

The business community is apparently souring on cost-benefit analysis, for the simple reason that cost-benefit analysis requires a consideration of the *benefits* of regulation. From a strictly business point of view, it's really only the costs that matter, and cost-benefit analysis is good only to the extent that it disfavors regulation. For instance, Republicans have been touting a consultant's report for SBA that completely leaves out the benefits and gives only a hyperinflated cost figure.

The current fuss relates to increases in the “value of life” figure used in cost-benefit analysis, which translates lives-saved into a monetary equivalent. The Obama Administration has increased the figure used, in line with the views of most economists. As the [NY Times](#) reports,

. . . some business groups are reconsidering the effectiveness of cost-benefit analysis as a check on regulations. The United States Chamber of Commerce is now campaigning for Congress to assert greater control over the rule-making process, reflecting a judgment that formulas may offer less reliable protection than politicians. . . .

Several independent experts, however, said that the increases were long overdue, noting that some agencies had been using the same values for more than a decade without adjusting for inflation. One office at the E.P.A. cut the value of life in 2004.

“Agencies have been using numbers that I thought were just too low,” said W. Kip Viscusi, a professor of economics at Vanderbilt University whose research is cited by most of the federal agencies as the basis for their calculations.

Viscusi is a very well-regarded economist and by no means a bleeding-heart environmentalist. This is from the publisher's description of one of his [books](#):

And while smoking does increase medical costs to the states, Viscusi finds that these costs are more than financially balanced by the premature mortality of smokers, which reduces their demands on state pension and health programs, so that, on average, smoking either pays for itself or generates revenues for the states.

Yes, the upside of smoking is that it kills people before they can draw pensions and rack up long-term health care costs!

That’s a pretty hard-nosed perspective. So if Viscusi says the government needs to use a higher value of life, I for one am not inclined to argue with him.