequalities in Sri Lanka, as the richer urban residents' deeper pockets caused their voices to carry more weight despite the fact that they might never even interact with the elephants that roam the countryside, destroying the poor farmers' crops. [49]

This is not to say that Sri Lankan elephant conservation is not a worthy goal, just that the way such conservation objectives are often being reached is reflective of the highly unequal and undemocratic distributive problems inherent in WTP calculations. Yet despite these issues, WTP surveys and calculations have exploded in recent years, becoming a major part of contemporary social science. As one expert on Indian WTP surveys noted as early as 1998, "ten years before…. the time conventional wisdom was that it simply could not be done. The problems associated with posing hypothetical questions to low-income, perhaps illiterate respondents were assumed to be so overwhelming that one should not even try… Today we have come full circle; it is now assumed by many environmental and resource economists working in developing countries that [WTP] surveys are straightforward and easy to do."[50]

Finally, a concluding look at how international organizations lobby for the implementation of cost-benefit analyses in developing countries through depoliticised intergovernmental organizations reveals some of the technocratic logics which undergird global, Kaldor-Hicks neoliberalism. In 2011, for instance, USAID officials were seeking to have cost-benefit analyses employed within the 20-member states of the Southern African Development Community, an inter-governmental organization which has also been at the forefront of African Free-Trade Agreements. To further this cause, USAID hired AECOM, a premier (for-profit) U.S. consulting firm valued at roughly $13 billion, to write a report that would sing the praises of cost-benefit analysis. The final report frames such analyses as wholly objective, empirical practices with no underlying worldview or biases. Much is made of "facts on the ground," "analytical rigor," "evidence-based policymaking" and "good regulatory outcomes," although little is said of for *who* exactly these outcomes will actually be "good." Distributive issues are never raised in the report save for one very vague, throw-in sentence on equity and justice.[51]

According to this AECOM report, African governments are being "undermined by impractical or self-serving political policy shifts" and what is "crucial" is that RIAs will take place “in an independent technocratic organ of the state” who “think of the net costs and benefits of their proposals rather than focusing on a given narrow area of interest.” In other words, AECOM is suggesting a Kaldor-Hicks solution: Look only at the aggregated monetised pie but not at how it gets sliced, or who are the winners or losers. In the concluding words of the report, the author ends by noting that the advantage of such procedures is that “it resembles business planning processes where subsidiaries are required to prepare business plans which take into account the over-arching interests of their parent companies.” The technocratic, anti-democratic, market-based, and wealth-maximizing vision of globalised Kaldor-Hicks neoliberalism could not have been articulated more eloquently. [52]

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Notes

1 Lovejoy and Reid, “Forests,” *New York Times*, April 19th, 2018

2 Walker, “John Reid: Teaching Ecologists,” https://www.ecosystemmarketplace.com/articles/john-reid-teaching-ecologists-the-economics-of-nature/

3 Cordero, “Distributional Analysis,” 279-293.

4 Ibid., 280, 287-289.

5 Ibid., 280

[6] Mary Finley-Brook and Curtis Thomas, "Displaced Indigenous Populations," 269-290

[7] Morales cited in Schneider, "Panama's Hydropower Development" *Circle of* Blue, Feb. 13th, 2015 https://www.circleofblue.org/2015/world/panamas-hydropower-development-defined-fierce-resistance-tough-choices/

[8] Weiner, "Diffusion of Regulatory Oversight," 123.

[9] Renda, "RIA World", 127.

[10] See endnote 42 for the legal and philosophical literature on Kaldor-Hicks. For a rare analysis of Kaldor-Hicks by a leading intellectual historian see Rodgers, *Age of Fracture*, 57-63. See also Persky, "Cost-Benefit Analysis."

[11] Slobodian, *Globalists;* Brown, *Undoing the Demos*.

[12] For the rise of such modes of thought in the American context see Berman, *Thinking*. This paper focuses on cost-benefit analyses. For how Kaldor-Hicks was used to legitimise unequal free trade see Antras et al., "Globalization, Inequality and Welfare," 388-391.

[13] For an overview critique of Kaldor-Hicks see Adler and Posner, "Rethinking."

[14] Keynes, *General Theory*, ch. 24.

[15] Intellectual histories that have examined how neoclassical economic theories shape the world include Burgin, *Great Persuasion*; Mirowski and Plehwe, *Mont Pelerin*.

