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HB 148 RELATING TO A COST-BENEFIT STUDY OF GROWTH ALTERNATIVES

Statement for
House Committees on
State General Plan
Water, Land Use Development & Hawaiian Homes
Public Hearing - 14 February 1979

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HB 148 calls for a cost-benefit study of growth alternatives to be undertaken by the Department of Planning and Economic Development (DPED). This statement on the bill does not reflect an institutional position of the University.

Section 1 of the bill recognizes concerns with the effects of urban growth and points out that, if urban growth is to be managed in a way that is in the net most beneficial, the decision makers will need information on the relative advantages and disadvantages associated with different amounts and types of growth. The study called for is intended to provide this kind of information. In specifying that the study is to be a cost-benefit one, however, it seems assumed that the information needed is exclusively economic in nature, or at least that all significant advantages and disadvantages can be evaluated in terms that are commensurate and hence balanced against each other.

There is no doubt that governmental management decisions may have a very important influence on the nature and rate of urban growth. The economic impacts of such decisions, both short-term and long-term, are of great importance. Many of the concerns with the effects of growth relate, however, to effects that cannot be expressed objectively in economic terms.

Such economic indicators as those relating to gross national product, average net per capita income, and the distribution of such income, obviously enter into the "quality of life," and such indicators as those relating to job opportunities and opportunities for job training, are obviously important. However, it is clear that there are many important aspects of the quality of life that relate to the physical and social environment that can be described and discussed, but cannot be measured in economic terms without value assignments concerning which there is little or no consensus and hence would be arbitrary.

In all of its planning activities, the DPED should be concerned with the effects of all reasonably feasible growth management schemes. Efforts should be made to quantify these effects in commensurable terms, and to compare the net effects of the various alternatives, but there is little point to refining the kinds of quantitative analysis implied by the term cost-benefit study if the differences among the commensurably quantifiable effects are less important than the differences in the other effects involved in the quality of life.

Even to the extent that the differences in the effects of various alternative growth management schemes are amenable to cost-benefit analysis, there are serious limitations to the continuing reliability of the results of the analysis. The marginal changes in costs and benefits that may be anticipated from a particular population increase in a particular area might be determined, and hence the changes in overall or average costs and benefits. The marginal effects will change, however, as resource limitations are approached. The kinds of studies that have been referred to as carrying capacity analyses are intended to develop understanding of the changes in marginalities. Such analyses are useful, but until they extend to all resources that are significantly limiting, their results cannot be incorporated in cost-benefit analyses that will be reliable for more than a few years into the future.

The reliability of all the analyses depend, furthermore, on what happens outside Hawaii--for example, what happens to the availability and cost of fossil fuels, to the markets for the materials and goods we produce for export, and the personal income and wealth of potential tourists.

In summary, both the tangible and intangible effects of choice among various possible schemes of managed growth should be of continuing concern to the DPED, but we question the utility of a specific, time-and cost-limited cost-benefit study of these effects.