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COMMENTARY

Balancing Lives Against Lucre

■ Cost-benefit analysis is an exercise in moral bankruptcy. How can anyone put a dollar value on not dying of mad cow disease?

By Frank Ackerman and Lisa Heinzerling, Frank Ackerman, an economist at Tufts University, and Lisa Heinzerling, a law professor at Georgetown University Law Center, are the authors of "Priceless: On Knowing the Price of Everything and the V

The recent outbreak of mad cow disease led to immediate, soothing reassurances from the U.S. Department of Agriculture, resting on what sounded like hard, scientific facts. Don't worry, the official story went, we have a rigorous inspection program designed to ensure with 95% certainty that fewer than one in a million cattle have the disease. Doing more than that would be unnecessarily expensive because we are already, it seems, safe enough.

Instead of resolving to find every case of mad cow disease and eradicate it from the United States, the USDA engaged in a how-much-is-too-much conversation in which it balanced the safety of our meat supply with the beef industry's bottom line.

That cost-benefit approach is how regulatory Washington makes decisions these days, and the mad cow fiasco is the perfect example of the moral bankruptcy of the method. With 36 million cattle slaughtered annually in the United States, the "one-in-a-million" threshold would actually allow more than one case of mad cow disease every two weeks.

Would that make it a success? In cost-benefit land, there is no such thing as an absolute priority on safety of the food supply or prevention of disease. Rather, everything is a matter of cold dollars and cents. A human life saved is worth some fixed price, and if the cost of keeping the beef supply safe exceeds that price, we don't pay it. We may take half steps — as the administration has chosen to do — but we don't adopt a zero-tolerance standard or test every slaughtered animal (as Japan does).

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Partners

Outside the Beltway, it may seem bizarre to talk about the dollar value of avoiding a case of mad cow disease. But on that, and other matters — the cost of keeping the public safe from lead or mercury poisoning, or of protecting our national parks and forests — the administration's reliance on cost-benefit analysis all too frequently concludes that we can't afford to be as safe as most of us want to be.

John Graham, the former head of the Harvard Center for Risk Analysis who is now President Bush's "regulatory czar," is the man in charge of policing the cost-benefit profiles of all the administration's programs. He has installed an aggressive system to root out regulations that don't pass his version of a cost-benefit test — derailing or undermining rules on everything from hog farms to power plants.

In George W. Bush's Washington, Graham's ideas are more popular than ever. The debate over arsenic in drinking water, in which the Bush team initially wanted to roll back Bill Clinton's standard, centered on the minutiae of a cost-benefit analysis of reducing arsenic poisoning. In a particularly shameless application of economics to human life, cost-benefit advocates in the U.S. and in Europe have suggested that smoking may be a financial net gain for society because it kills off senior citizens who would otherwise have lived longer and consumed expensive medical care, pensions and other services.

At first glance, cost-benefit analysis and the related field of risk analysis do not appear to be biased. Indeed, they are presented as impartial, objective standards for figuring out which environmental programs and regulations make sense and which do not. They seek to mimic the workings of the free market, which automatically compares costs and benefits for a private business. A company selling toothpaste or software makes a profit if its sales (benefits) exceed its costs. If costs are greater than revenues, the product is not worth making.

Cost-benefit analysis tries to apply the same standard to health and safety. It fails because the benefits of most public programs are nothing like sales revenues. Rather, the benefits include priceless values such as the protection of life, health and nature.

Consider the information that is needed for a cost-benefit analysis related to mad cow disease. The costs include additional testing and the losses imposed on the meatpacking industry if marginal or diseased cattle cannot be slaughtered and sold. In principle, there is no problem with assigning dollar values to all of these costs. On the other hand, the benefits can be impossible to calculate in dollar terms. They include prevention of incurable, fatal disease in humans and animals, peace of mind for consumers and protection of export markets that might reject U.S. beef.

What is the dollar value of not dying of mad cow disease? Or of not being poisoned by lead? Or of protecting our parks and forests from logging?



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As it happens, a "science" has emerged among economists to produce artificial dollar values for life, health and nature. It relies on the flimsiest of analogies and inferences. Saving a human life is often valued, for the purpose of risk analysis, at \$5 million to \$7 million, based on the differences in wages between more and less risky jobs.

The Bush administration has also been relying lately on the results of surveys asking people what they would be willing to pay for hypothetical, small reductions in the risk of death. This generally produces lower numbers, "showing" that a death is worth only \$3.7 million.

It is not only life and death that are valued by torturous, indirect means. Lead poisoning, for instance, is valued by studying the link between IQ and income — because one of the effects of lead poisoning is to lower a child's intelligence. Researchers therefore estimate the reduction in lifetime earnings for a lead-poisoned child because of lowered IQ. In another infamous example, Graham's regulatory office reported that the value of protecting about 60 million acres of roadless areas in national forests was a measly \$219,000 — reflecting only the money saved by not building roads.

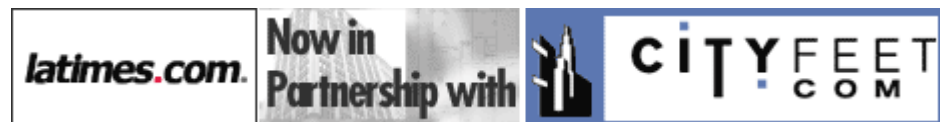
It is ludicrous to use these values as the basis for deciding whether to protect health and the environment. Should we accept several deaths a year from mad cow disease if it would cost more than \$7 million per death to control the disease? Should we let logging proceed throughout our parks and forests if the logging companies are willing to pay more than we would save by not building roads?

Our deliberations are not made more profound or precise by the economists' artificial values. Polls repeatedly show that Americans want the government to do more to protect health and the environment; nothing in law or economics proves they are wrong.


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