

Retreat on economics at the EPA

Rigorous economic analysis has long been recognized as essential for sound, defensible decision-making by government agencies whose regulations affect human health and the environment. The acting administrator (since July 2018) of the U.S. Environmental Protection Agency (EPA) has emphasized the importance of transparency and public trust. These laudable goals are enhanced by external scientific review of the EPA's analytical procedures. Yet, in June 2018, the EPA's Science Advisory Board (SAB) eliminated its Environmental Economics Advisory Committee (EEAC). The agency should be calling for more—not less—external advice on economics, given the Trump administration's promotion of economic analyses that push the boundaries of well-established best practices. The pattern is clear: When environmental regulations are expected to provide substantial public benefits, assumptions are made to substantially diminish their valuations.

The EEAC, on which we served (K.B. since 2013, M.K. since 2015), consisted of nationally recognized economists appointed to provide independent advice to the EPA. The committee had been called upon by administrations of both political parties since the early 1990s. But today, many economic analyses that support the Trump administration's regulatory rollbacks conflict with the EPA's previous findings. The 2017 analysis for eliminating the Waters of the United States rule turned favorable only after excluding all benefits of protecting wetlands. Eliminating the Clean Power Plan is supported in another 2017 analysis only after changing assumptions about the scope of climate damages, the measurement of health effects, and the impact on future generations. Differing assumptions also underlie the economic justification of the administration's 2018 proposal to roll back automotive fuel economy standards.

At an institutional level, the EPA also issued a proposal in June to revamp its approach to benefit-cost

analysis. Many observers are concerned that this is an administrative move to institutionalize the agency's practices in the economic analyses noted above. This could result in the elimination of counting significant co-benefits. For example, a regulation that targets carbon dioxide emissions from power plants can simultaneously reduce other harmful pollutants, and the resulting co-benefit would not be counted.

EPA priorities always change between administrations,



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and all economic analyses require assumptions. That is why external scientific review serves as a bulwark for separating political ideology from evidence-based decision-making. EEAC's elimination means that an important channel in this process has been lost. The leading explanation for its demise is that current expertise on the SAB is sufficient, and that ad hoc committees can address gaps. However, a lapse in appointing the EEAC chair, who would have been a SAB voting member, precluded an important voice in the discussion prior to the decision to shutter EEAC. Furthermore, the SAB's current membership reveals little environmental economics expertise, which is necessary for evaluating

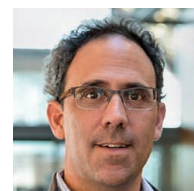
when and how economic reviews might be important. Other explanations include EEAC inactivity and costs. Inactivity was not a choice by the EEAC, which by design responded only to requests. Costs could be reduced by decreasing the number of appointed individuals, and it is unclear whether ad hoc committees offer cost savings. Because the EPA is often under pressure for timely analysis, a standing committee also has the advantage of being quicker to mobilize.

The EPA should reconsider its decision to eliminate the EEAC, and the SAB should consider how to better constitute an economic advisory committee to promote efficient and equitable outcomes from EPA policies.

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