



Institute for Policy Integrity

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Subject: Comments on Valuing Mortality Risk Reductions for Environmental Policy

The Institute for Policy Integrity at New York University School of Law submits the following comments on the Environmental Economics Advisory Committee's review of the white paper *Valuing Mortality Risk Reduction for Environmental Policy*.

The Institute for Policy Integrity is a non-partisan think-tank dedicated to improving the quality of government decisionmaking through advocacy and scholarship in the fields of administrative law, cost-benefit analysis, and public policy.

Terminology: The proposed change in terminology and metric—from “value of statistical life” to “value of mortality risk,” as reflecting willingness to pay for a reduced micro-risk—may very well begin to “reduce the misconceptions that seem to be inspired or aggravated by the VSL terminology.”¹ EPA’s economic analyses are more than internal decisionmaking tools; they also are tools for disclosure and the promotion of democratic goals, conveying information to the public and providing a forum for stakeholders to engage in the rulemaking process.² But economists do not always accurately predict what terms will or will not be accessible to the broader public.³ The Science Advisory Board should consider whether a formal or informal survey of the public or stakeholders might be feasible and beneficial in determining whether “VMR” is more accessible than “VSL.” The Board should also expand on initial efforts to educate the public about the terminology change (as exemplified by the online FAQ).⁴ An analogy can be drawn to the consumer labeling context: whether this new label (i.e., VMR) will be effective depends on the degree to which

¹ Nat’l Ctr. for Env’tl. Econ., *Valuing Mortality Risk Reductions for Environmental Policy* at 16 (EPA White Paper, Dec. 10, 2010) [hereinafter White Paper]; see also RICHARD L. REVESZ & MICHAEL A. LIVERMORE, *RETAKING RATIONALITY: HOW COST-BENEFIT ANALYSIS CAN BETTER PROTECT THE ENVIRONMENT AND OUR HEALTH* at 49 (2008) (noting that “[t]he value of a statistical life might be more accurately called ‘10,000 times the value of eliminating a 1 in 10,000 risk,’” and “us[ing] the term ‘statistical life’ only in deference to standard practice”).

² See Nathaniel O. Keohane, *The Technocratic and Democratic Functions of the CAIR Regulatory Analysis*, in *REFORMING REGULATORY IMPACT ANALYSIS* (Winston Harrington, Lisa Heinzerling & Richard Morgenstern eds., 2009).

³ See Trudy Ann Cameron, *The Value of a Statistical Life: [They] do not think it means what [we] think it means* (Working Paper 2009), available at http://pages.uoregon.edu/cameron/vita/REEP_VSL_102509.pdf.

⁴ Nat’l Ctr. for Env’tl. Econ., *Frequently Asked Questions on Mortality Risk Valuation*, <http://yosemite.epa.gov/ee/epa/eed.nsf/pages/MortalityRiskValuation.html>.

the consumers (i.e., the public and stakeholders) are aware of and understand the change.⁵ Finally, the Board might consider how the terminology change may impact the many federal and state agencies that look to EPA for guidance on economic analysis,⁶ but have been slow or hesitant to fully embrace concepts on the valuation of health risks and benefits.⁷

Altruism: As the white paper advocates, EPA should continue researching how best to treat altruism in valuing mortality risks.⁸ The white paper also observes in footnote ten that this treatment may “hold promise for identifying preferences related to equity or environmental justice (EJ) concerns.”⁹ As EPA and economists continue their research into this area, it is therefore important not only to design studies that can separate out paternalistic from non-paternalistic altruism, but also to design studies that can capture the elements of altruism that may be most relevant for equity concerns: for example, whether people are differentially altruistic depending on socio-economic status, race or heritage, age, or other important factors. If people are differentially altruistic toward certain groups (excluding differences based on factors like racial animus), such altruistic valuations may feed not only into equity analyses, but should also be incorporated into assessing whether certain regulations or policies would deliver efficiency gains by achieving distributional goals.

Cancer Differential: The temporary adoption of a 50% cancer differential while research continues is appropriate and supported by the literature. However, the exclusive focus on cancer risks may be misplaced. The Science Advisory Board should consider whether there are other classes of long-latency diseases or health effects that may necessitate similar adjustments from the baseline value of mortality risk reduction.¹⁰

Review of VMR Estimates: The white paper lays out criteria for the selection of studies for a new meta-analysis of stated preference estimates. The criteria limit inclusion to estimates for willingness to pay for risk reductions to adults.¹¹ While this may be a necessary limitation at this stage, given the importance of assessing environmental health risks to children,¹² and the noted differences in valuations for adults versus children,¹³ developing a child-specific value or adjustor should be a priority going forward.

Additionally, the white paper’s discussions all focus on willingness-to-pay measures. As has been frequently noted, disparities between willingness-to-pay and willingness-to-accept values may

⁵ See John Thøgersen, *Psychological Determinants of Paying Attention to Eco-Labels in Purchase Decisions: Model Development and Multinational Validation*, 23 J. CONSUMER POL’Y 285 (2000).

⁶ See, e.g., North Carolina Office of State Budget & Mgmt., *Fiscal Note Training*, available at http://www.osbm.state.nc.us/files/pdf_files/FiscalNoteTraining.pdf (encourage state analysts to “beg, borrow, and steal” from EPA economic analysis).

⁷ See Jason Schwartz, *52 Experiments with Regulatory Review: The Political and Economic Inputs into State Rulemakings* at 318 (Policy Integrity Report 6, 2010) (noting North Carolina, despite having a relatively sophisticated regulatory analysis program, believes the health impacts of rules cannot be quantified).

⁸ White Paper, *supra* note 1, at 20.

⁹ *Id.* at n.10.

¹⁰ See Richard H. Pildes & Cass R. Sunstein, *Reinventing the Regulatory State*, 62 U. Chi. L. Rev. 1 (1995) (noting there are important qualitative differences between risks beyond cancer/non-cancer).

¹¹ White Paper, *supra* note 1, at 32.

¹² Executive Order 13045, Apr. 21, 1997.

¹³ E.g., James K. Hammitt & Kevin Haninger, *Valuing Fatal Risks to Children and Adults*, 40 J. RISK & UNCERTAINTY 57 (2010).

have important implications for environmental policies.¹⁴ The relevance of this debate to measures of the value of mortality risk deserves further study.

Finally, as the white paper recommends, the Science Advisory Board should consider whether the literature supports updating EPA's standard estimate of income elasticity.¹⁵

Sincerely,

Michael A. Livermore

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¹⁴ *E.g.*, Jack Knetsch, *Environmental Policy Implications of Disparities between Willingness to Pay and Compensation Demanded Measures of Values*, 18 J. ENVTL. ECON. & MGMT. 227 (1990).

¹⁵ White Paper, *supra* note 1, at 46.