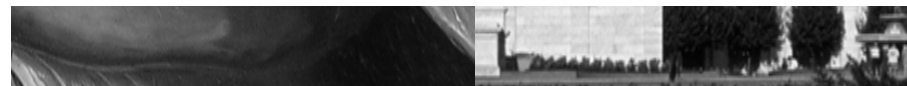


MERCATUS CENTER

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Ideas Into Action



Using RIA's to Inform Regulatory Decisions

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Delivered to:

Society for Risk/Analysis and Resources for the Future

I. Transparency – Use the Analysis

- OIRA's primary role is to enforce economic executive order
- E.O. is directed at Managers
 - (A-4 guidance is directed at Analysts)
- Benefit-Cost analysis - primary purpose is to inform decisions

Quote from a Regulatory Economist

“The (economists) are almost always managed by non economists who view it (RIA’s) as a necessary activity to check the box off and as a means to get it [rules] through OMB.”

OMB's First Question (To Manager)

“How did you use the economic analysis to make your decision?”



Honest

- “What are you talking about, what analysis?”
- “I made the economists, who work in my program office, make the analysis conform to my chosen option.”
- “I am using it now, it’s just supposed to help me get my rule through OMB.”

Or...

- “I used it a lot, it was really great, thanks for asking me about it.”
- “I thought I knew what was necessary but after I got briefed by the economists, I selected the option that, you know, maximized net benefits (*did I say that right?*).”
- “Hey economist, whatever your name is at the end of the table, you take this one.”

Some good answers

- “I made some marginal adjustments to the rule based on the benefits and costs of options.”
- “We examined a wide range of options and I selected an option for which benefits exceeded costs but not one that maximized net benefits - this is why....”
- “I chose the option dictated by Congress, of course, but an analysis was done to show how another option would maximize net benefits.”

Change APA – Require Explanation

(Multi-attribute decision making)

- **Identify Criteria**
 - e.g., maximizing net benefits; legal sufficiency; protection of high risk subgroups; key stakeholder preferences
- **Identify Weights**
- **Show how each option did on each criteria**

II. Change Incentives

- **“Performance Standards Rather than Design Standards”**
- **“Market-Oriented Approaches Rather than Direct Controls”**
- **“Informational Measures Rather than Regulation”**

OSHA Design Standards - CFR

Hands or fingers shall not be placed between the sling and its load while the sling is being tightened around the load.

CFR 1910.184(c)(10)



Current OSHA ANPR question

To what extent do employees at your company or industry get into the tree to perform tree trimming? How do they get into the tree and what equipment do they use to get up there?



General Problems with Current Guidance

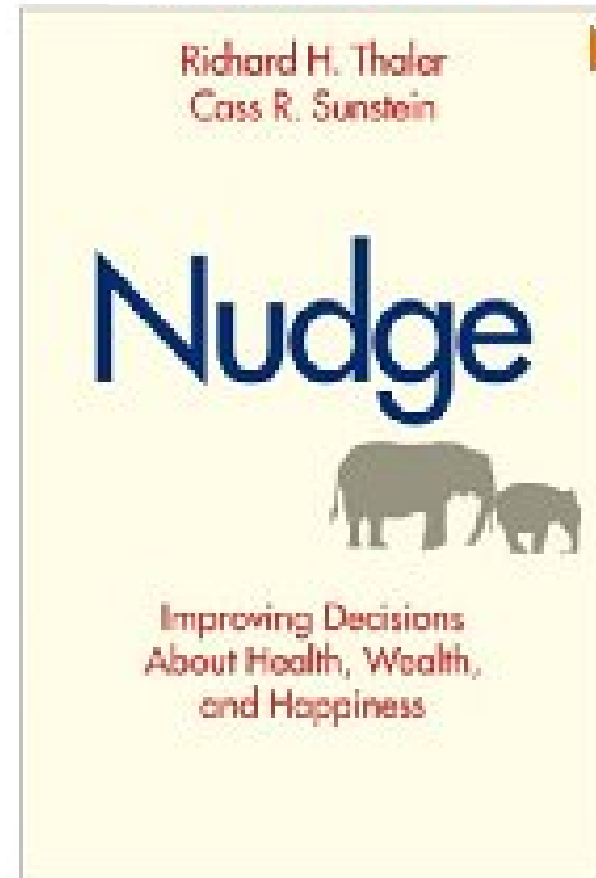
- OMB oversight insufficient
- OMB guidance not a rule and not structured

Result:

Agencies pick their preferred option and analyze a few alternatives to fulfill the requirement.

