

GUEST

SPEAKER:

Governor, thank you so much for asking me to outline a comprehensive cost-benefit analysis, regarding decision making over a long delayed clean up of a highly polluted Superfund site. As we know, underground storage tanks at the site have leaked into nearby wetlands and cleanup is expected to cost \$35 million or more. The debate centers around the city's eagerness to reuse this site for a new mall. And who should be held accountable for the costs associated with this clean up, as the state government has no funds, and the company responsible for the damage has since gone out of business, leaving even no clients remaining.

Including an alterior road that would link to the Superfund site to a nearby highway would provide additional accessibility, and consequently more business for the mall, perhaps justifying more government spending. As you know, Governor, multiple parties are pressuring you in this decision, and there is no consensus as to who should bear the cost of ensuring the site is safe and of redeveloping the site. You asked me to outline a comprehensive cost-benefit analysis that can be done to help answer this question. I would argue that a cost-benefit analysis should not in fact be used in this decision-making process, as I believe the method is deeply flawed, and may lead to misleading results, exacerbating feelings of poorly distributed benefits among parties.

While proponents of cost-benefit analysis assert that it, 1, results in the more efficient allocation of resources and, 2, provides objectivity and transparency, in a paper titled *Pricing the Priceless* by Frank Ackerman and Lisa Heinzerling, the authors argue against these arguments by illuminating four fundamental flaws to cost-benefit analysis. I will outline some of these fundamental flaws in relation to the case the Superfund site and provide thoughts for an alternative approach.

The first fundamental flaw centers around it cost-benefit analysis, the process of reducing life, health, and the natural world to monetary values. For example, according to cost-benefit analysis, preventing the extinction of bald eagles is worth \$250 per household. And saving a human life is calculated to be worth \$6.3 million. For the people in this scenario that we're talking about today, a risk of toxic poisoning due to the previous industrial factory operations at the site, the price of their health, and even their lives, cannot be assigned a finite amount of money.

Furthermore, the \$6.3 million figure is not considered by the cost-benefit analysis to be a price of life, but the cost of the risk of death. According to Ackerman, in this way the cost-benefit analysis equates the risks of death with death itself, which are actually two different calculations. The second, cost-benefit analysis ignores the reality that citizens are concerned about risks to others and in addition to their concern about risk to themselves. If we do a cost-benefit analysis looking at the rebuilding of the Superfund site, our analysis can't quantify the value to our townspeople people of the lives and health of their relatives, and friends, and even strangers in the town.

Thirdly, cost-benefit analysis fails to address the collective choice presented to society, as its valuation of environmental benefits is based only individual's private decision as consumers, and not collective decisions as citizens. For example, a study by Mark Sagoff found that his students in their role as citizens opposed commercial ski development of a wilderness area, but in their role as consumers would plan to ski there if it were actually built. So in this scenario, cost-benefit analysis could take into account only our towns peoples' willingness to pay for a new mall as individuals and consumers, and not how they value this site and its environmental and community value as citizens.

In addition, there are fundamental flaws and the use of discounting. While discounting acknowledges that individuals believe it is better for them to suffer harm later rather than sooner, it doesn't address the very, very long term, where discounting is a choice between preventing harm to the current generation and preventing similar harms to future generations. And discounting also assumes that environmental problems won't get any worse if we wait to address them, and that technology will keep evolving so that future solutions will do more and cost less.

Therefore, if we do a cost-benefit analysis for the remediation of this Superfund site, we cannot take into account the possibility that we find an additional or irreversible toxic pollution source that we do not currently know exists. Based on these fundamental flaws in cost-benefit analysis outlined by Ackerman and Heizerling, we cannot expect such an analysis to be either objective or transparent. In fact, the cost-benefit analysis relies on a series of assumptions and value judgements that are far from objective.

As a result, I don't think we should use a cost-benefit analysis for our analysis. But rather, I think we should look to past situations of Superfund site remediation that may add in our understanding of how other towns have addressed such complex situations and undertake economic analyses of various past planning decisions that could inform our own situation. Another idea would be to potentially-- based on public town hall hearings-- move toward the consideration of a local vote to decide whether a tax can be applied to the town's citizens and collected into a pool that will go towards cleaning the site and rebuilding the mall.

I look forward to continuing to analyze alternative approaches to evaluate our best options going forward in this complex situation.