

Statistical value of life takes a hit

By Seth Borenstein
Associated Press

It's not just the American dollar that's losing value. A government agency has decided that an American life isn't worth what it used to be.

The "value of a statistical life" is \$6.9 million in today's dollars, the Environmental Protection Agency reckoned in May — a drop of nearly \$1 million from just five years ago.

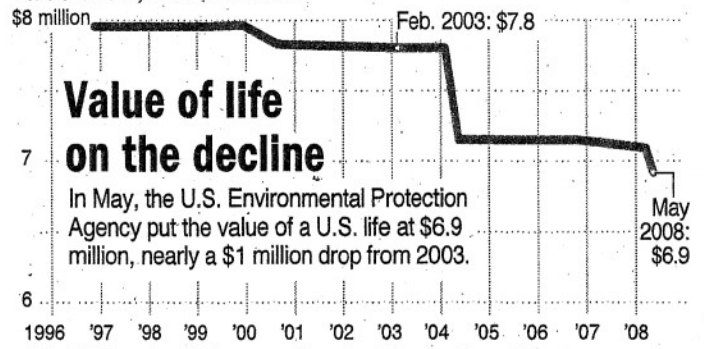
The Associated Press discovered the change after a review

of cost-benefit analyses over more than a dozen years.

Though it may seem like a harmless bureaucratic recalculation, the devaluation has real consequences.

When drawing up regulations, government agencies put a value on human life and then weigh the costs versus the lifesaving benefits of a proposed rule. The less a life is worth to the government, the less the need for a regulation,

Value of life, EPA's air division*



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SOURCE: Environmental Protection Agency

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such as tighter restrictions on pollution.

Consider, for example, a hypothetical regulation that costs \$18 billion to enforce but will prevent 2,500 deaths. At \$7.8 million per person (the old figure), the lifesaving benefits outweigh the costs. But at \$6.9 million per person, the rule costs more than the lives it saves, so it may not be adopted.

Some environmentalists accuse the Bush administration of changing the value to avoid tougher rules — a charge the EPA denies.

"It appears that they're cooking the books in regards to the value of life," said S. William Becker, executive director of the National Association of Clean Air Agencies, which represents state and local air pollution regulators. "Those decisions are literally a matter of life and death."

Dan Esty, a senior EPA policy official in the administration of

the first President Bush and now director of the Yale Center for Environmental Law and Policy, said: "It's hard to imagine that it has other than a political motivation."

Agency officials say they were just following what the science told them.

The EPA figure is not based on people's earning capacity, or their potential contributions to society, or how much they are loved and needed by their friends and family — some of the factors used in insurance claims and wrongful-death lawsuits.

Instead, economists calculate the value based on what people are willing to pay to avoid certain risks, and on how much extra employers pay their workers to take on additional risks. Most of the data is drawn from payroll statistics; some comes from opinion surveys. According to the EPA, people shouldn't think of the number as a price tag on a life.

The EPA made the changes in two steps. First, in 2004, the agency cut the estimated value of a life by 8 percent. Then,

in a rule governing train and boat air pollution this May, the agency took away the normal adjustment for one year's inflation. Between the two changes, the value of a life fell 11 percent, based on today's dollar.

EPA officials say the adjustment was not significant and was based on better economic studies. The reduction reflects consumer preferences, said Al McGartland, director of EPA's office of policy, economics and innovation.

"It's our best estimate of what consumers are willing to pay to reduce similar risks to their own lives," McGartland said.

But EPA's cut "doesn't make sense," said Vanderbilt University economist Kip Viscusi. EPA partly based its reduction on his work. "As people become more affluent, the value of statistical lives go up as well. It has to." Viscusi also said no study has shown that Americans are less willing to pay to reduce risks.

Just how the EPA came up with that figure is complicated and involves two dueling analyses.

Viscusi wrote one of those big studies, coming up with a value of \$8.8 million in current dollars. The other study put the number between \$2 million and \$3.3 million. The co-author of that study, Laura Taylor of North Carolina State University, said her figure was lower because it emphasized differences in pay for various risky jobs, not just risky industries as a whole.

EPA took portions of each study and essentially split the difference — a decision two of the agency's advisory boards faulted or questioned.

"This sort of number-crunching is basically numerology," said Granger Morgan, chairman of EPA's Science Advisory Board and an engineering and public policy professor at Carnegie Mellon University. "This is not a scientific issue."

Other, similar calculations by the Bush administration have proved politically explosive. In 2002, the EPA decided the value of elderly people was 38 percent less than that of people under 70. After the move became public, the agency reversed itself.

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