

"John B. Loomis" <John.Loomis@colostate.edu>
02/28/2003 10:26:48 AM

Record Type:Record

To: Lorraine D. Hunt OIRA ECON GUIDE/OMB/EOP@EOP

cc:

Subject: Comments on Draft Guidelines

Lorraine Hunt
Office of Information and Regulatory Affairs
Office of Management and Budget
NEOB, Room 10202
725 17th Street, N.W.
Washington, D.C. 20503

Dear Ms. Hunt:

This letter (and attachment) transmits my comments on OMB Draft Guidelines for Conduct of Regulatory Analysis (appendix C) of Federal Register Vol. 68, No. 22, Monday, February 3, 2003.

Overall these guidelines are very well thought out. They reflect the state of knowledge and good professional practice in conducting economic analysis of regulations. Below I provide specific comments and suggestions.

1. Page 5517, Evaluating Distributional Effects. I think this is useful to mention and appropriate for regulatory analysis. You might give a short title for E012866 as not everyone will know that EO by number only.

2. Pages 5518 and 5526, Section IV Identifying and Measuring Benefits and Costs. The recommendation to at least quantify or describe non-monetary benefits is sound advice for a complete analysis.

3. Page 5519, Section IV Identifying and Measuring Benefits and Costs. Discussion of Use and Non-use values is accurate and balanced.

4. Page 5519, Section IV Identifying and Measuring Benefits and Costs, CVM. The discussion of Contingent Valuation is generally a balanced, well thought out. The discussion is consistent with the NOAA panel and recent research on CVM. Specific suggestions:

4a. Sampling. While face to face may be preferred, I do not believe there is a consensus that phone is better than mail. While phone may have better sample coverage, in terms of using visual aids and obtaining thoughtful answers, mail is superior to pure phone interviews. You should probably mention mixed mode (using phone - mail booklet - phone interview).

4b. Survey instrument design. I think this is quite consistent with the NOAA panel and these are practical suggestions.

4c. Transparency and replicability of results. I think this is a very balanced and reasonable discussion of need for consequential survey context. The negative own price elasticity test is quite reasonable for dichotomous choice CVM as well. I concur that this is a reasonable consistency test. I am less convinced that external scope test be favored over internal scope tests. (See Giraud, Loomis and Johnson, 1999, Journal of Environmental Management for a comparison of these two types of scope tests). Internal tests are more cost effective and powerful. To avoid a Type II error of falsely accepting the null hypothesis of no difference requires very large sample sizes, especially with dichotomous choice WTP

question format. Requiring such a demonstration of scope would make performing a CVM study unnecessarily expensive. This may result in agencies using your next method of benefit transfer, a far less accurate approach than even a basic CVM.

5. Pages 5519-5520, Benefit Transfer Methods. I think this is a well thought out discussion consistent with the state of knowledge in benefit transfer. I think the point to meet as many of the criteria as possible is quite practical.

In sum, I think this is a well written guidance for conducting economic analysis of regulations. It is consistent with the state of knowledge in Benefit-Cost Analysis and Valuation research.

If anyone would like to discuss these comments please feel free to contact me at jlloomis@lamar.colostate.edu.

Sincerely,
/s/
Dr. John Loomis
Professor

John Loomis
Dept of Ag and Resource Economics
Colorado State University
Fort Collins, CO 80523
(970) 491-2485
(New email) John.Loomis@colostate.edu



Loomis OMB Draft BCA Guidelines Review Comme

February 26, 2003

Lorraine Hunt
Office of Information and Regulatory Affairs
Office of Management and Budget
NEOB, Room 10202
725 17th Street, N.W.
Washington, D.C. 20503

Dear Ms. Hunt:

This letter transmits my comments on OMB Draft Guidelines for Conduct of Regulatory Analysis (appendix C) of Federal Register Vol. 68, No. 22, Monday, February 3, 2003.

Overall these guidelines are very well thought out. They reflect the state of knowledge and good professional practice in conducting economic analysis of regulations. Below I provide specific comments and suggestions.

1. Page 5517, Evaluating Distributional Effects. I think this is useful to mention and appropriate for regulatory analysis. You might give a short title for EO12866 as not everyone will know that EO by number only.
2. Pages 5518 and 5526, Section IV Identifying and Measuring Benefits and Costs. The recommendation to at least quantify or describe non-monetary benefits is sound advice for a complete analysis.
3. Page 5519, Section IV Identifying and Measuring Benefits and Costs. Discussion of Use and Non-use values is accurate and balanced.
4. Page 5519, Section IV Identifying and Measuring Benefits and Costs, CVM. The discussion of Contingent Valuation is generally a balanced, well thought out. The discussion is consistent with the NOAA panel and recent research on CVM. Specific suggestions:
 - 4a. Sampling. While face to face may be preferred, I do not believe there is a consensus that phone is better than mail. While phone may have better sample coverage, in terms of using visual aids and obtaining thoughtful answers, mail is superior to pure phone interviews. You should probably mention mixed mode (using phone - mail booklet - phone interview).
 - 4b. Survey instrument design. I think this is quite consistent with the NOAA panel and these are practical suggestions.
 - 4c. Transparency and replicability of results. I think this is a very balanced and reasonable discussion of need for consequential survey context. The negative own price elasticity test is quite reasonable for dichotomous choice CVM as well. I concur that this is a

reasonable consistency test. I am less convinced that external scope test be favored over internal scope tests. (See Giraud, Loomis and Johnson, 1999, Journal of Environmental Management for a comparison of these two types of scope tests). Internal tests are more cost effective and powerful. To avoid a Type II error of falsely accepting the null hypothesis of no difference requires very large sample sizes, especially with dichotomous choice WTP question format. Requiring such a demonstration of scope would make performing a CVM study unnecessarily expensive. This may result in agencies using your next method of benefit transfer, a far less accurate approach than even a basic CVM.

5. Pages 5519-5520, Benefit Transfer Methods. I think this is a well thought out discussion consistent with the state of knowledge in benefit transfer. I think the point to meet as many of the criteria as possible is quite practical.

In sum, I think this is a well written guidance for conducting economic analysis of regulations. It is consistent with the state of knowledge in Benefit-Cost Analysis and Valuation research.

If anyone would like to discuss these comments please feel free to contact me at jloomis@lamar.colostate.edu.

Sincerely,

Dr. John Loomis
Professor