

How Senator Vance's anti-DEI bill would hurt workers and reward corporations

The Trump-Vance campaign claims to side with the virtuous working class against “woke” elites pushing their social agenda. This stance has always been a transparent scam—in just about every fight that pits the material interests of capital and corporations against those of typical workers, Trump and Vance favor the powerful every time. Exhibit one—and egregious enough to seal the case—was the Trump administration passing a mammoth tax cut for corporations in 2017. The Trump administration even tried to change labor regulations to allow restaurant owners to steal tips from their employees.

The clearest proof of the Trump-Vance campaign strategy's cynicism might be a little-noticed bill introduced by Senator Vance in June. Named the “Dismantle DEI Act,” the bill would rescind Biden-Harris administration executive orders related to tracking the distribution of federal funds and mandating an equitable distribution, as well as prevent federal agencies from having any office with “diversity,” “equity,” or “inclusion” in its title. It would even bar federal agencies from collecting data on racial and gender impacts of federal legislation, and place restrictions on the way the federal government writes and administers policy, allocates resources, trains staff, and hires personnel.

These attacks from Sen. Vance and other conservatives on DEI programs are a thinly veiled way to attack even the most basic attempts to address systemic inequity, as they claim to speak for a silent majority of working-class Americans who supposedly don't see discussions of equity as relevant to their lives or how their government should operate.

But like the rest of the Trump-Vance pitch to voters, the details that will affect the material circumstances of people's economic lives skew sharply against low- and moderate-income families and provide great comfort to rich corporations. Buried in the pages of DEI rollbacks is a retraction of Biden-Harris administration changes making it more likely that regulations that imposed costs on rich corporations would show positive net benefits so long as they helped low- and moderate-income families. In short, Vance's bill would make it harder for many good regulations that protect health and safety, workers, or the environment to get through—because the analysis may make it seem as if their benefits don't outweigh the costs.

In particular, the Biden-Harris administration made changes to Circular A-4, a document that provides guidance to all executive branch agencies about how to assess the desirability of proposed regulations. Its guidance ranges from big picture considerations (the use of qualitative versus quantitative evidence) to granular recommendations about the value of key parameters that should be used in monetized benefit-cost analysis

(BCA). Federal agencies are generally required to conduct a benefit-cost analysis of any new regulations that are expected to have a large economic impact, in order to justify that the benefits of the new law will outweigh the costs. The Biden-Harris administration's changes to this guidance were profound, wise, and extremely beneficial to low- and moderate-income households.

Among the changes to Circular A-4 was the introduction of “distributional analysis” of regulatory benefits and costs. The intuition behind “distributional analysis” is simple: \$500 given to a low- or middle-income family provides far more utility (relief from economic stress, for example) than \$500 given to a billionaire. This fact—that the same increment of money provides less utility to richer households—has been confirmed in numerous empirical studies and reflects what economists call the *declining marginal utility of income*.

Before the Biden-Harris changes to Circular A-4, benefit-cost analysis undertaken by regulatory agencies had to assume that \$500 given to a desperately poor family had the exact same effect as \$500 given to Elon Musk in assessing the net benefits of regulation.

The details are mildly complex, but one example can help illustrate how the new “distributional analysis” might have a profound shift in how regulators do benefit-cost analysis. Imagine a policy that raised \$250 billion in taxes on the richest 1% of U.S. households, and that this money was transferred to households in the bottom half of households ranked by income.

Under pre-Biden-Harris rules regarding BCA, this policy would have been assessed as providing zero net benefits. The poorest 50% received \$250 billion, but the richest 1% lost \$250 billion, so who's to say if this was worth doing?

In fact, this old regime was even a bit worse. If raising and transferring this money had any “deadweight” losses (say the cost of administering this tax and transfer policy)—even totally trivial losses—then it would show *negative* net benefits. That is, if we raised \$250 billion from the richest 1% and were “only” able to transfer \$249.999 billion to the bottom 50%, then the net benefits of this would have been calculated as *negative* \$1.

Under the Biden-Harris recommendations of Circular A-4—which Sen. Vance wants to overturn—this policy would instead be assessed as having huge net benefits (greater than \$200 billion, in fact). This is based on the empirical fact that low- and middle-income families would benefit more from an extra dollar of income than very rich families would be hurt by a loss of a dollar.

This is obviously a very stylized example—tax and transfer policy is not subject to benefit-cost analysis before passage. But many regulations *are* subject to this benefit-cost analysis, and the new Circular A-4 changes will show much larger net benefits for regulations that benefit low- and middle-income families even if they impose costs on rich corporations—and hence will be more likely to be finalized. Imagine a regulation

reducing air or water pollution that disproportionately impacts low- and moderate-income families, but which imposes some costs on polluters. Under the new rules, this would be more likely to pass a monetized BCA test.

Again, this Vance bill is the perfect distillation of the Trump-Vance campaign’s worldview. It perpetuates the myth that policy is already race- or gender-neutral in its design or its impacts, hampers our ability to address persistent gaps in economic security and well-being that drag down the overall economy, and ultimately could restrict our ability to protect basic civil and human rights at home and around the world. Then, it goes out of its way to put its thumb on the scale on the side of rich corporations in a clear conflict over material interests between them and low- and middle-income families. In short, it cloaks water-carrying for corporations behind a lot of bloviating about excess “wokeism”—which is their campaign in a nutshell.