

POLICY EVALUATION

From managerialism and econocracy to a governance perspective

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Introduction

The conceptual field of governance has grown partly as an acknowledgement of major gaps in traditional treatments of development policy and management. We see the insufficiency of focusing only on government as the State; and the need for a wider perspective of governance, understood as the 'array of ways in which interplay between the State, the market, and society is ordered' ('Insights', 23 Sept. 1997, IDS Sussex). And we realize now how ineffective or disaster-prone public policy can be when key factors conducive to effective policy formation and implementation are absent, including sufficient political legitimacy and accountability, an adequately functioning legal apparatus, systems for public expression and social learning, and peace rather than war.

A governance perspective brings an expectation of a more complex approach to policy evaluation than approaches which assume no substantial interplay between State, market and society; more complex, for example, than the assessment of projects with saleable inputs and outputs as if market-based or market-inspired criteria suffice. Similarly, the significance of legitimacy, accountability and public feedback have implications for the content and procedural design of policy evaluation.

My usage of 'policy' and 'evaluation' will be as follows. 'Policy' here covers project and programme levels as well as those of strategy and framework. It concerns activities in the name of or directed to the benefit of the polis, the political community; in other words our focus is on public policy, with the public as the populace or citizenry ('public' derived from the Latin 'pubes', meaning adult). This concern stands in contrast to the market principle of *consumer* sovereignty. Not all citizens have power as consumers in the market, while some others wield enormous market power. 'Evaluation' here covers the normative assessment of public policy activities, whether prospective or retrospective (see e.g. Scriven 1991, Fischer 1995). It is not used to cover every review of experience regardless of the purpose or type of question; only normative questions and grading purposes are considered here, but for both before and after implementation (thus both *ex ante* and *ex post* evaluation). Evaluation in this normative sense requires the use of normative values.

The chapter examines some methods that are prominent in or promising for policy evaluation for developing countries. It relates them to various desiderata, including some implied by a governance perspective, such as attention to the interactions between markets and their social, political and natural environments, the importance of political and social 'infrastructure', and the inclusion of all citizens.

'Effectiveness' and 'efficiency' are perhaps the most used terms within policy evaluation in development management circles. We will look at concepts and practices

around ‘effectiveness’, with special reference to ‘the logical framework approach’ and its successors; then at ‘efficiency’, with special reference to economic cost-benefit analysis (CBA); and finally at more open and exploratory approaches or frameworks for multi-criteria evaluation and structured democratic policy discourse.

