

Slate

EVERYDAY ECONOMICS

Is Your Life Worth \$10 Million?

Nope. But your grandson's will be.

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While touring the magnificent old Dupont estate, I overheard an awestruck gardener mutter, "You can see why these people would have hated to die worse than anybody." I know what he meant. Life is dear, but life is dearer when you're rich.

You're richer than your grandparents, so your life is worth more than theirs. That's why you live in a safer world than they did: As life gets more valuable, we strive harder to protect it.

What does it mean to say that one life is "worth more" than another? Aren't all lives infinitely precious? Well, no, at least not in any sense that's at all useful for making hard policy decisions about things like job safety and access to medical care.

Economists measure the value of a life by people's willingness to pay for safety. Suppose you'd willingly cough up \$50,000—but no more—to shave one

percentage point off your chance of being killed in an accident. Then (except for some technical adjustments I won't go into) we infer that the value of your life is 100 times \$50,000, or \$5 million.

That's a useful measure because it bears directly on policy decisions. Take the decision of how much to spend on fire safety. Should a town of 100 people spend \$6 million on a piece of equipment that is likely, over the long run, to save one life? Not if a life is worth only \$5 million. Buying the equipment means forcing the average taxpayer to spend \$60,000 for a level of safety that's worth only \$50,000 to her.

Economists summarize that reasoning by saying, "It makes no sense to spend \$6 million to save a life that's worth only \$5 million." What we really mean by that is: "Let's not force people to buy more safety than they want to."

So, how do we find out how much a life is really worth? One of the best ways is to measure how much extra you have to pay someone to take a dangerous job. If lion tamers and elephant tamers have comparable skills and comparable working conditions, but lion tamers earn \$20,000 a year more than elephant tamers, it's probably because that's what it takes to compensate someone for the risk of being eaten by a lion. And if that risk amounts to, say, an extra half-percent probability of dying on the job, then you figure that the value of a life must be \$20,000 per half-percent, or \$40,000 per percentage point, or \$4 million.

So, once you carry out that experiment, how much does a typical life turn out to be worth? Professors Dora Costa of MIT and Matthew Kahn of Tufts point out that it depends on exactly when you asked the question. As incomes have risen, so has the value of life. The increase is *more* than proportional: A 10 percent rise in income is generally associated with about a 15 percent rise in the value of a life. Between 1940 and 1980, according to Costa and Kahn, the value of a life

increased from about \$1 million 1990 dollars to between \$4 million and \$5 million 1990 dollars.

(Other researchers, notably Harvard's Kip Viscusi, have found higher numbers. Viscusi estimates that the value of a life in 1970 might already have been as high as \$8 million 1990 dollars.)

The upward trend is hardly surprising. For one thing, the mere fact that we're richer now means that we can afford to pay more for just about everything, including our own safety (and by implication our own lives). But beyond that, there are a lot of reasons to value life more now than in the past. There's a lot more to live for in a world with central air-conditioning, high-speed Internet access, and advanced medical care. Besides, life expectancies have increased by about 10 years since 1940. Today's 50-year-old, with perhaps 30 good years ahead of him, will value the remainder of his life more than yesterday's 50-year-old, who already heard time's winged chariot drawing near.

Here's what's most important about these observations: Just as your life is more valuable than your grandfather's, so your grandchildren's lives will probably be more valuable than your own. So, when we make decisions about, say, how much to spend on medical research, we should account for the fact that future lives will be worth more than present ones. Even if it's not worth spending \$7 million to save your own paltry life, it might be worth spending it to save your grandson's.