



The Daily Dish

# How To Recognize A Modern Regulatory System

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## Eakinomics: How To Recognize A Modern Regulatory System

Ever since President Biden issued his day-one [directive](#) to “modernize” the manner in which the Office of Information and Regulatory Affairs (OIRA) handles regulations, the interested, skeptical, cynical, and terrified have been wondering exactly what that meant. Although we have no definitive answers, we now have some good insights, courtesy of Dan Bosch’s latest: “[What Will ‘Modernizing’ Regulatory Review Look Like?](#)”

Not surprisingly, Bosch comes to a bottom line most expected: “Likely changes will make regulations appear more net beneficial than they would have previously and also centralize regulatory agenda setting within the Office of Information and Regulatory Affairs,” and “The changes will be designed to help the administration use regulation to enact its policy agenda.”

Agreed, but how will that happen? A key is to revise [Circular A-4](#), which sets expectations for how agencies should conduct regulatory analyses. There appear to be three main channels. The first is to revise Circular A-4 to enhance the benefits in a benefit-cost analysis, and especially to account for benefits to disadvantaged groups. That change makes sure even the hard to quantify benefits weigh in on the side of a regulation, and the beneficial impact on a targeted group (e.g., low-income minorities) can possibly shift the balance of benefits and costs.

The second step is to incorporate directly in Circular A-4 the new social cost of carbon (SCC). The Biden Administration [raised](#) the SCC, the estimate of the costs of greenhouse gas impacts, from about \$7 per ton to roughly \$50. The result is that stopping a ton of greenhouse gas emissions has seven times the benefit than used to be the case. This alone shifts the balance toward benefits.

Finally, Bosch argues: “A likely change will be to the discount rates agencies use to estimate benefits and costs into the future. Progressive advocates [argue](#) that these current rates, 3 and 7 percent, are too high because of how far interest rates have fallen in the 18 years since Circular A-4 was written. Accordingly, one should expect to see a revised Circular A-4 reduce these values and go further by using declining discount rates on estimates far into the future on things such as environmental benefits. Lowering the discount rate and using declining discount rates will have the effect of increasing the net benefit calculation of regulations. As a result, it will be more likely that the benefits of proposed regulatory actions from the Biden Administration will appear to vastly outweigh the costs.”

These changes are a big deal. They skew the genuine benefit-cost analysis and turn OIRA into a cheerleader instead of a referee. The result will be to damage the integrity of rulemaking.

So, I encourage you to read Bosch’s paper. Or, simply remember the three maxims of a thoroughly modern reg system:

- Benefits are what counts, especially to the right part of the distribution, and even if you can't count them.
- Make sure to capture those social costs; don't fret the private burdens.
- Use a low discount rate to highlight central planning for decades to come.