Figure 1: ‘Family tree’ of some methods in policy evaluation

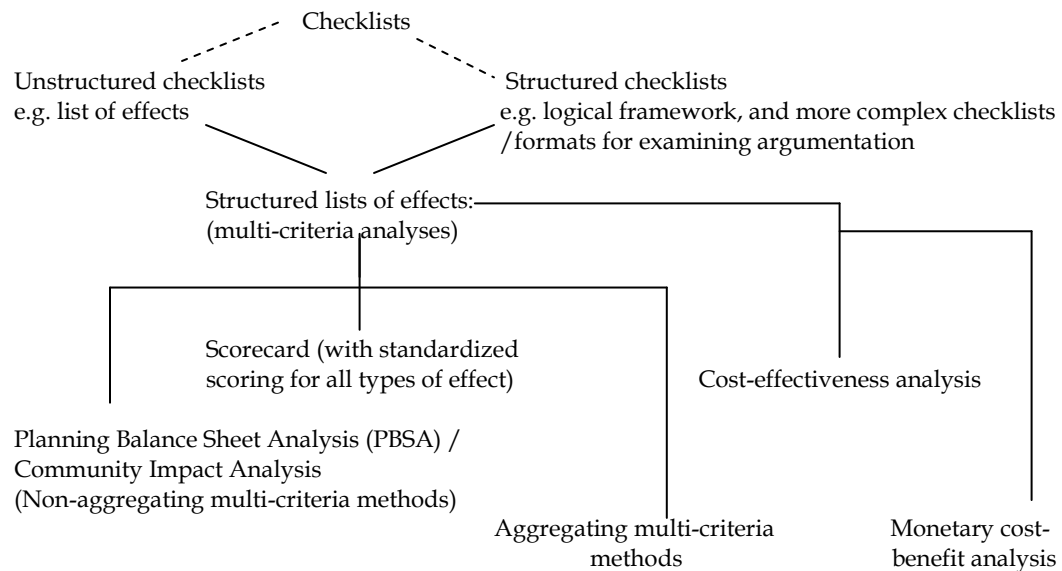


Figure 1 gives a ‘family-tree’ of some methods, from simple unstructured checklists through more sophisticated checklists and multi-criteria methods, to (monetary) cost-benefit analysis. Broadly speaking, as one proceeds from top to bottom in the figure, the methods become more complex; and at the bottom, as one moves from left to right the methods involve more aggregation, culminating in cost-benefit analysis which reduces its assessment of a proposal ultimately to a single figure.

We will look at three broad styles of practice. In ‘managerialism’ (Pollitt 1992), criteria are set by managers and political masters and are supposed to determine choices. In mainstream economics and ‘econocracy’ (Self 1975) the criteria, again supposed to determine choices, are set by purchasers and, in the background, also by economists. In ‘democratic pluralism’ the criteria and choices are negotiated between multiple stakeholders, subject to rules about accepted procedures (such as voting).

‘Effectiveness’ and Evaluation in terms of (pre-) set Objectives

‘Effectiveness’ means producing approved effects. Nowadays this is typically interpreted as fulfilment of objectives. Two sets of questions arise: effectiveness in what, i.e., which types of effects are included as objectives?; and effectiveness for whom, whose objectives? In a private producer context the determiner of values, the ‘principal’, is more obvious – the enterprise owner – so ‘effectiveness’ is a more straightforward concept. The objectives that are set before an activity and those that have emerged after the activity are both of interest, but the latter have priority. There is no reason to screen out the principal’s later thinking. In a public policy context these questions become more difficult, but are

fundamental. The range of stakeholders increases, so roles and rights can be obscure or disputed. An external funder may insist on evaluation in terms of originally set objectives rather than those which emerge through experience, because of fear that the implementing agents diverge from an earlier agreement. Evaluation can then be conducted in terms of outdated criteria.

Managerial approaches in public policy can conceal or sideline the question of 'whose objectives?', by speaking of 'the project's objectives' and 'the policy's objectives'. They typically presume that managers/leaders/experts set the objectives. Market-based approaches to evaluation assume that consumers set the objectives, in proportion to their financial strength. Participatory approaches aim to derive objectives for all citizens (or in global public policy, for all persons), by some legitimate processes of expression, representation and aggregation. Human rights and related ethics-driven approaches hold that many key objectives are embedded in actual or virtual constitutions and similar binding commitments like the Universal Declaration of Human Rights, and that these should give major direction in policy evaluation. In all stances, the choice about which objectives will be considered flows from the decision on whose objectives. The citizen- and human-oriented stances differ significantly from the manager- or consumer-oriented stances which have predominated in practice in development policy (see e.g. Narayan et al. 2000). Growth of conscious attention to governance might boost the more citizen-oriented stances.

Growth of global citizen-oriented perspectives in policy evaluation is also happening, though more slowly. Most policy evaluation remains emphatically national in perspective, or follows the form of globalism that is used in the market: effects on anyone, anywhere, will be considered, according to the amount that those people pay in order to receive or avoid the effect. If they can pay little they will be considered little, and if they cannot pay at all then they will be ignored (Gasper 2004).

