

Quote of the day

**"Peace is more than just the absence of war. True peace is justice. True peace is freedom."**

RONALD REAGAN

Editorial update

The wheels of justice might turn slowly, but they at least appear to be turning in the increasingly publicized cases of "extortion lawsuits" - where law firms target small businesses for small violations of regulations, then extract settlements to make the whole problem go away. Pay up, even if you've done little or nothing wrong, or pay thousands of dollars in legal costs to mount a defense. Attorney General Bill Lockyer has announced that

he is investigating eight lawyers who file these forms of lawsuits, and some clients, which "tend to be little-known consumer groups with close ties to the individual attorneys," according to the Los Angeles Daily Journal. Two of the attorneys are Neal C. Swensen and James H. Hansen, of Tustin-based Callahan, McCune & Willis. We've written about how these men launched lawsuits against mortgage companies. The investigation is a good first step forward.

What's an editorial, a column?

- **EDITORIALS** are the opinion of the newspaper's owners and publisher. They are written by the staff of the opinion pages but are not signed because they express the position of the newspaper.
- **COLUMNS** are the opinion of the writer whose name appears. Columns from readers should be 850 words or less. Mailed submissions should be typed and double-spaced.

GUEST COLUMN

# There's a price to being clean

It's Econ 101: Environmental projects need to face cost-benefit analysis



**JAMES E. MOORE II**



**PETER GORDON** MOORE IS A PROFESSOR OF CIVIL AND ENVIRONMENTAL ENGINEERING AND OF PUBLIC POLICY AND MANAGEMENT AT THE UNIVERSITY OF SOUTHERN CALIFORNIA; GORDON IS A PROFESSOR OF POLICY, PLANNING AND DEVELOPMENT AND OF ECONOMICS AT USC

Keeping the environment clean or making it cleaner, while clearly desirable on its face, is never free. Our recent study of the prospective costs of various storm-water treatment options for the Los Angeles region reveals that the costs of meeting some water-quality standards would be very large.

Unfortunately, some commentators scorn discussions of the inevitable costs associated with good causes such as environmental clean-up. And even the U.S. Supreme Court has ruled that Congress did not intend the Environmental Protection Agency to consider costs when designing environmental regulations.

Nevertheless, a thoughtful approach to the cost of these regulations is crucial. With this in mind, now is a good time to revisit some of the fundamentals taught in Economics 101. With apologies to David Letterman, here are our top 10 reasons for addressing the cost of regulations:

10. The harsh reality imposed by scarcity dictates that even good causes must be ranked, evaluated and compared. We can welcome the chance to do more for the most deserving causes, but only after we identify and discard wasteful options, and there are plenty of each.

9. Admitting that there are bills to be paid sets the stage for discussions of who pays - and who benefits. High-minded goals, the darling of all right-thinking people, are all too often trumped by a piling-on of programs that are financed by regressive means that these right thinkers might abhor.

8. The journey between proposal and adoption of new rules and regulations traverses the pesky political process. This is where all sorts of unintended things happen. Interest groups and lobbyists get involved and seek to deal themselves in. This is all the more reason to worry about scarcity, and about who pays for environmental improvements.

7. Unintended consequences have been the bane of many well-intentioned policies, plans and programs. Some outcomes can't be anticipated. There is no such thing as the foreseeable future. This is all the more reason to tread carefully and study all the costs we can, when we can.

6. Accurate cost-benefit analysis can be difficult, but this is no excuse not to try to do it. The best antidote for poorly done cost-benefit studies is sound cost-benefit studies.

5. People are most rational about their own pocketbooks. Consumers care about getting the best bang-for-the-buck in their personal spending. Most shop carefully with their hard-earned dollars.

But taxpayer dollars passing through the political process are allocated much less scrupulously. Milton Friedman reminds us that when choosing between spending our money vs. other people's money, and when choosing between spending money on ourselves vs. on others, we are picky about how much we spend, and what we spend when spending our money on ourselves. When we use government to spend other people's money on other people, we care little about how much gets spent and on what.

4. Moving a dollar from the pockets of taxpaying consumers to the public purse is not a dollar-for-dollar shift. There are substantial collection costs. In addition, there are substantial compliance costs. The federal tax code is many thousands of pages, growing inexorably, and is often incomprehensible.

3. Most people are too busy getting on with their lives to pay much attention to politics. Most do not vote. Of those who do, many learn

about candidates and issues from sound bites. In 2000, polls revealed that as many voters were informed by late-night talk shows as by the evening news. This is all the more reason to hold emotional responses at bay with serious discussions of the facts.

2. Many decisions made today encumber the future. We worry about our legacy. This is all the more reason to remain informed and act reasonably and responsibly when weighing high-cost decisions.

And, the No. 1 reason to address the cost of regulations is this:

1. Thomas Sowell put it best, "There are no solutions, only trade-offs." Resources are scarce and tough choices have to be made. Policy discussions often boil down to one thing - accepting scarcity.

None of this suggests that estimating the cost of rules and regulations is always simple or easy, whether in the business world or with public projects. The task of valuing such intangibles as prolonged life, cleaner air, a warmer planet, etc., is huge and complex.

But the effort must be made - because we can't have everything. We can't afford it.

**ABOUT THE GUEST COLUMN:**

Guest columns can be on any topic, but we give preference to local writers commenting on local and state issues. We're looking for good writing, familiarity with the issue, a fresh perspective - all in about 850 words. Send submissions to Guest Column, Commentary, The Orange County Register, P.O. Box 11626, Santa Ana, Calif., 92711; fax: 714-796-3657; e-mail: commentary@ocregister.com

**When it comes to clean-up efforts, we can't have everything. We can't afford it.**

THE ORANGE COUNTY REGISTER

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