

*Presentation to OECD workshop
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**Comments on Professor Alberini's paper,
“Measuring the Economic Value of the Effects of Chemicals
on Ecological Systems and Human Health”**

**by
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Overview

- To begin with the positive. This paper is ambitiously comprehensive in its coverage. The body of the paper, the sum of Sections 2-6, covers more or less all of the ground that needs to be covered in such a summary.
- Moreover, I find myself in agreement with most of the *detailed* judgment calls arrived at in the discussion of the pros and cons of the various “valuation methods” and of their exact ways and means.

Overview (continued)

- My difficulty here is that the paper is “polite to a fault”. That is: too tolerant of what are, arguably, cul-de-sacs; too cautious in acknowledging what are, arguably, breakthroughs to the open road; insufficiently ambitious in arriving at an *overall* judgement of rival paths of development in socioeconomic assessment.
- And, thus, too hesitant as a guide to progressing the task of measuring the economic value of the effects of chemicals on ecological systems and human health.

Overview (continued)

- Of course, I may be wrong. It may be that my response reflects an over-sensitivity to the paper's choice of locutions. Such as: “it *may become* necessary to use non-market valuation methods” and “it is *also possible* to ask people to report ... their willingness to pay” (emphasis added in both cases).
- But if I am right, it may be worthwhile to articulate where (and why) I think additional judgements are required in order to progress policy-relevant research.

Excessive tolerance

- Let me highlight two specific instances where the paper is too tolerant of what I consider cul-de-sacs. The first is the discussion of the hedonic housing price approach to assess damage to air, soil, water (8-10).
- I agree with all the points made on the problems of measurement. But is there not a more inherent problem of method? Should we seek values for social costs and benefits by seeking to refine our search in *this* market – a market riddled with market failure?

Excessive tolerance (continued)

- The second is the use of compensating wage studies of the labour market so as to estimate VSLs (21-23).
- Once again, I agree with all the detailed points made here – from the theoretical problem of excluding labour market non-participants to the empirical findings on the relation of risks to wage premia. And once again, there is a more basic question to be asked. Is the labour market the source from which we should seek and find the most accurate VSL values?

Excessive caution

- *Per contra*, the paper seems to me to be excessively cautious in recording progress where there is progress to record.
- The paper states (23): “Finally, it is possible to estimate the VSL using stated preference studies.” Surely, it is more than possible? Is it not worthwhile to record that the OECD-initiated work on VSLs – the work I presented here yesterday – has now been adopted, adapted and developed by the WHO, the World Bank and the Global BCA Working Group?

Excessive caution (continued)

- *Mutatis mutandis*, the same applies to the OECD-initiated work on morbidities – presented here by Alastair Hunt. Taken together, these impacts on human health, mortalities and morbidities, have been found in several major studies to account for 80-90% of the calculable costs of air pollution. If, as the paper states (36), “it is suspected that the human health benefits are likely to account for the majority of the benefits of regulating chemicals”, is it not worth focussing a little more on the achieved progress on the valuation of these impacts?

An alternative starting point?

- An alternative starting point, in Section 1, based on a fuller exposition of the principles of welfare economics, would have delivered a first-order distinction between methods grounded in these principles and other methods – and treated the detailed problems of measurement, the exact ways and means, in the light of this distinction.
- And prioritised stated preference VSLs (independently of its origins in Jacques Drèze's work on road safety. Cf. consumer surplus and its origins in Jules Dupuit.)

An alternative conclusion

- Now it is *not* the discussant's prerogative to recommend his own starting point. Rather, the point is that the body of evidence in the paper itself – as well as evidence available elsewhere – suggests an alternative conclusion.
- Surely there is evidence enough to suggest, in Section 7, that the task of measuring the economic value of the effects of chemicals could build on gains achieved in measuring the value of mortalities and morbidities so as to proceed rapidly to measure all other relevant effects?