

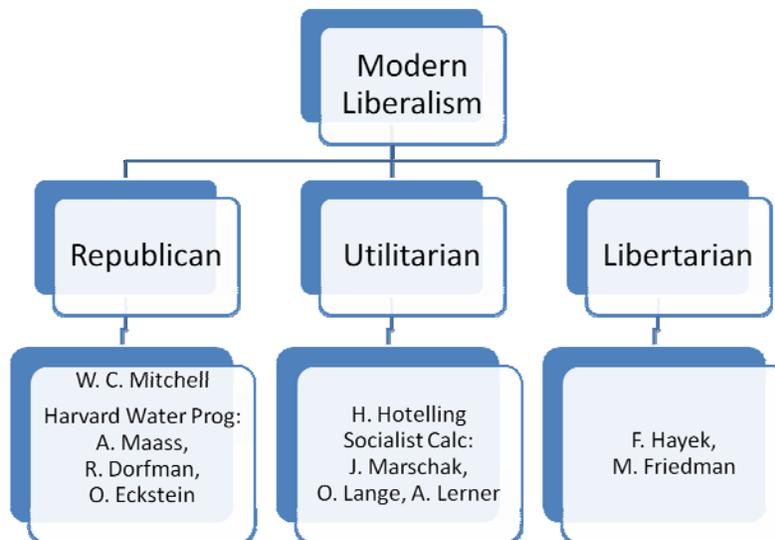
US EPA Workshop on Benefits of Reducing Hazardous Air Pollutants

Some Comments

Spencer Banzhaf

Georgia State University and NBER

Three Schools of Liberal Thought



Non-Utilitarian Republicanism

[The relative values of human life, endangered species, and jobs] are not questions of fact that might admit expert answers, but questions about social values and public preference, that only the elaborate and clumsy procedures of democratic decision-making can answer. Such answers are not data to be fed into decision-making processes but, rather, outputs of those processes.

--Robert Dorfman

Utilitarianism: Economics of Control

There are situations in which the state, or a consumers' cooperative, or a consumers' information, research, and testing bureau can tell us what to consume better than we can judge independently. Thus in wartime a national food controller ... can apportion [food] among the people in a way that will give them better health and welfare than if each chose freely for himself.

If we are to consider such systems of planning and allocation, or the consumers' choices that would result from improved information on their part, then it is appropriate to take as utility or preference functions something based not on what consumers have been observed to do, nor yet on what they say when asked what they will, do, but rather on what they ought to do if they were entirely rational and well-informed. It is worth noticing, that the whole beautiful theory described by Professor Roy is equally applicable to this case.

--Harold Hotelling

Libertarianism: The Fatal Conceit

The man of system, on the contrary, is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it.... He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that the pieces upon the chess-board have no other principle of motion besides that which the hand impresses upon them. But in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might chuse to impress upon it.

--Friedrich Hayek
quoting Adam Smith (*Theory of Moral Sentiments*)

Examples

- Republicanism
 - Multi-objective planning:
Resurrected in Army Corps' Principles & Guidelines (usace.army.mil/CECW/Pages/pgr.aspx).
- Libertarianism
 - Revealed Preference studies:
Hedonics to value air quality.
- Utilitarianism
 - Integrated assessment or damage-cost, e.g. CAA BCA:
Substitute dose-response information when consumers are uninformed.

Where do Labor-Market VSLs Fit In?

- We use more informed (and objective?) concentration-response functions, but then we must value the effects.
- If we don't trust real-estate transactions to reveal risks, should we trust labor market transactions?
 - Is the claim that people can compute and understand risk differentials on the order of 1×10^{-5} (25% change in mean job risk) but not 5×10^{-6} (annual change in Benzene risk)?
 - Is it the nature of risk that's easier to understand?
- Should consumers be allowed to have preferences over the nature and source of risks?