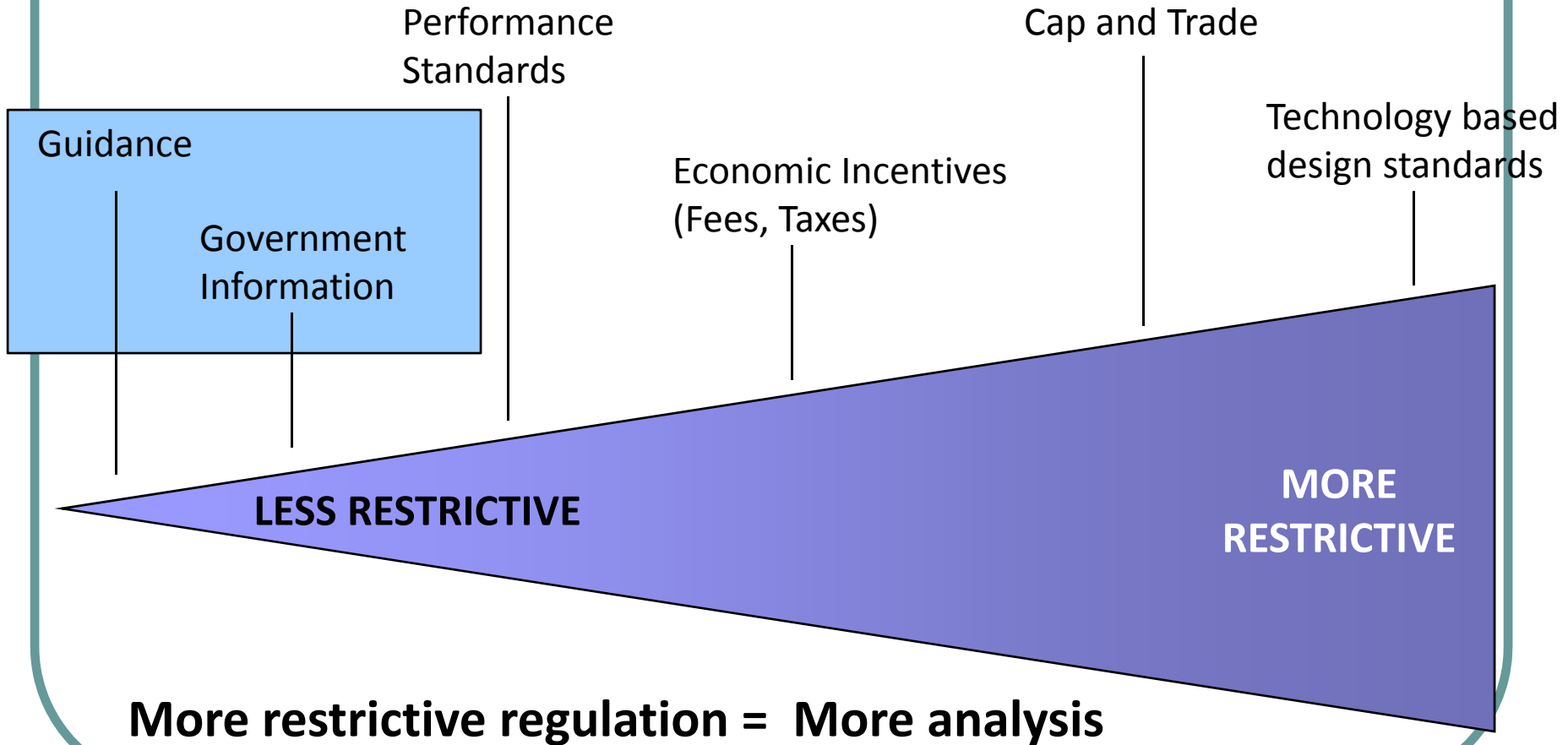
Structured Decision Making

Status Quo Bias



