

# Regulatory Impact Assessments and the Advantages of the Joint Research by Economists and Sociologists

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In my comment I would like to concentrate on two issues:

1. The need to improve methods of designing better policies and laws. Regulatory Impact Assessments serve this purpose.
2. The advantages of the joint research by economists and sociologists.

Having spent six years in government administration and four as a Member of Parliament, I can say with complete certainty that there cannot be a rational action without measuring the likely benefits, costs and effects of new regulations and government programs. Ministers who propose new regulations, and MPs who make the law should be aware of the exact estimates of the costs of their decisions and be convinced that alternative solutions would be worse, because they would be more costly. The likely effects of government projects should be an object of public debate. Presenting these projects in monetary terms greatly simplifies the debate and, what's even more important, reduces politicisation of the decision-making processes. Let me quote the example of the dispute concerning the location of the international route Via Baltica in the Rospuda Valley. None of the parties of that dispute could present their pros and cons in figures. They used ideological and emotional argumentation. But maybe a compromise would have been easier to reach if there had been more talk of the costs and benefits of the different variants of the route. According to

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the good practice standards of many countries, including the United States, every important legislation proposal must include an assessment of its impact, as well as that of the alternative projects. This procedure is applied equally in environmental protection, mergers and takeovers and cancer combating projects. In Poland too, public administration units of all levels are obliged to present the assessment of regulatory impact of any legal reforms they propose. But in reality, over half of bills submitted to the Sejm (Parliament) do not include such analyses, and the rest who have them are incomplete or even defective.

This situation has many causes. One is the lack of the proper expertise in people who estimate the impact of a regulation. During a conference devoted to this problem at the Warsaw School of Economics public officials responsible for regulatory impact analysis admitted the only method they used was their intuition, and they postulated that scientists should become more interested in methods of calculating the impact of economic decisions and experiences of other countries in this respect. However, it is not easily done. First of all, because the methods of measuring the impact of legal regulations are imperfect, especially when it comes to social issues. Errors by even as much as 2 percentage points are not uncommon.

I'd like to emphasise however, that from the point of view of an economic policy-maker, any figure and any forecast, even not a very accurate one, is better than none. Taking a decision, while having completely no estimates of its effects, nor the assessment of alternative proposals, is not only difficult but dangerous as well. It may lead to more serious errors than the ones resulting from imperfect assessment tools.

Obviously, I do not mean to say one should not try to improve the tools of assessment of costs and benefits. We still need to educate specialists in this field and tighten the cooperation of scientific circles with government administration.

We also need to strengthen the cooperation of economists and sociologists, particularly in the field of assessment of economic and social regulations proposed by the government. This process needs: good econometric models, good quality data on the course of economic processes, inclusion of social and political factors in the models, and finding the best measuring tools. The impact of every decision should be compared against alternative solutions and then made public.

A properly conducted regulatory impact analysis is part of the reform initiated in 1990s by the OECD and continued presently by the European Commission under the programme called 'Better Regulation'. Poland takes part in this reform, which is essential for the quality of governing.

In all rankings of public institutions in Poland, including regulation of economic activity, our country takes one of the last positions. One of the reasons is because the

regulatory impact analysis, which is one of the basic principles of the reform, is either defective or non-existent.

I think that the Warsaw School of Economics has got the right research potential to start cooperation on regulatory impact analysis with the government, the European Commission and the OECD. The existing experience in interdisciplinary research should prove very useful, due to the application of various tools and methods.

