

Editorial: Cost Analysis in Evaluation

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Program, product, and policy evaluation can rarely be done seriously without serious attention to costs. Yet the surveys of journal literature and meeting papers quoted by the authors of the recent second edition of the leading textbook (Levin & McEwan, 2001) on this subject and of what is probably the most recent doctoral dissertation (Persaud, 2007) on it (which also surveys evaluation textbooks) show that it is still very rarely considered. For many years, I have referred to cost analysis as the missing half of quantitative evaluation, where it should be an essential complement to statistical analysis. But even if done qualitatively, which is always possible and sometimes the only possible approach, it is often the source of insights that completely alter the practical implications of an evaluation. It is often thought that to get it done well, one needs to bring in an economist.

While economists can often contribute really important insights to cost analysis, they are also notorious for making assumptions (“building models”) that are highly unrealistic, so the evaluator in his/her ‘take no prisoners’ role of exposing programmatic (and evaluative) assumptions has to be very watchful about their conclusions. There is also a problem of a more fundamental kind about the economist’s approach. Economists begin with and build on a definition of cost that has some serious problems. I suggest in my “Ideas to Consider” in this issue that the economist’s definition is in the first place circular, and in the second

place invalid as an analysis of real costs, and I label their definition (and others making the same kind of mistake), when used in real world planning and evaluation, ‘the economist’s fallacy.’ It is the economist’s version of a common mistake in applying science, the ‘redefinition fallacy’ of which perhaps the best-known example is the psychologist’s disastrous attempt to define ‘significance’ in statistical terms. I may be wrong about this, but I do think we need to discuss the suggestion here rather carefully in order to avoid a possible flaw in many important evaluations.

References

- Levin, H. M., & McEwan, P. J. (2001). *Cost-effectiveness analysis* (2nd ed.). Thousand Oaks, CA: Sage.
- Persaud, N. (2007). *Conceptual and practical analysis of costs and benefits in evaluation: Developing a cost analysis tool for practical program evaluation*. Unpublished doctoral dissertation, Western Michigan University, Kalamazoo.