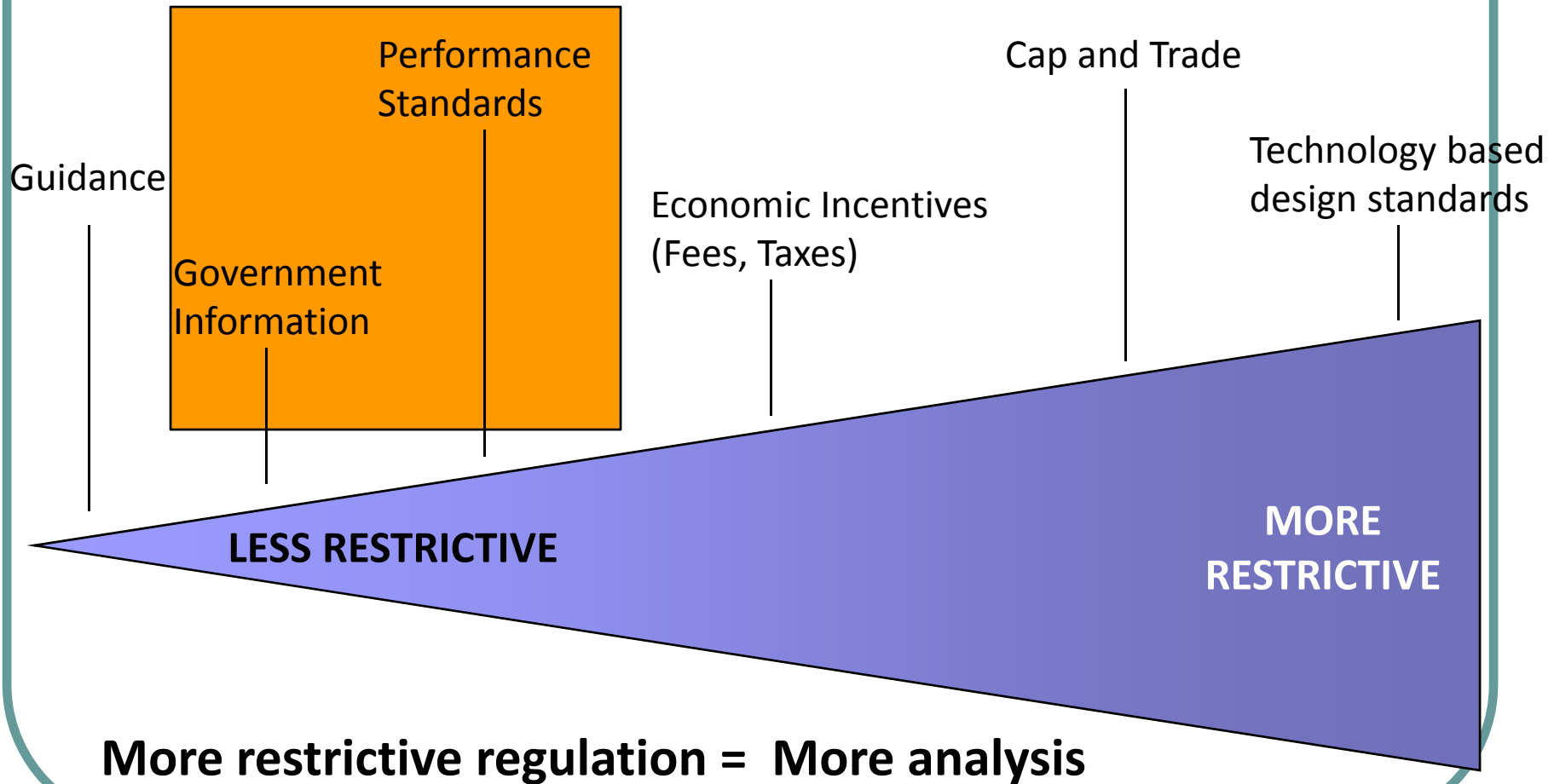
Extraordinary claims require extraordinary evidence.”

