



Responsible regulation requires consideration of costs

EPA Administrator Andrew Wheeler's decision to develop a cost-benefit analysis rule is important

Washington Times, By Anthony T. Caso, August 13, 2020

Cost-benefit analysis is part of our everyday existence. Should I buy this car with great gas mileage or a different one that might prove safer

in an accident? Do I borrow a lot of money to go to a top-tier college or do I attend a local university where I can graduate debt-free? Each decision requires us to consider many different factors. Only then can we make the wisest choice. The same rule holds true for government regulation.

Enacting regulation without considering cost can have truly frightening results. An example is an early attempt at complying with the Clean Air Act when EPA proposed banning the sale of gasoline in the Los Angeles area and severely restricting it in several other California counties. The air quality may well have improved, but there would have been an avalanche of emerging consequences for individual residents, workers, the public transit system and the larger economy.

Environmental regulation imposes significant costs on the American economy. Most Americans don't realize that the Environmental Protection Agency accounts for nearly 70% of costs imposed on businesses through the rules it administers. This is why EPA Administrator Andrew Wheeler's decision to develop a cost-benefit analysis rule, or CBA, is so important.

The CBA would require the EPA to evaluate policies related to the Clean Air Act to determine if they will achieve their intended goal of not imposing inordinate harm on American enterprise. To date, the EPA has not been demonstrative of the agency's methodology in this process. That is why the administrator's move is practical. It will help the government quantify impacts of the regulations it imposes, and will allow enterprises of all sizes to more transparently navigate those rules.

We tend to think of "big business" as the target for most regulation, the fact is that the cost of regulation is most keenly felt on small companies. Small firms account for about 45% of the gross domestic product (GDP), engender the bulk of job growth and employ about one-half of all workers. These are the companies that suffer the most when new regulations are imposed.

One study noted, for instance, that greenhouse gas regulations issued by EPA in 2013 imposed a burden on small businesses as much as 35 times greater than that imposed on larger firms. A

more thorough evaluation and potential reduction of regulations as a result of the CBA will have a substantial positive impact on manufacturers, energy producers and other small businesses of all sizes.

The CBA should be a non-partisan win for everyone. Over the last 40 years, both parties have urged the use of cost-benefit analysis. Presidents Reagan, Clinton and Obama all signed executive orders requiring assessments of environmental regulatory impacts.

Unfortunately, the guidelines developed to administer these considerations have been applied inconsistently and are increasingly partisan exercises. Mr. Wheeler's announcement has drawn ire from environmental activist groups and their allies in Congress. Nevertheless, a sincere re-examination of the cost-benefit analysis is a smart move, particularly in a time of economic uncertainty where every extra dollar a business dedicates to burdensome environmental compliance is one snatched away from workers trying to make ends meet.

So what's next for Mr. Wheeler's rule? With the EPA's announcement of the CBA plan, a comment period is initiated. During this 45-day window, stakeholders from across the business community are able to submit their concerns and observations to the EPA for consideration before the agency finalizes its rulemaking and takes any further action. It's an excellent opportunity for the community of stakeholders to directly affect the progression of the rule.

Environmental regulation is critical to our health. But every new rule comes at a cost. Cost-benefit analysis, done in a clear, consistent and objective manner, can help the EPA avoid new regulations that offer at best only marginal benefits but at great cost to the economy. Instead, a proper cost-benefit analysis helps the agency to focus its efforts on regulations that can deliver the most benefit to the public. Although the proposed cost-benefit analysis regulations only apply to Clean Air Act rules, this effort will provide a valuable roadmap for other regulatory bodies in the future.

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