Within development policy, the effects and aspects which are included in evaluation were for long biased towards economic output. The unpaid time of women, for example, was often treated as a free and abundant resource, so that its saving or expenditure was not counted (see e.g. Crewe & Harrison 1998). General evaluation of the impacts of international assistance has been preoccupied with its effects on economic growth, to the relative neglect of other possible desirable and undesirable effects; for example the extraordinary health impacts that have been realized in some cases (see e.g. Sachs et al., 2001). UNDP's Human Development approach and the Millennium Development Goals represent counters to the preoccupation with economic growth. Yet in practice, matters such as leisure, quality of family life and physical environment, participation, and the meaningfulness of work and life as a whole still receive relatively little attention in much development policy evaluation. A focus only on the monetizable, or even only on the measurable, is not only unbalanced. It is suicidal if the neglected and disvalued areas include those fundamental for societal continuity. 'Rationalizing' methods can prove to be socially irrational when extended beyond their particular niches to try to order whole societies.

The 'Logical Framework Approach' and successors

Logical Framework Analysis (LFA) is a method which specifies, across a set of levels (typically inputs-activities-output-purpose-goal), a project, programme or policy's objectives and thus what 'effectiveness' means in a particular case. It is part of the family of methods for analyzing, specifying and measuring objectives (e.g.: as part of programme budgeting and via performance indicators) that has grown since the 1950s. Such methods emerged since many objectives cannot be reduced easily or at all to the fully monetized terms of cost-benefit analysis, and many expenditures (e.g. most recurrent expenditures) are too small for an analysis as complex as cost-benefit analysis to be worthwhile. In addition the ideology of "managerialism" has held that there are universal principles of good management which apply equally in private and public contexts, and which the public sector should imitate from the private; including the ideas, especially in work influenced by American sources, that management centrally involves the setting and following of precise, measurable objectives, and that evaluation centrally involves identification of their achievement.

LFA has spread greatly since 1970, especially in international-aid projects, including under newer product labels (ZOPP/objectives-oriented project planning, Project Cycle Management, Results-Based Management). Its rationale is that--even for monetizable expenditures/policies--sophisticated calculations are futile if the means-ends logic and other background assumptions behind a design are flawed. LFA pays attention to these features as well as to making objectives clear and precise. A matrix is prepared, in which the intended means-to-ends narrative is, firstly, clarified, by specifying the links expected from controllable means through to priority ends; secondly, operationalized, in terms of performance indicators; and thirdly, tested, in terms of its implied assumptions, including about contextual factors.

A logical-framework matrix is still a very limited format of policy argument: it excludes reference to alternatives, to 'side-effects', and to normative debate about objectives and 'whose objectives?'; and it is in danger of marginalizing assumptions analysis since the assumptions column is illogically located at the far right of the matrix. For *ex post* evaluation in a public policy context, the neglect of 'side-effects' and unintended effects is particularly defective. It implies managerial indifference to others' objectives and/or ignores what may be the main effects (Gasper 2000a).

Thus, LFA's appropriate role in policy evaluation is for clarification of a design, and for initial screening of proposals and routine internal monitoring. It can in principle be employed in more participatory fashion, not only for top-down management; and for example become a tool to truly probe and debate assumptions, although this would be facilitated by relocation of the assumptions column to next to the objectives column.

Simple assessments of effectiveness rarely suffice for decision-making. Assessment in relation to costs and in terms of the impacts on multiple objectives is needed. So more summative concepts are sought, of the 'efficiency' in achieving multiple objectives in relation to (multiple) costs. But the same questions should remain central: efficiency in terms of which objectives and costs, and whose objectives and costs?

‘Efficiency’ and the Perspective of Evaluation through Markets

The term ‘efficiency’ refers to maximum fulfilment of one’s objectives from given resources. The idea comes from engineering, but acquired new variants in economics. ‘Cost-effectiveness’ is one type of efficiency criterion: the productivity of given resources in achieving a given type of value; for example, the health achievements of a specified type which are obtained per unit of resources. Usually the resources are measured in financial terms, but this is not essential and other types of cost-effectiveness measure exist: the ratio of a non-financial output to a non-financial input, and the ratio of a financial output to a non-financial input. Figure 2 presents these families of measure.