Carl Sagan



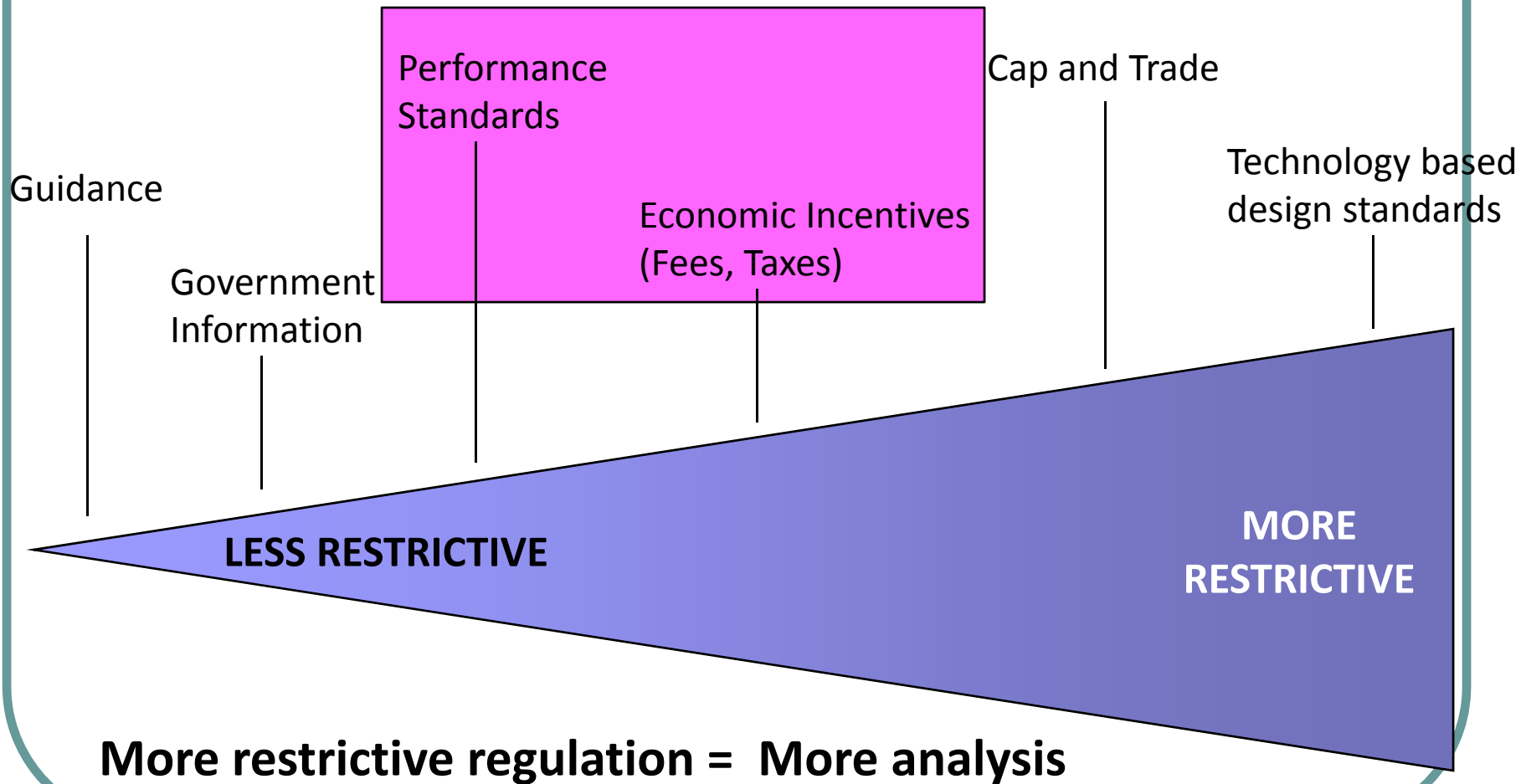
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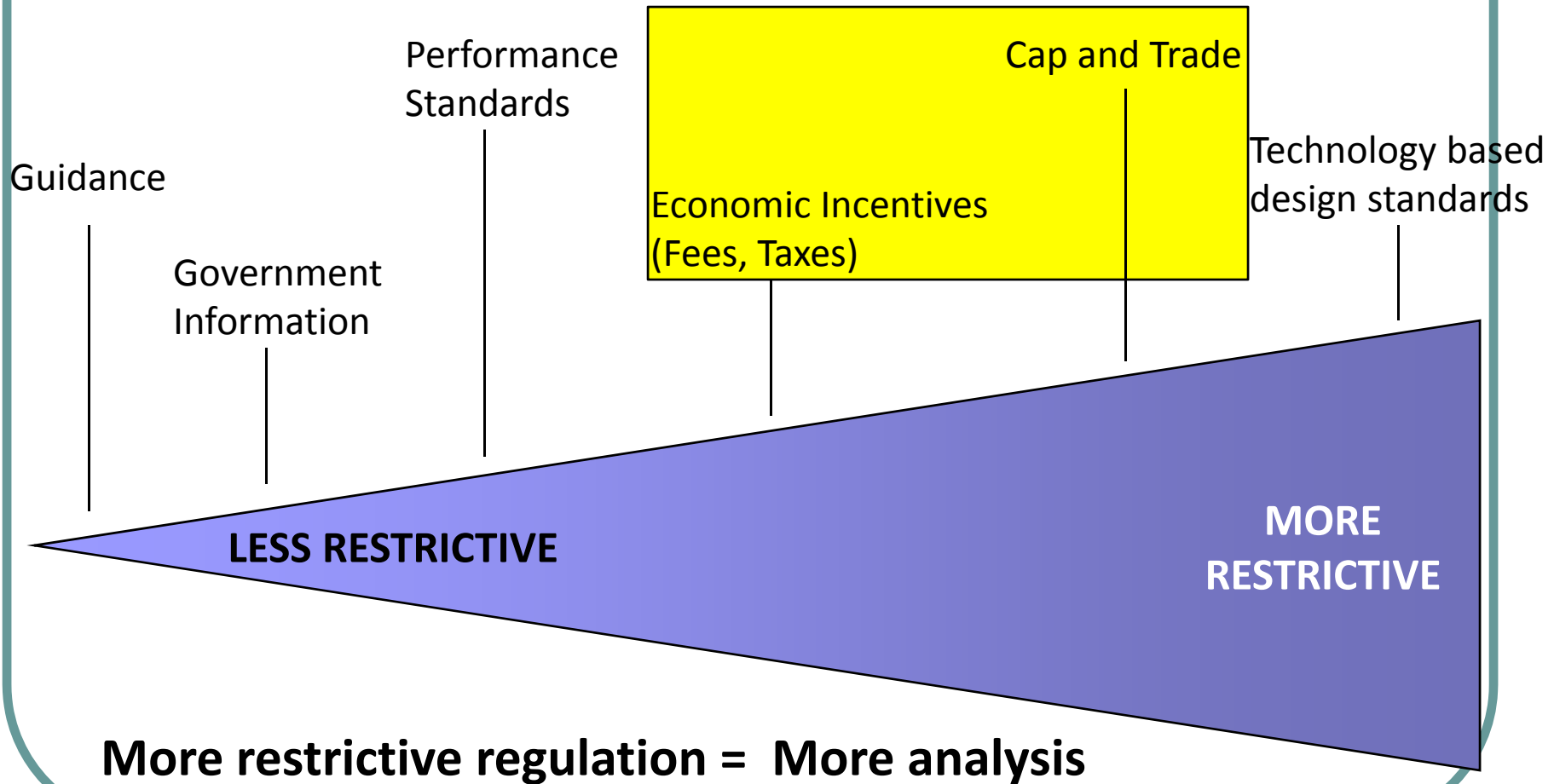
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