



**Reporter Alert:**

**New Federal Safeguards Issued in 2012 Bring Enormous Benefits to Public, New Report Shows**

May 1, 2013

In a draft annual [report](#) to Congress reviewing federal regulations issued between 2002 and 2012, the White House Office of Management and Budget (OMB) found that the monetary benefits of rules dwarfed their costs. The report, posted quietly by the White House in April, tallied \$53.2 billion to \$114.6 billion in annual benefits versus \$14.8 billion to \$19.5 billion in annual costs from the 14 major rules issued in FY 2012 for which agencies were able to estimate a benefit and cost figure. Over the past 10 years, the report estimated annual benefits of \$193 billion-\$800 billion from public protections compared to \$57 billion-\$84 billion in costs.

**Two rules provided particularly large benefits.**

- Two rules provided the bulk of both the benefits and the costs of new rules in FY 2012: an EPA rule limiting emissions of mercury and other toxic pollutants from coal power plants, and a rule mandating greater fuel efficiency in cars. In each case, the benefits dwarf the costs. The coal plant rule will save several thousand lives and prevent more than 100,000 asthma attacks each year. Under the auto rule, consumers will pay slightly more for more efficient cars but reap far larger fuel cost savings. And that's to say nothing of the tremendous environmental and air quality benefits of burning less fuel.

**Benefits far exceeded costs even in a cost-benefit assessment system that systematically undercounts benefits and overestimates costs.**

- Many of the benefits of standards and safeguards cannot be properly quantified: What dollar value should be assigned to the benefits of safe drinking water or clean air? In the wake of disasters like the 2008 financial meltdown, or consumer dangers like food recalls or toxic toys, the benefits of government oversight seem obvious. But calculating the

dollar benefit of preventing an unknown crisis or sickness is a difficult, time-consuming process that doesn't reflect the full value of standards and safeguards.

- In some cases, benefits are simply not counted. The aforementioned EPA mercury rule is one example. Under the rule, less mercury will travel from smoke stacks and into the food chain and the fish people eat. Children are particularly sensitive to this developmental toxin, but the EPA declined to tally the benefits of reducing the amount of mercury kids ingest when they eat store-bought fish. The rule's estimated benefits nonetheless dwarfed its costs, even though the numbers don't reflect the full benefits produced.
- In addition, studies have found that regulatory cost estimates (like those tallied in the OMB report) usually overestimate actual costs. The estimates rely heavily on data provided by regulated industries. Additionally, most cost assessments fail to anticipate the dynamic and innovative ways in which regulated companies react to rules to minimize compliance costs in the real world.
- Industry interests and their supporters are often the most aggressive in calling for more cost-benefit analysis but are frequently the first ones to attack the analyses as flawed if the results don't turn out the way they like. The U.S. Chamber of Commerce, for example, has sued to try to block the EPA's recent coal plant rule because it disagreed with the agency's cost-benefit numbers. Big businesses don't really want cost-benefit analysis, they want cost-benefit analysis that delivers their preferred policy outcomes.

### **Report points to need for more regulatory progress.**

- The OMB report speaks to the importance and the overwhelming benefits of standards and safeguards: Even in calculations that are deeply biased against properly weighing the benefits of regulations, the benefits vastly outweighed the costs.
- The Obama administration made significant progress on public protections in the first term, but it needs to complete a series of standards in the second term, from food safety rules to backup cameras for cars and consumer financial protection rules under Dodd-Frank. The public has a tremendous amount to gain if these safeguards are implemented.

*The Coalition for Sensible Safeguards is an alliance of consumer, small business, labor, scientific, research, good government, faith, community, health, environmental, and public interest groups, as well as concerned individuals, joined in the belief that our country's system of regulatory safeguards provides a stable framework that secures our quality of life and paves the way for a sound economy that benefits us all. For more information about the coalition, see*

*[http://www.sensible safeguards.org/about us](http://www.sensible safeguards.org/about_us).*

For more information, contact Ben Somberg, [bsomberg@citizen.org](mailto:bsomberg@citizen.org) (202) 588-7742 or Brian Gumm, [bgumm@foreffectivegov.org](mailto:bgumm@foreffectivegov.org) (202) 683-4812