

11. Regulation

FEDERAL regulation is a hidden tax on American consumers and the U.S. economy, and the total cost, according to a recent study conducted for the Small Business Administration, is a staggering \$1.1 trillion—about the same amount the federal government collects in income taxes every year. These costs come in various forms: the cost of paperwork filled out by businesses, higher prices at stores, hampered innovation, and sometimes even reduced health and safety. While some regulation is necessary, such as rules to protect against fraud, much of it is both unneeded and counterproductive. Policymakers should work to reduce the overall burden of regulation on Americans.

by *James L. Gattuso*

Notes

Recommendations

- 1. Make regulatory reform a major priority.** Too often, regulatory reform is consigned to the lower rungs of political agendas, allowing regulatory costs to creep upward. Congress and the President should explicitly recognize the costs of over-regulation and make restraining and reducing this burden a clear and high priority.
- 2. Further strengthen regulatory review processes.** Major regulations are reviewed by the Office of Management and Budget and subjected to benefit-cost analyses before being implemented. This process is a good one, but it should be strengthened and expanded, with greater resources for OMB reviewers and stricter guidelines for analysis.
- 3. Establish a congressional Office of Regulatory Affairs.** Such an office would benefit Congress by providing information on the costs and benefits of regulatory legislation in addition to serving as an independent source of information on trends in regulation and rules promulgated by regulatory agencies.

Facts and Figures

- A recent study performed by economist Mark Crain for the Small Business Administration estimated that regulations cost Americans \$1.1

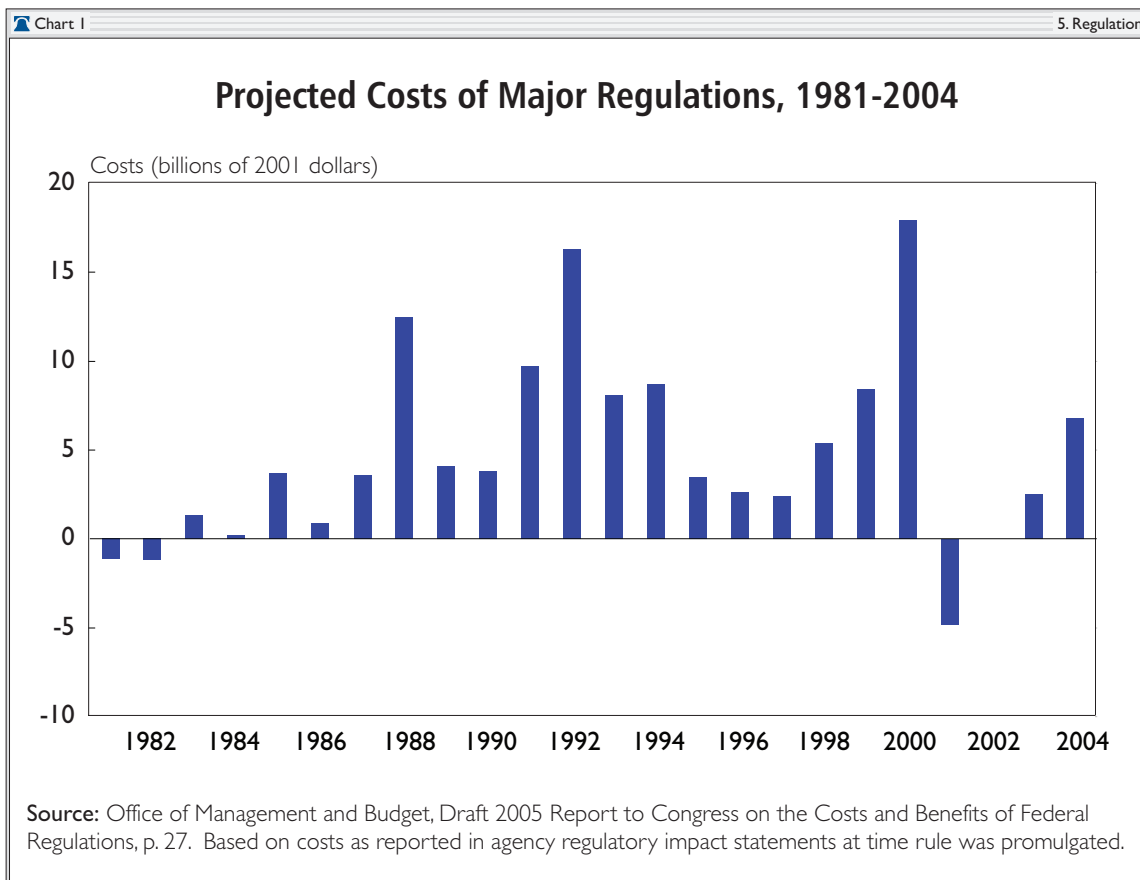
trillion annually. The cost falls disproportionately on small businesses, with the smallest firms (20 or fewer employees) bearing the greatest burden: some \$7,647 per employee.