Figure 2: Cost-effectiveness analysis and cost-benefit analysis

	<i>Non-monetized outputs</i>	<i>Monetized outputs</i>
<i>Non-monetized inputs</i>	Physical ratios (e.g. ratio of graduates per year to the number of teachers)	The least common family of cost-effectiveness indicator
<i>Monetized inputs</i>	The most common type of cost-effectiveness indicator	‘Cost-benefit analysis’, as understood in mainstream economics

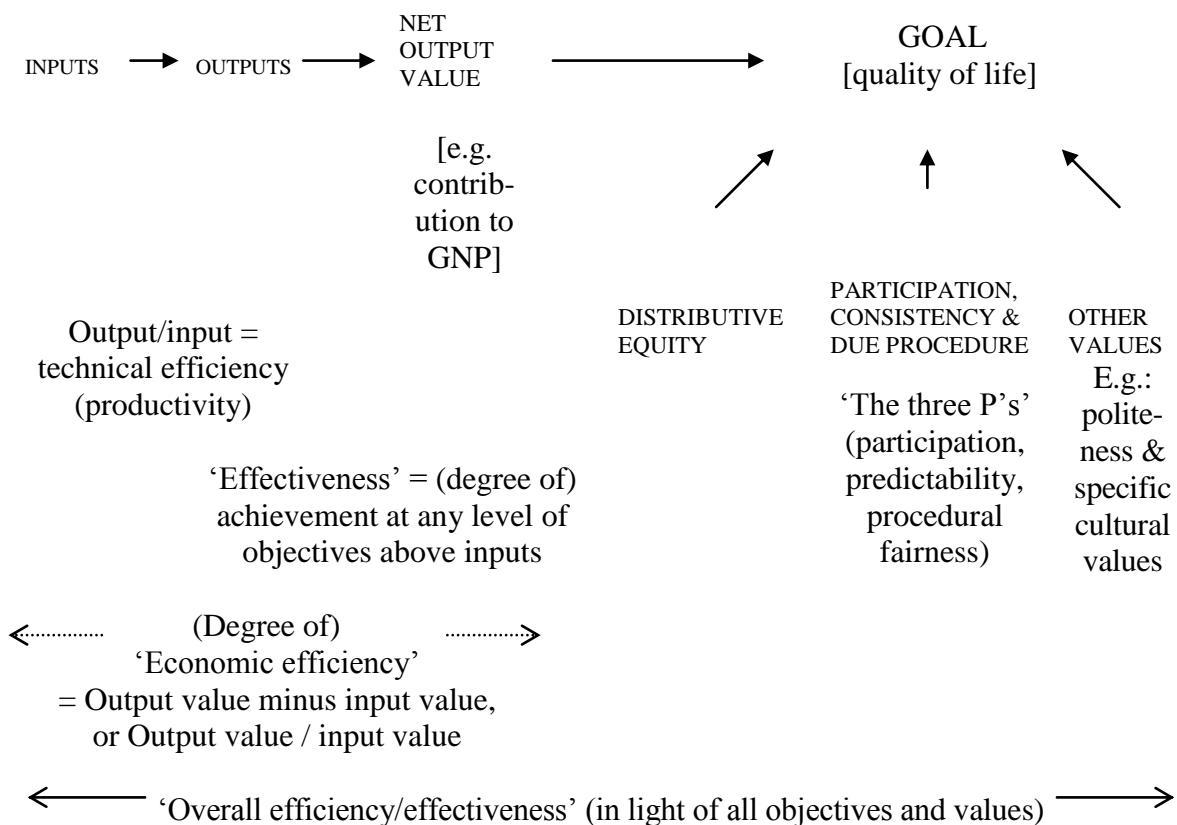
The ‘efficiency’ label has been extensively misused. It is a relational concept: “efficiency” is only efficiency in terms of certain values (beliefs concerning what is valuable). Different values can lead to different conclusions about what is efficient (Shubik 1978; Richards 1985; Le Grand 1991). Various perspectives seek however to capture the concept’s authority in order to endorse the fulfilment of their particular values alone. The leading example is the misuse of ‘efficiency’ to refer to what should at most be labelled ‘economic efficiency’: the maximization of net output as measured in monetary terms, for those things which can be monetized and according to the willingness-to-pay principle. It excludes attention to all objectives other than those measured in terms of money, and measures the fulfilment of those in proportion to how much people pay; so it excludes attention to equity. The objectives of people who have no money are not measured, and the objectives of the rich are magnified according to their purchasing power.