[16] Some global works of history that have traced the intellectual origins of neoliberal policies include Mitchell, "How Neoliberalism Makes its World;" Valdes*, Pinochet's Economists*; Bair, "Taking Aim;" Chwieroth, *Capital Ideas*; Prashad, *Poorer Nations;* Kaur, *Brand New Nation*; Ban, *Ruling Ideas.* Sociologists have also examined the role of Western ideas in the rise of global neoliberalism, see Kentikelenes and Babb, "Neoliberal Globalization."

[17] For general overview of the rise of neoclassical economics see Dobb, *Theories of Value*; Mirowski, *More Heat*; Colander, *History of Economic Thought*; Morgan, *Neoclassical Economics?*

[18] Pigou, *Economics of Welfare*, 89; Atkinson, "Ethics behind Inequality," 209-234. See also Bevir, "Sidney Webb".

[19] Cook, "Historicizing Piketty," 35-57; Robbins, "Interpersonal Comparison, 640–641. See also Cooter and Rappaport, "Were Ordinalists Wrong?"

[20] On the importance of denying the possibility of comparing utilities to the conservative political project see Wonnell, "Efficiency and Conservatism."

[21] Ibid., 50-57

[22] Harrod: "Scope and Method" 397

[23] Kaldor, "Welfare Propositions," 549-52.

[24] Hicks, "Foundations" 697

[25] Hicks, "Foundations," 711.

[26] On neoliberal harm see DeMartino, "Harming Irreparably," 315-340.

[27] Hicks, "Foundations," 710; See also Hicks, "Rehabilitation," 108–116.

[28] For critique of WTP see Heinzerling and Ackerman, "Wasting Away in Paretoville," 363-370; Renda, "RIA World," 134.

[29] Little, *Welfare Economics*, 90.

[30] Mishan "Survey of Welfare Economics," 225

[31] Yarborough qtd in Applebaum, *Economist's Hour,* chapter 7.

[32] United States Senate, "Evaluation of Techniques," 95.

[33] Ibid., 16.

[34] Ibid, 132, 15.

[35] See Adler, " Distributional Weights," 264-285.

[36] U.S. OMB*, Regulatory Program,* 39; Smith, *Environmental Policy.*

[37] Robinson, Hammitt and Zeckhauser, "Role of Distribution." See also Fullerton, "Six Distributional Effects".

[38] Gilens and Page, "Testing Theories," 564-581. On such depoliticizing technocracy see Streek, *Buying Time*.

[39] Posner, *Economic Analysis*, 11-12.

[40] Ibid., 15; 4

[41] Ibid., 11.

[42] These papers later appeared as articles in volume 8 of the *Hofstra Law Review* and volume 9 of the *Journal of Legal Studies* in 1980. They include scathing critiques of Kaldor-Hicks by the likes of Ronald Dworkin, Morton Horwitz, Jules Coleman, Duncan Kennedy, Richard Epstein, LA Bebchuck, Mario Rizzo, and more. For overview of critical legal studies critique of Law-and-Economics see Kennedy, "Law-and-Economics," 464-473.

[43] On the influence of Law-and-Economics movement see Ash, et al. "Ideas Have Consequences."

[44] See Renda, "RIA World," 46-64.

[45] De Francesco, "Diffusion;" Livermore, "Cost-Benefit Analysis," 146–93.

[46] For such guides see European Commission, *Guide to Cost−Benefit Analysis.*

[47] These examples can be found here: IUCN Pakistan Program, "Cost-Benefit-Analysis" https://www.iucn.org/sites/dev/files/import/downloads/pk_macp_cba_draft_cs.pdf; USAID, "Indonesia mangrove," https://www.climatelinks.org/sites/default/files/asset/document/2020_USAID_CEADIR-Indonesia-Mangrove-CBA-Revised.pdf
USAID, "Energy Regulartory Impact Assessment," https://pdf.usaid.gov/pdf_docs/PA00TDF3.pdf.

[48] Buncle, *Natural Resource Management,* 21-22.

[49] Bandara and Tisdell, "Asian Elephant," 93-107.

[50] Kohlin, "Contingent valuation," 237-258.

[51] Truen, *Regulatory Impact.*

[52] Ibid.

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