



H A R V A R D | B U S I N E S S | S C H O O L

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Administrator Shelanski:

Thank you for requesting my comments on the format and substance of the *Draft 2013 Report to Congress on the Benefits and Costs of Federal Regulations*. Overall, I found the report to be exceptionally clearly written and well structured. Not being an expert in regulatory cost-benefit analysis, I instead looked for opportunities to ensure the report would be comprehensible by citizens. I focused on the Executive Summary and Part I of the report. My comments below are listed according the report's sequence.

1. I suggest that the initial paragraph of the Executive Summary describe the public purpose (or intent) of this report, beyond conforming to statutory requirements.
2. Throughout the Executive Summary, I suggest including more charts to more clearly communicate key findings. For example, in the first bullet point on page 3, bar charts could more clearly communicate two key insights from the four numbers provided: (1) that the range of benefits exceeds the range of costs in all scenarios, and (2) that there is much greater uncertainty (wider ranges) in the benefit estimates than the cost estimates. I believe this is provided later as Figure 1-1. (Side note: when printed in black and white, the two bar colors are not sufficiently differentiated.) If for brevity sake one must choose between providing numbers or graphics in the Executive Summary, I recommend graphics, with a reference to the report section where the numbers are provided.
3. More broadly, it would be useful to state -- and depict in graphs -- midpoint numbers whenever ranges are provided, since readers will likely try to mentally calculate these and will often misestimate them.
4. When the Executive Summary describes and then categorizes 47 major rules (starting on p. 3), it would be useful to provide pie charts or other graphics to illustrate the types and magnitudes of these rules.
5. In the discussion of "net cost per life saved" on page 28, the report describes the numerator as "the costs of the rule minus any monetized benefits other than mortality reduction." I suggest the report provide examples of the types of such benefits that are most substantial (e.g., reduced morbidity?).

More broadly, I read that “net cost per life saved” “avoids any assignment of monetary values to reductions in mortality risk,” but was left wondering why this statistic omits this component, and substantive an omission this is, and what heterogeneity is cloaked by this omission (e.g., different age distributions of avoided victims). I suggest adding a sentence or two to briefly explain this.

6. In Table 1-7, and indeed in all tables that provide net figures or ratios, I would like to see the principle figures, such as the numerator and denominator values that were used to calculate the ratios. Without this, the ratios cloak potentially important differences in magnitudes between various agencies and regulations.
7. In Table 1-7 (and elsewhere as applicable), in cases where the net cost was negative, I was surprised that negative values were not provided and that instead the word “negative” was substituted.
8. The phrase “unfunded mandate on the private sector” is used on page 35. I had thought that “unfunded mandate” only applied to Federal regulations imposing enforcement costs on state and local governments. I do not understand what an unfunded mandate on the private sector means, since governments seldom provide the private sector with compliance funding.
9. For report sections I(D)3(a) “Impact on Wages and Employment – Labor market regulations” and I(D)4(b) “Impact on Economic Growth – Regulation and economic activity”, you might find it useful to review Levine, Toffel, & Johnson (2012). This article empirically analyzes the impact of CalOSHA enforcement on wages, employment, and firm growth (as well as on worker safety). You may also wish to review a recent RAND study analyzing similar effects of labor regulation enforcement in Pennsylvania.  
Levine, D. I., M. W. Toffel, M. Johnson. 2012. “Randomized government safety inspections reduce worker injuries with no detectable job loss.” *Science* 336(6083): 907-911.
10. If you are interested in studies examining the impacts of EPA voluntary regulation on compliance rates and inspector prioritization -- which can increase enforcement efficiency -- you may wish to review three empirical papers that evaluate the EPA’s Audit Policy:  
Toffel, M.W. and J.L. Short. 2011. “Coming clean and cleaning up: Is voluntary disclosure a signal of effective self-policing?” *Journal of Law and Economics* 54(3): 609-649.  
Short, J.L, and M.W. Toffel. 2010. “Making self-regulation more than merely symbolic: The critical role of the legal environment.” *Administrative Science Quarterly* 55(3): 361-396.  
Short, J.L. and M.W. Toffel. 2008. “Coerced confessions: Self-policing in the shadow of the regulator.” *Journal of Law, Economics & Organization* 24(1): 45-71.
11. If you are interested in studies examining the impacts of EPA information disclosure regulation on environmental performance, you may wish to review this recent empirical paper that evaluate differential firm responses to the changes in requirements in the EPA’s Toxics Release Inventory (TRI) program:  
Doshi, A., G. Dowell, and M. W. Toffel. 2013. “How firms respond to mandatory information disclosure.” *Strategic Management Journal* 34(10): 1209-1231.

Thank you for the opportunity to comment on this draft report and I hope you find these comments to be helpful.

cc: Ross A. Rutledge, Policy Analyst, Office of Information and Regulatory Affairs