Veiling this practice in economics-oriented policy evaluation is the doctrine of ‘Pareto efficiency’, that any situation where nobody can be made better-off without making another person worse-off is a Pareto-efficient point (Stiglitz & Driffil 2000). Economics-led policy goes much further than this. The willingness-to-pay criterion is used to justify changes that make many people worse-off, by use of the principle of potential compensation: that those harmed could have been adequately compensated – whether or not they actually were (Alvares & Billorey 1988; Cernea 1999; Gasper 2004).

Figure 3 suggests the relations between concepts of economic efficiency, effectiveness, and equity – ‘the three E’s’ that have commonly figured in economics-based treatments of policy evaluation. Inputs are used to obtain outputs; the first level of effectiveness concerns this attainment of outputs. Output/input ratios measure technical productivity. Economists then look at monetary valuation of both outputs and inputs and their proportion or difference; the difference in the case of monetized products constitutes

the contribution to national product. In the case of non-monetizable outputs such as health, measures of cost-effectiveness are possible. Equity objectives are typically treated separately, even though by definition efficiency depends on what one's values are—efficiency in what?—and those values could include equity. Further, there are other objectives that should be included in policy evaluation, notably 'three P's': participation, predictability/consistency, and procedural fairness (Nagel 1984). Any talk of efficiency which excludes equity objectives, many other end-state objectives, procedural objectives, and achievements in terms of overall quality of life, is extremely limited. It becomes misleading unless it makes clear which objectives/values it has taken into account and which not.

Fig. 3: Relationships of concepts of efficiency, effectiveness, equity, and quality of life



Economic Cost-Benefit Analysis

In contrast to the simplicity of LFA, CBA is an ambitious and synthetic method, for comprehensive and rigorous assessment of investments and even policies. It involves monetizing the impacts on all (significant) agents in a nation, not only on the agency which makes the expenditure. It was thus a tool of national economic planning that emerged as an identified method from the 1930s and spread especially in the 1960s and 70s. It calculates the value of net output in terms of modified market criteria, not effectiveness in terms of

an agency's own objectives; thus it is 'goal-free evaluation' not 'goal-based evaluation' in Scriven (1991)'s terms. It is relevant only if nearly all impacts are monetizable, or only for the monetizable aspects.

Economists' cost-benefit analysis is based on private financial analysis methods, but takes into account a wider range of impacts – in other words, it considers the social importance of 'external costs and benefits', by inclusion of some additional monetizable costs and benefits. Secondly, it adjusts for some other failures of market prices as measures of societal costs and benefits, by modification of the prices and monetary weights attached to some types of cost and benefit (use of 'social prices'). So it makes limited adjustments to the style of calculation of a modern capitalist business. It is relatively speaking more appropriate for public sector commercial projects/enterprises. Overall, the method shares most of the assumptions of market economics. Its merit is to provide a theory-based approach for systematic, case-by-case analysis, in place of choice by rule-of-thumb or sweeping generalizations.

It has major shortcomings as a primary model in public policy evaluation, though they can in principle sometimes be counteracted and compensated for. It tries to measure all costs and benefits in monetary terms, and tends to ignore other social and political effects. It suggests that in each case there is one correct choice which can be found by its procedure of measurement and calculation. It is in practice usually blind to inter-personal distribution of costs and benefits, in the same way as is the economics criterion of efficiency.

