HOW A STATISTICAL FORMULA LEADS TO OVERREGULATION

In the simplest terms, a VSL is an estimate for how much people are willing to pay to reduce their risk of death.

For example, the Environmental Protection Agency (EPA) may consider imposing stricter air quality regulations. As indicated in the scenario below, costs are relatively easy to quantify and would have to be paid for by individuals or organizations who must now comply with the new regulations. Examples of typical costs for this scenario would include new infrastructure and technology equipment, human resources, paperwork, etc. To determine whether a regulation is actually worth it, these costs could then be compared to the benefits of improved health. Since those benefits are sometimes harder to quantify, a VSL is used to try and account for what those benefits would be in actual dollar amounts.

VSL ESTIMATES ARE OFTEN OVERESTIMATED

Unfortunately, VSL estimates are subjective and there are several ways that estimates can be inflated. VSL estimates vary widely across agencies. In 2015, Environmental Protection Agency used a VSL of $10.7 million, while the Consumer Product Safety Commission has used a VSL of $5 million since 1995. Agencies have incentives to use different numbers to accomplish their political goals and highlight the benefits of potential regulations. They can also choose to not include a VSL if it does not support the agency's regulatory agenda.

HOW IS THE VSL USED?

For regulations designed to reduce risks to life and health, government agencies sometimes use a metric called the Value of a Statistical Life, or VSL, to decide whether a proposed regulation is worth the cost. Agency officials use estimates of the VSL to quantify the costs and benefits of many proposed or existing regulations.

EXAMPLE SCENARIO: CLEAN AIR REGULATION

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Any metric for a Value of a Statistical Life should be used in the most objective way possible, and should be applied in a consistent manner across agencies and types of regulations. When political considerations lead to inconsistent VSL amounts, the result is overregulation and increased costs. One way or another, those costs get passed on to taxpayers.