For example, to estimate social costs, an agency’s analysts may develop a partial equilibrium model, based on market supply and demand curves. Alternatively, they may use a direct compliance model, based on cost-engineering techniques, to estimate the average compliance cost, then multiply that estimate by the number of entities affected by the rule. Such analysis may provide information useful to regulators, but it seldom informs those who would be affected directly by a regulation. On-line calculators could help to fill this information gap.

Consider the ergonomics rule proposed by the Occupational Safety and Health Administration (OSHA). The rule would require businesses to implement and maintain ergonomic programs to prevent and alleviate musculoskeletal disorders, which are common in the workplace. OSHA’s preliminary analysis of the proposed rule was based on aggregate estimates of the costs and benefits for all businesses in each three-digit standard industrial classification (SIC) code.

If OSHA provided an on-line calculator for the proposed rule, anyone could go to OSHA’s web site and get an estimate of the rule’s costs and benefits to a firm having characteristics specified by the user. The user might be asked to input firm-specific information, such as the number of employees, the number of establishments, the SIC code that best describes the firm, and the percentage of employees currently covered by an existing ergonomics program. The calculator would then determine the average cost of the rule to such a firm. The cost information could be categorized (e.g., worker restriction cost, worker education cost, medical treatment cost, lost productivity cost, absence cost, and workers’ compensation cost).
 job control cost, and training cost). The calculator would also provide information on the benefits of the rule in terms of reduced ergonomic injuries, insurance savings, and productivity improvements. A user who wanted to know how those cost and benefit estimates were calculated could click an icon for a step-by-step guide to OSHA’s methodology, to understand what went into the methodology. Slight modifications could send comments directly to the OSHA docket.

OSHA (or any other agency) might provide basic and advanced calculators. A basic calculator would meet the needs of users who want only a rough idea of costs and benefits. Advanced calculators would enable other users to see how changes in key parameters affect overall results.

CREATING A CALCULATOR

Creating a calculator is relatively straightforward: select the unit of analysis, develop a model of regulatory impact, and make that model accessible through the Internet.

The proper unit of analysis is the type of entity most directly affected by a regulation of interest. For example, the firm would be the appropriate unit of analysis for the proposed ergonomics rule.

The model should describe how the regulation would impose costs and benefits on the selected unit of analysis. To the extent feasible, the assumptions built into a model should be the same as, or at least consistent with, those used in the economic analysis of the proposed rule.

Making a calculator accessible requires not only placing it on a web site, in a usable form. A usable calculator should be easy to understand, work quickly, yield credible results, and respect users’ privacy.

Even if a calculator is usable, it may not be useful if its availability is a secret. It would cost little to publicize the availability of a calculator in the Federal Register, coincident with the publication of a proposed rule.

WHY DON’T AGENCIES PROVIDE CALCULATORS?

There are on-line calculators that help people understand how policy proposals may affect them financially. If you want to find out how much money the Bush tax plan would save you, go to the Bush campaign web site (www.georgewbush.com). If you want to know how privatization of social security would affect your retirement income, go to the Cato Institute’s web site (www.socialsecurity.org) and there are calculators to help you understand how you would be affected by a flat tax (www.flattax.gov) or an increase in the minimum wage (www.epionline.org).

But there are no calculators to estimate how proposed regulations would affect you. Why? First, regulatory analysis has traditionally been for the regulators, not the regulated. The Clinton Administration had acknowledged the need to make regulations more understandable to the regulated community, with its call for regulations to be written in “plain language,” a potentially useful but costly activity. (See Vern McKinley’s article, “Keeping It Simple: Making Regulators Write in Plain Language,” in Regulation 21, no. 4 [1998]: 30.) The use of on-line calculators would be consistent with the administration’s stated goal.

Second, agencies may be reluctant to expend additional resources to develop calculators. The Clinton Administration has resisted legislative proposals for regulatory reform, in part because of resource constraints. But, in most cases, the cost of providing on-line calculators should be small because calculators can be based on the models used in agencies’ cost-benefit analyses.

Third, if regulatory analysis is shoddy or grossly inaccurate, agencies might not want the scrutiny afforded by on-line calculators. In that regard, perhaps agencies are right—worried. In “Assessing the Quality of Regulatory Impact Analysis” (Working Paper 00-1, AEI-Brookings Joint Center for Regulatory Studies, January 2000), Robert W. Hahn, Jason K. Burnett, Yee-Ho I. Chan, Elizabeth A. Mader, and Petra R. Mayle examined 48 environmental, health, and safety regulations issued between mid-1996 and mid-1999. They found that agencies seldom meet even the minimum requirements of Executive Order 12866. Specifically, agencies quantified the net benefits of only 29 percent of proposed rules, failed to discuss regulatory alternatives for 27 percent of the rules, and quantified costs and benefits of alternatives for only 31 percent of the rules.

ACCESSIBILITY HAS CONSEQUENCES

The availability of on-line calculators would lead to greater participation in the regulatory process, greater knowledge about the regulated community, and improved regulatory analysis.

If those who are most affected by regulation are better able to see how regulation affects them, they are more likely to participate in the regulatory process. At a time of waning public interest in government, such a result should be welcomed.

On-line calculators would make available to the agencies that maintain them a lot of information about those who use them. That information would be of interest to lobbyists, compliance assistance professionals, politicians, and especially regulators. On the positive side, an agency might learn something about the deficiency of a rule or the lack of knowledge about the benefits of a proposed rule. On the negative side, agencies could use such information to improve their regulatory analysis or to reduce the number of regulatory burdens.

On-line calculators would make regulatory models more visible to those who are regulated. Users would point out not only the errors of commission but also errors of omission, such as compliance options not considered in an agency’s analysis. In effect, on-line calculators would enable anyone to become a policy analyst. The additional scrutiny would lead to better analysis and greater social welfare.