The underlying philosophy of CBA varies according to the detailed variant, but is basically a liberal version of utilitarianism (MacIntyre 1977), interpreted largely by the Willingness-To-Pay (WTP) criterion. In the background is a picture of society as a set of individuals, and of individuals as a collection of appetites/preferences, utilities/satisfactions and maximization programmes. In the foreground, utilitarianism in policy and ethics has three explicit components (Sen 1984). First, consequentialism, assessment of acts by looking at their consequences. Besides the problems of identifying these, the approach leaves gaps concerning the valuative significance of past events and commitments. Second, 'utility-base', the principle of specifically looking at utility consequences; operationalized via measurement of WTP. This monetizing method faces not only measurement issues, but brings a bias to more affluent people and the danger of invasion of market valuation into spheres of life that should never operate on such principles (Staveren 2001, Walzer 1983), as illustrated perhaps in the trade in human organs. Third, sum-ranking, i.e. ranking options according to the sum of net benefits across all people. CBA does include all people in its calculations, but with no equity constraints concerning individuals' gains or losses, instead only the principle of potential compensation; on top of the principle of willingness-to-pay, so that people's wishes are weighted according to how wealthy they are and those who cannot pay are forgotten.

Figure 4 indicates assumptions and debates for this type of policy evaluation. The format is a modification of the Toulmin-Dunn approach for describing policy arguments (Dunn 1994; Gasper 2000b, 2002). Warrants 1-3 are predictive, and warrants 3-6 normative.

Figure 4: Identification and testing of assumptions in economic cost-benefit analysis

The structure of argumentation behind the proposal to accept the results of economic cost-benefit analysis for making resource allocation decisions	<i>Possible counterarguments (to the data provided, or the warrants; or of other types)</i>
<p>[CLAIM:] I PROPOSE THAT This activity is worth doing</p>	<ul style="list-style-type: none"> • <i>(But not if:) You have ignored vital process values (e.g. due consultation, majority rule)</i>
<p>GIVEN THAT [DATA] It is profitable, as calculated using adjusted prices and an adjusted rate of interest, set by public authorities</p>	<ul style="list-style-type: none"> • <i>Your calculations are wrong (e.g. your projections are too optimistic, or you used a wrong without-project case to compare against)</i> • <i>You have only corrected some monetizable omissions, and still exclude many important costs and benefits</i> • <i>The rate of interest used and/or the process of discounting is unacceptable</i>
<p>AND GIVEN THE PRINCIPLE(S)/WARRANT(S) THAT</p> <ol style="list-style-type: none"> 1. Markets are Pareto-efficient, after corrections for major externalities and distortions (e.g. monopoly prices) 2. Minor omissions will not make a difference 3. All the omissions and problems are just as bad for the alternative you offer (if any) 4. State authorities (e.g. central bank, Ministry of Finance) are the legitimate decision-makers 5. Consumers should get what they want and can pay for 6. Existing incomes and property rights are just [or the poor are given priority within the C-B analysis]. 	<ul style="list-style-type: none"> • <i>Pareto-efficiency is an insufficient criterion; (insofar as) you have still ignored those who cannot pay, which is not just.</i> • <i>The omissions are not minor</i> • <i>There is a better alternative.</i> • <i>State authorities take too narrow a view (and sometimes are interested-parties)</i> • <i>You are too liberal about consumer wants [unless 'merit goods' are given priority within the C-B analysis]</i> • <i>Existing property rights derive from unjust past processes of expropriation.</i>

As a liberal philosophy, CBA starts from the normative principle of consumer sovereignty. The objectives to be served are those which consumers express in the market or simulated market. Economists have often taken a don't-want-to-know, sometimes even nihilist, approach to ethics and discussions of values, and as a result confused the acceptance of all wants with the adoption of a value-neutral stance (Rhoads 1985). The consumer sovereignty principle should instead be assessed for what it is, a value stance. One defence is to argue that in general consumers make good choices. There are numerous counterexamples however, in which use of 'social prices' appears justified, and economic CBA can make provision for this. A second possible defence is to argue that the alternative measures are in general worse in outcome than allowing people to decide for themselves, given the dangers of authoritarianism and State failure. A third is to openly defend the value of 'the right to make one's own mistakes'.

