

## **Cost-Benefit Analysis for Promoting Well-being in a Democratic Society**

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### **Abstract:**

This paper presents a reformulated approach to Cost-Benefit Analysis that enables communities to find common ground in the choice of policies, regulations, programs and projects that advance collective well-being within a pluralistic democratic political context. The paper is presented in two parts. Part I critiques Cost-Benefit Analysis in its traditional form. The critique begins by testing the ethical and behavioural assumptions in which traditional Cost-Benefit Analysis is grounded. The analysis concludes that two assumptions, both foundational to how Cost-Benefit Analysis is practiced today, are deeply flawed. The first is the utilitarian ethical assumption that the aggregation of individual preferences constitutes a legitimate basis for social choice. The second is the assumption of rationality – namely that individuals choose in ways that lead them to be better off by their own lights. Economists have long recognized that fundamental axioms of rational choice, such as transitivity, break down in application to social groups, and behavioural research has shown important ways in which individuals make mistakes in reasoning that result in choices that fail to align their choices with their own values and beliefs, and attitudes toward risk.