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Bush's cost-benefit view carries a high price

By Frank Ackerman and Lisa Heinzerling

California has America's strictest auto emission laws. The president and his aides went to federal court recently to roll back California's clean air regulations, insisting they'll make cars too costly. California says the rules give its citizens something they want more than cheaper cars: clean air.

How did the Bush team determine that California is trying to be too clean? It uses cost-benefit analysis, which adds up the costs and benefits of a proposed policy and compares the totals. For any new policy, the benefits must exceed the costs.

This sounds logical. But in practice, the procedure is routinely biased against health and environmental protection. That's because the costs for purchasing and installing pollution control equipment or introducing cleaner technologies are hard dollars, while the benefits, including lives saved, serious diseases avoided and species protected, aren't easily measurable in cash.

How much, for example, is a human life worth? It's natural to reject the question. But cost-benefit analysis demands an answer. Laws like the Clean Air Act have saved many thousands of people from dying of diseases caused by pollution. Were their lives worth the price?

During the Clinton administration, the Environmental Protection Agency's cost-benefit analyses valued human lives at \$6.1 million apiece, based largely on studies of how much extra income workers received for taking on especially risky work. The Bush administration lowered it to barely \$3.7 million based on different studies; some of its recent analyses peg a life at only \$1 million.

The numbers come from figuring what people would pay for small reductions in their risk of death: If you would pay \$3.70 to avoid a one-in-a-million risk of death, that equals \$3.7 million per life. If you'd spring for \$6.10, that's \$6.1 million.

That's just the absurd beginning of the madness of cost-benefit analysis, where all benefits must be reduced to cash values. What's it worth to avoid serious but non-fatal diseases? To protect fragile ecosystems? Or to save an endangered species?

Economists claim to have answers for these impossible questions. Somehow, they've managed to place prices on many benefits of environmental protection. But their balance sheets match actual monetary costs of protective measures against invented prices for life, health, and nature, comparing apples and daydreams, oranges and ideologies.

The estimates are always incomplete. In the EPA's 2001 cost-benefit analysis of regulations to remove arsenic from drinking water, benefits included reductions in a dozen serious diseases. But the EPA only had enough data to do estimates for two diseases, bladder and lung cancer. Reductions in all the others were, in effect, valued at zero. Likewise, the Office of Management and Budget reported the benefits of protecting 60 million acres of pristine national forest from logging and other development were worth just \$219,000, the projected savings from not building roads into them.

Lowering emissions from cars sold in California does mean the cars will cost more. The benefits? Less air pollution, fewer deaths from respiratory diseases and more clear days, when you can remember why you like living in California.

What's the dollar value of all that? Bush administration officials in Washington are sure whatever it is, you'd rather have the cheaper car, so they have gone to court to prevent you from even having the choice.

Cost-benefit analysis tries to put a scientific patina on a political drive to gut health, safety and environmental protection.

Such decisions should be made by straightforward public debate, not obscurely technical calculations. If California prefers a healthier environment to slightly cheaper cars, Texas oilmen or Washington bureaucrats should not be allowed to prevent that.

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