By trying to frame questions of social choice largely along the same lines as the investment choices by a self-interested businessman CBA may unreasonably distort some aspects of policy. Environmentalists argue that this is seen in its adoption in a central role

of the discounting of future costs and benefits by use of a rate of interest ('rate of discount'), in order to reduce policy evaluation to the calculation of a rate of (social) profit. This is the same procedure as for a single self-interested capitalist computing his choices in the context of an economy with growth potential. Use of a rate of discount of 10%, as is common, or even 5%, makes basically irrelevant the effects on one's grandchildren and later generations. The procedure appears quite inappropriate for a community determining its future. We need then to set constraints to guide and restrain the use of techniques like discounting; for example, the sustainable development requirement that projects must leave the environment as good as they found it, or, more stringently and better, must clean up after themselves, rather than discount-away the damage that they leave for future generations. This need to set a restraining framework applies to CBA as a whole. Not all monetizable activities should be monetized.

Other major issues arise in the practice of a sophisticated method like CBA. Its formal complexity brings various possibilities. It can be misused and manipulated, especially by the powerful, and with too much attention given to refining details rather than focussing on basic questions, such as what would be the conditions and trends without the policy or project? What is the relevant without-project case? CBA can be used as a ritual of legitimation to justify pre-arranged choices by a screen of calculations (Gasper 1987, Porter et al. 1991). Sensitivity analysis, seeing the effect of varying assumptions, is essential but frequently done superficially – compared to the huge divergences that often emerge in reality. One should still assess CBA by comparison with how decision-making would be in its absence. Arguably it would sometimes be more ritualistic and even more manipulated by the powerful, wielding tools of political rhetoric and influence. Some authors see CBA as potentially a forum, an opportunity, a set of rules of argumentation which set some burdens of proof -- testable, measurable, quasi-inclusive – rather than following pure rhetoric and power. To reap such potentials requires a very active polity, which provides information and monitoring, pressure and competition; and which also sets limits to the power of WTP. Economics has long considered itself 'The Queen of the Social Sciences', but CBA should always be advisory rather than determinant, and seen as one amongst a set of different, complementary methods; one of the servants, never a queen.

Multi-Criteria Evaluation: Policy Evaluation potentially as Regulated Democratic Political Discourse

Policy evaluation centrally involves the analysis and preparation of arguments in which ideas about values/objectives/priorities are combined with claims about facts and cause-effect linkages, to produce valuations about past or possible future actions by public agencies. Each approach in policy evaluation is a particular style of building arguments, which selects and handles ideas and data in its own distinctive way, and tends to emphasise different values. Figure 4 illustrated this for economic cost-benefit analysis. To see policy evaluation as the conscious building of arguments, open to the full range of relevant considerations, not only to the aspects that an approach like economics or LFA finds comfortable to handle, is a perspective that comes from law and philosophy. William Dunn and others have called it a jurisprudential approach. It guides for example Dunn's classic textbook, *Public Policy Analysis* (1994), which highlights the range and variety of types of argument in policy analysis; and the work of Frank Fischer (1980, 1995), which

goes considerably further than Dunn to give a sophisticated but manageable framework for broad-vision policy analysis. Here we will consider another set of methods—those of multi-criteria evaluation—and how they may fit in an approach of conscious public construction and testing of broadbased policy arguments. They bring in a wider range of factors than in CBA and leave more space for public debate about relative weights and implications.

Methods of multi-criteria evaluation have been developed for cases where one or more of the following aspects is felt to be very important: unmeasurables and incomparables; inter-personal/inter-group distribution; and procedural legitimacy based on procedural fairness and procedural rationality (Nijkamp et al. 1990). Such methods do not attempt the same precision as CBA. They are less precise in weighting effects and in aggregation over time. They offer tools not for optimizing but for ‘satisficing’ -- reflective, semi-intuitive, good-enough choice -- and ‘justifying’, the establishment of political acceptability. Thus they are especially suited for complex, ramifying choices with high uncertainty, where the ‘*pro memoria*’ items (aspects ‘to be remembered’, which cannot presently be well specified) are so many and important that the apparent precision of CBA or similar methods is seriously misleading; and for political circumstances where certain groups (politicians/ other top decision makers / other stakeholders / publics) have to be consulted frequently by planners, for example because many strong voices represent the potential losers and non-economic goals, and yet the divisions are not so deep as to prevent useful debate.

