

TABLE OF CONTENTS

1.	INTRODUCTION	9			
	1.1. Benefit Assessment: Scope and Limitations of this Report	9		4.4. Contingent Valuation	35
	1.2. Benefit Estimation and the Importance of Environmental Policy	9		<i>i)</i> Aim and Approach of the CVM	35
	1.3. National Estimates of Pollution Damage and the Benefits of Control	10		<i>ii)</i> Biases in the CVM	36
	1.4. Benefit Measurement and Regulatory Policy	11		<i>iii)</i> Comparisons of the CVM Benefit Estimate Techniques with Other Techniques	37
	1.5. Benefit Estimation as an Organising Principle	12		<i>iv)</i> Uncovering Existence Values with the CVM	37
	1.6. The Concept of a Benefit	12		<i>v)</i> Willingness to Pay VERSUS Willingness to Accept	39
	1.7. The Absence of Markets	15		<i>vi)</i> A Case Study Using the CVM	40
	1.8. Uncertainty	15		4.5. Travel Cost Approaches	40
	1.9. Time and Discounting	16		<i>i)</i> Introduction	40
2.	BENEFIT ESTIMATION IN THE CONTEXT OF DECISION MAKING	17		<i>ii)</i> TCM – The Theory	41
	2.1. Introduction	17		<i>iii)</i> TCM – Methods of Estimation	43
	2.2. Cost-Benefit Analysis	17		<i>iv)</i> Conclusions	46
	2.3. Cost-Effectiveness Analysis	18	5.	INDIRECT VALUATION PROCEDURES	49
	2.4. Multi-Criteria Analysis (Multiple Objective Programming)	18		5.1. Introduction	49
	2.5. Risk-Benefit Analysis	19		5.2. Pollution and Health	50
	2.6. Decision Analysis	19		<i>i)</i> Introduction	50
	2.7. Environmental Impact Assessment	20		<i>ii)</i> Air Pollution and Mortality	50
	2.8. Conclusion	22		<i>iii)</i> Air Pollution and Morbidity	51
3.	TOTAL ECONOMIC VALUE	23		<i>iv)</i> Dose-Response Approaches and Consumer Choice	52
	3.1. Introduction	23		<i>v)</i> Conclusions on Air Pollution and Health	52
	3.2. User Benefits	23		5.3. Materials Corrosion	53
	3.3. Intrinsic Benefits	23		<i>i)</i> Introduction	53
4.	DIRECT VALUATION TECHNIQUES	25		<i>ii)</i> Non-Unique Materials Damage	53
	4.1. Introduction	25		<i>iii)</i> Some Aggregate Estimates	54
	4.2. Hedonic Property Prices	25		<i>iv)</i> Conclusion	54
	<i>i)</i> The Hedonic Technique	25		5.4. Vegetation Damage	54
	<i>ii)</i> Inferring the Demand for Environmental Quality	26		<i>i)</i> Dose-Response Relationship	54
	<i>iii)</i> Empirical Results	29		<i>ii)</i> Economic Valuation	55
	<i>iv)</i> Conclusion	30		<i>iii)</i> Some Results	56
	4.3. Wage Risk Studies and the Value of Life	31		<i>iv)</i> Conclusion	56
	<i>i)</i> Willingness to Pay and Willingness to Accept Changes in Risk of Death	31		5.5. Household Soiling	57
	<i>ii)</i> Wage Risk Studies	32	6.	SELECTED PROBLEMS IN BENEFIT ESTIMATION	59
	<i>iii)</i> The Marin-Psacharopoulos Study	32		6.1. Introduction	59
	<i>iv)</i> Comparison with Other Studies	33		6.2. The Rate of Discount	59
	<i>v)</i> Inferring the Value of Life in a Pollution Risk Context	34		<i>i)</i> Reasons for a Rate of Discount	59
	<i>vi)</i> Conclusions	35		<i>ii)</i> Issues in the Determination of the Discount Rate	59
				<i>iii)</i> The Discount Rate and the Environment	60
				<i>iv)</i> Conclusion	61

6.3. Irreversibility	61	3. Hedonic Wages in the Theory of the Labour Market	70
i) Introduction	61	4. Relationship between Hedonic Prices and True Willingness to Pay	72
ii) The Krutilla-Fisher-Porter Model	61	5. Contingent Valuation in the Context of Economic Theory	73
iii) Application to the Gordon River Dam in Tasmania	62	6. Analytics of Travel Cost Models	75
7. CONCLUSIONS AND SUMMARY	63	7. Valuing Health in the Context of the Theory of Consumer Choice	77
7.1. Introduction: The Uses of Monetary Benefit Estimation	63	8. A Simplified Model of the Krutilla-Fisher Approach to Irreversibility	78
7.2. The Application of Benefit Techniques	63		
<i>Annexes</i>			
1. Option Prices	67	BIBLIOGRAPHY	79
2. The Theory of Hedonic Prices	69		