

BOHANON & CUROTT: In the real world, you actually can put a value on human life

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ECONOMIC ANALYSIS

You have probably heard the old trope that “you can’t put a value on human life.” But the cold, hard fact is that putting a value on human life is unavoidable.

There is some level of risk inherent in almost everything we do. If our only goal were to live as long as possible, no one would ever drive on the highway, swim, drink alcohol, walk on a public street, or do anything even the least bit risky. Preserving human life is perhaps the most important goal people value, but it is not the only goal. It must be weighed against other values such as happiness, freedom, income or security.

In the real world, individuals, businesses and governments must make difficult decisions regarding risk that involve putting a value on human life. For instance, many government regulations could be tightened in a way that saves human lives. A national speed limit of five miles per hour would have nearly eliminated the 38,800 traffic fatalities in 2019, but no one thinks that would have been wise or viable.

So how can policymakers weigh these trade-offs in a way that makes sense? The economic approach is to estimate how much individuals themselves are willing to give up for more safety. For example, say a group of 100,000 construction workers would each be willing to give up, at most, \$100 of income for safety regulations that statistically save one life per 100,000 workers. Then, collectively, the workers are willing to part with \$10 million to save one life among them, but no more. Economists call this the statistical value of a human life.

Applying this approach provides nuance to the debate over the economic shutdown due to the coronavirus. Is the shutdown worth the cost? Forecasts imply that U.S. annual income will decrease \$1.9 trillion over the first half of 2020. The academic literature puts the statistical value of a life at \$10 million.

This implies Americans would find the economic costs worth it if the shutdown saves at least 190,000 lives by slowing the spread of the virus.

What about the question of when to reopen? The ideological debate over “saving lives at any cost” versus “freedom at any cost” is unconstructive. Both ends matter. Let’s hope our leaders make the decisions on relaxing or expanding restrictions using the best and most relevant data possible, recognizing that trade-offs are inevitable. •

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