For those purposes, non-aggregating multi-criteria analysis is sometimes enough. A rich picture of diverse effects is provided and mulled over (e.g. Dietz & Pfund 1988). Often in fact disaggregation is taken further, to present the different impacts on different groups or regions, as in so-called Planning Balance Sheet Analysis (e.g. Lichfield 1996). But complex non-aggregated lists of effects and impacts can become baffling and even misleading. We must be careful how the categories for classifying effects are chosen, to reduce overlap. So we often wish to do additional processing and grouping, by relating the categories to policy criteria, and grouping together all categories which concern the same broad type of policy objective.

Aggregating multi-criteria analysis, like CBA, estimates effects, applies value-weights, then aggregates scores to give an overall judgement, which it checks through sensitivity analysis. However it operates in the dramatically different context that we described, avoids the pseudo-objective language of money, and emphasizes debate and analysis of assumptions.

The range of both non-aggregating and aggregating multi-criteria methods is enormous and cannot be surveyed here (see e.g. Nijkamp et al.). We can instead relate such methods to recent work on reconceptualizing development. The UNDP’s conception of human development has taken us away from seeking a single policy evaluation measure like GNP per capita, or a small number of monetized or narrowly economic measures (like the share of people in waged employment). The Human Development Index, which takes into account some aspects also of health and education, shows that GNP per capita is an unreliable measure of the quality of life. It does not itself purport to be a sufficient single measure. UNDP directs our attention instead to a wide range of relevant human functionings which need disaggregated attention. The Human Development Reports have the enormous advantage of looking directly at categories of

human ‘functionings’ (Sen 1999) which economic calculation of GNP and benefit-cost ratios have raced past: at life expectancy, physical and mental health, mobility, ability to participate, felt satisfactions, quality of family life, and much more; not merely at the associated or supposedly associated money flows.

Much attention has been given to how closely correlated the HDI is with GNP per capita. Since a third of the weight of the HDI is provided by GNP per capita, and since financial capacity is relevant to provision of educational and health services, substantial correlation is no surprise. More interesting are the many major discrepancies. Further, the correlation of GNP per capita and recorded subjective satisfaction is weak. Even if there were perfect correlation, with subjective satisfaction always changing by a consistent predictable amount whenever per capita GNP rose, the strength of the connection is extremely limited after countries reach a middle income level (around \$6,000 per capita in 1991 prices, according to the World Values Survey). This finding, regularly reconfirmed since the 1960s, is known as ‘the Easterlin paradox’ (see e.g. Easterlin 2002). Organizing and evaluating policy by a goal of economic growth beyond a middle income level may have low justification. Cost-effectiveness analyses which look directly at the valued human functionings attained in monetarily already rich countries often show little or no progress, and sometimes regress, for periods in which GNP per capita recorded massive further increase (Crocker & Linden 1998; Lane 2000). And on the other hand, per capita GNP sometimes greatly understates progress.

In addition, the interaction of different systems within society as a whole – economy, polity, families, civil society, culture and values, physical environment – is more complex than we can measure and model. The more important we find these interactions to be, the less can policies be appropriately judged by overwhelmingly economic calculation. We have sobering examples from Rwanda, the former Yugoslavia and elsewhere in the 1990s of the devastation that can result from adjustment policies driven by economic calculation alone (Eriksson et al. 1996, Woodward 1995). Thus the conceptions of sustainable development, sustainable human development, and human security in effect adopt multi-criteria methods of policy evaluation, and set frameworks to constrain economic calculation, such as the principles of precaution and sustainability (see e.g. Pearce et al. 1990, Söderbaum 2000).

The methods described in this chapter have each their own advantages and disadvantages, areas of greater and lesser applicability, and different degrees of compatibility with various sets of political principles.

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