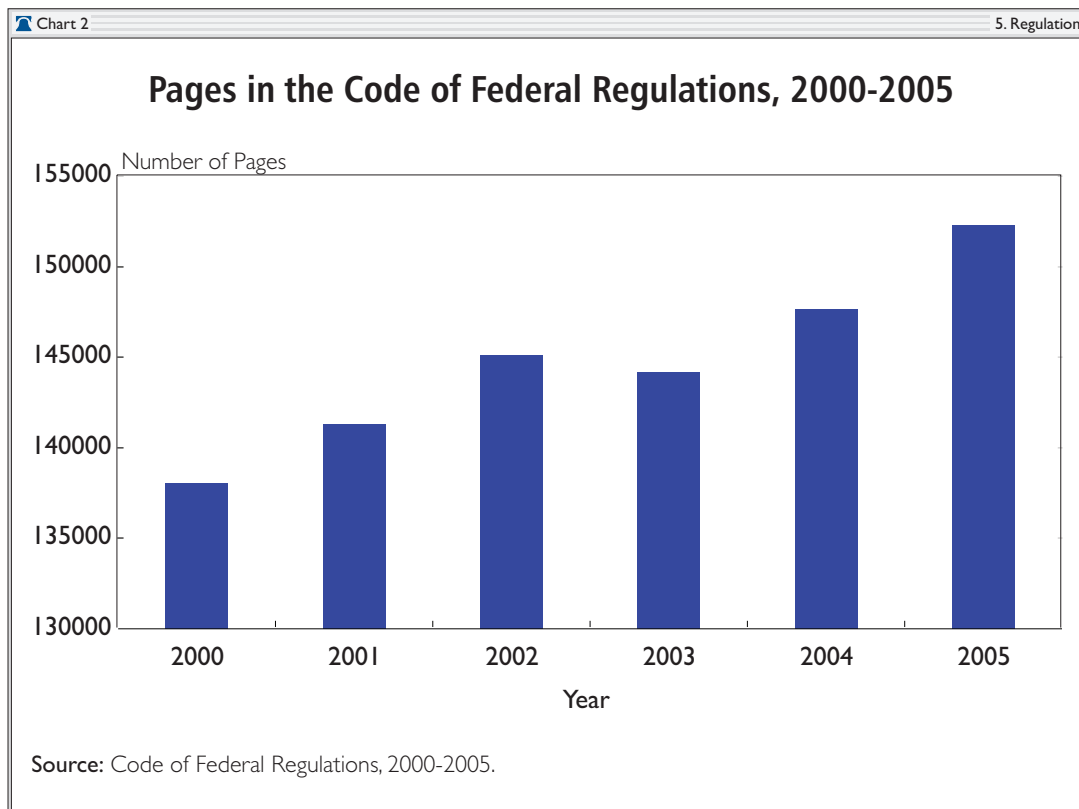
■ President Bush's record on regulation is mixed. Although fewer new regulations are being imposed, the overall regulatory burden is still increasing. In 2005, the federal government adopted 14 new major rules that increased burdens on Americans but only four actions to decrease burdens.

■ Overall, the number of regulations is staggering. The Code of Federal Regulations, a compendium of all federal rules, reached 152,273 pages in 2005. The Federal Register, a daily report of new regulatory actions, rose to over 77,000 pages.

■ According to the Mercatus Center, the total staff of federal regulatory agencies is expected to reach an all-time high of 242,376 in 2006: about one staff member for every 1,000 Americans.

Notes





This chapter can be read online at issues2006.org/regulation.

Additional Reading

W. Mark Crain, *The Impact of Regulatory Costs on Small Firms* (Washington, D.C.: U.S. Small Business Administration, Office of Advocacy, September 2005), at www.sba.gov/advo/research/rs264tot.pdf#search='The%20Impact%20of%20Regulatory%20Costs%20on%20Small%20Firms'.

Marlo Lewis, Jr., "Reviving Regulatory Reform: Options for the President and Congress," *Competitive Enter-*

prise Institute Issue Analysis No. 3, June 22, 2005, at www.cei.org/gencon/025,04446.cfm.

James L. Gattuso, "Reining in the Regulators: How Does President Bush Measure Up?" *Heritage Foundation Backgrounder No. 1801*, September 28, 2004, at www.heritage.org/Research/Regulation/bg1801.cfm.