Averting expenditures (AEM)
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Averting Expenditures methods

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1 Introduction

Averting expenditure methods are sometimes used to estimate the benefits of the human health effects of certain policies. The averting expenditure method simply measures the costs incurred by individuals to protect themselves from human health risks.

2 Methodology

For example, if drinking water were contaminated, individuals would turn to drinking bottled water. The cost of bottled water is thus used to measure the benefits of eliminating pollution in the drinking water. Similarly, if individuals installed soundproofing materials in their homes to offset the noise from nearby traffic, the cost of purchasing and installing these materials would be interpreted as a measure of the benefits of a noise-reducing policy or of re-routing traffic. It should be kept in mind, however, that these measures underestimate the true benefits of the policy, because the averting expenditure method does not capture the value of the disutility (discomfort) associated with any sickness caused by drinking polluted water or by the noise.

3 Process

The expenditures incurred to engage in the averting behavior are documented and added up.

4 Review

4.1 Evaluation results

Not described yet.

4.2 Experiences

Not described yet.

4.3 Combinations

The tool provides input for Cost–benefit Analysis. The tool can be used with Cost–benefit Analysis, regulatory impact analysis and multi–criteria analysis. Alternative tools are other non–market valuation methods.

4.4 Strengths and weaknesses

Strengths:

- based on observed behaviors and market data
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- relatively simple to do

Weaknesses:

- underestimation of the true benefits of the policy

4.5 Further work

Not described yet.

4.6 References

Not described yet.