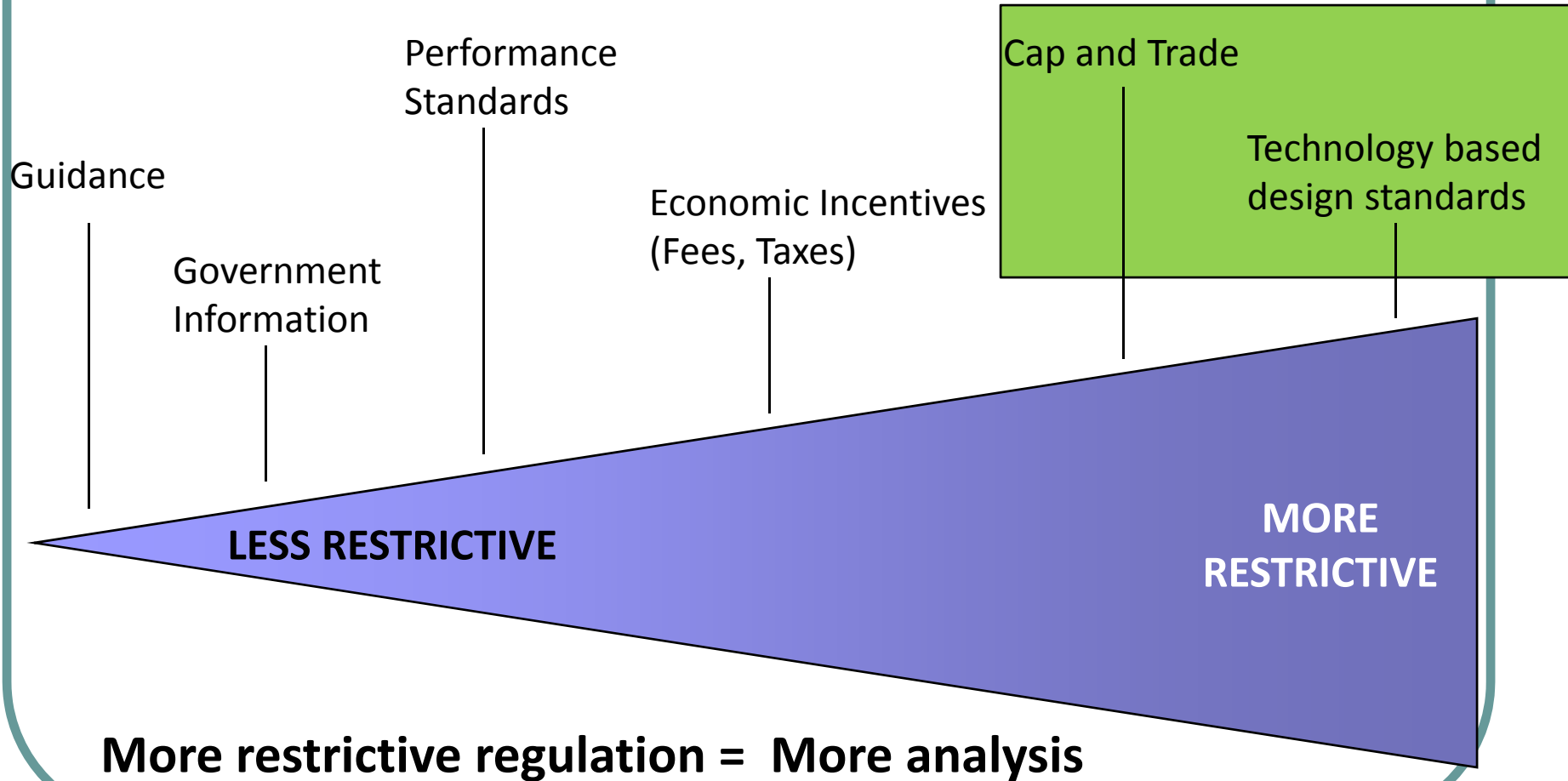
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Summary

- Ask, “How did the analysis inform the decision?”
- Require more analysis to justify more restrictive regulations.

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Regulatory Problems
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