

In theory, cost-benefit analysis should be just as relevant when the government is deregulating as when it is imposing new regulations. But things don't seem to work that way. This is the first of two blog posts analyzing how costs and benefits figured in decisions during the past two years of unified GOP control of the federal government. Today, I focus on the Executive Branch.

In a [new paper](#), I analyze the role of cost-benefit analysis and The Office of Information and Regulatory Affairs (OIRA), which oversees regulation for the White House in the Trump Administration. Despite some triumphalist statements about the ascendancy of cost-benefit analysis, its status at present seems a bit shaky.

First, Trump has placed controls on agency agendas that focus primarily on eliminating regulatory costs rather than maximizing regulatory benefits. Rather than prioritizing regulations based on their net costs to society (costs minus benefits), the "two-for-one" executive order sets priorities based solely on regulatory costs. As advocates of cost-benefit analysis like Cass Sunstein have pointed out, this is flatly inconsistent with cost-benefit analysis's goal of maximizing social welfare.

Second, the Administration also began initiatives to limit the evidence that can be considered in EPA cost-benefit analysis and to eliminate an important class of regulatory benefits from consideration. "Co-benefits" are benefits that flow from a regulation but were not its main purpose: For instance, limiting mercury emissions from power plants requires reductions in particulates, and that turns out to save thousands of lives. OIRA has either been unable to insist that EPA comply with OIRA's guidelines or has been overruled. Economists have nearly universally decried both initiatives. Ignoring co-benefits is simply irrational if your goal is economically rational regulation. And to include all regulatory costs while excluding key regulatory benefits introduces an obvious bias into the analysis.

Third, the Administration's cost-benefit analyzes for major EPA deregulatory initiatives also seem to have substantial analytical gaps. While it is possible that either OIRA or the agency will correct those flaws before rules become finalized, OIRA was apparently unable or unwilling to do so at the outset. The CBA for the rollback of Obama's fuel efficiency rules is particularly hard to justify, since it involves implausible estimates that are unsupported by the economics literature, not to mention some seemingly contradictory assumptions.

There is much in the Trump Administration that deviates from normal governmental

practice, so it may be unfair to assess either OIRA or cost-benefit analysis on that basis. Still, for those who were already skeptical of cost-benefit analysis and considered it merely a façade for blocking regulation whenever possible, the Trump experience will do nothing to quiet their fears. On the contrary, the experience of the Trump Administration may strengthen the argument that cost-benefit analysis is too malleable to be considered reliable. This argument may find support in the fact that EPA has been able to issue cost-benefit analyses first supporting major environmental initiatives under Obama, and then done a U-turn on the basis of new cost-benefit analysis, all with the approval of OIRA. Certainly, there is little in the past two years that would assuage environmentalists' fears that CBA is inherently biased against regulation or that would give them any confidence in OIRA as a neutral overseer of regulation.

With only two years of the Trump Administration behind us, it is too early to attempt a definitive verdict on its use of CBA. We will be in a much better position to pass judgment at the end of his presidency. But what we have seen so far raises serious questions, both as to practices under this Administration and as to the future trajectory of cost-benefit analysis.