

Rational Analysis of Political Behavior

Social Welfare - KH and its limits

Jorge Fábrega

2024-02-29

Classroom Activities

1. Applying the Kaldor-Hicks criterion - Solar Plant Stakeholder Simulation

Roles:

- Government Official: Advocates for the solar plant to reduce carbon emissions.
- Local Resident: Lives near the proposed plant site; concerned about land use and property values.
- Environmental Activist: Supports the plant for its environmental benefits.
- Coal Worker: Concerned about job loss in the fossil fuel industry due to the shift to solar energy.

If the plant is built, assume that: - Government official will earn \$1000 (or equivalent).

- The local resident will lose a 10% of the value of her property that is worth \$5000
- Environmental Activist will earn \$200 (or equivalent)
- Coal worker will lose his/her current income of \$500

Procedure:

Groups discuss how to proceed with the solar plant project, aiming to reach a consensus that reflects the Kaldor-Hicks criterion.

Presentation: Each group presents their decision and rationale.

2. Second thoughts on the Kaldor Hicks criterion: Seawall Stakeholder Simulation

Roles:

- City Planner: Advocates for the seawall to protect the city.
- Environmental Scientist: Concerned about the ecological impact.
- Local Business Owner: Worried about construction impacts on business.
- Resident of a Non-Flood-Prone Area: Concerned about tax increases for the seawall.

Procedure:

Research and Argument Preparation: Participants prepare their stakeholder viewpoints.

Negotiation: Groups discuss and try to reach an agreement on the seawall project.

Presentation: Each group presents their decision and the Kaldor-Hicks trade-offs involved.

Debrief: Reflect on the decision-making process, focusing on the distribution of benefits and losses.