



Institute for
Policy Integrity

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NEW FEDERAL GUIDANCE WILL MODERNIZE ANALYSIS OF REGULATIONS
Updates to OMB’s Circular A-4 will improve federal agencies’ techniques for assessing the environmental and equity impacts of new rules

Today, the White House Office of Management and Budget (OMB) finalized updates to Circular A-4, the primary guidance document on federal agencies’ economic analyses of regulations. This guidance, which had not been updated since 2003, plays a key role in federal regulatory policy, determining how agencies estimate the costs and benefits of rules.

The finalized updates, which build on a proposal from April, modernize several outdated practices, including consideration of benefits that occur in the future or outside the United States; assessment of equity concerns related to the distribution of regulatory impacts; behavioral economics issues; and other matters. The Institute for Policy Integrity has long advocated for some of these updates.

Of particular note, the new guidance provides for a social discount rate of 2%. Though this is a conservative choice by the standards of some economic scholarship, it greatly improves upon the current, outdated discount rates in use since 2003. The guidance also calls for updating this rate every three years to capture new economic data.

Burçin Ünel, Executive Director of the Institute for Policy Integrity at NYU School of Law, issued the following statement:

“Efficient and effective government policy requires sound analysis grounded in the latest scientific methods. Today’s update is a step toward that goal, and it will help lead to more rational policymaking. The new guidance will help government agencies catch up to best practices in economics. Additionally, the guidance will help ensure that regulators do not ignore equity concerns, which have long been a blind spot in most rulemakings. These updates will help inform policymakers with sound analysis so they can craft regulations that are not only efficient and effective, but also fair.”

Max Sarinsky, Senior Attorney at the Institute for Policy Integrity at NYU School of Law, issued the following statement:

“Today’s update to Circular A-4 continues a long progression of efforts to improve regulatory analysis. The document modernizes prior guidance, as practices have evolved over the past two decades. For instance, current economic evidence demonstrates that individuals place far greater value on benefits and costs accruing in the distant future than once believed. The new discount rate guidance reflects this evidence. Policymakers should aspire to a regulatory system that adapts to incorporate the best available information. This update furthers that goal, and if applied faithfully, will support better policymaking.”

Ünel, Sarinsky, and others who work on this issue are available for interviews on this topic.

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[The Institute for Policy Integrity](#) at New York University School of Law is a non-partisan think tank dedicated to improving the quality of government decisionmaking. The institute produces original scholarly research in the fields of economics, law, and regulatory policy; and advocates for reform before courts, legislatures, and executive agencies.