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The Facts About Regulatory “Reform”

- **The number cited as the annual cost of federal regulations by the U.S. Chamber of Commerce and other foes of public safeguards is phony.**

That figure comes from what is called the Crain and Crain study after its authors, Nicole V. and W. Mark Crain. It was commissioned by the Small Business Administration (SBA) not for the purpose of figuring out how much federal rules cost the economy, but to give the SBA a better handle on the impact of regulation on small businesses, compared to large businesses.

Crain and Crain acknowledge its limitation. In an email to the Congressional Research Service, Crain and Crain stated that their report is “not meant to be a decision-making tool for lawmakers or federal regulatory agencies to use in choosing the ‘right’ level of regulation. In no place in any of the reports do we imply that our reports should be used for this purpose. (How could we recommend this use when we make no attempt to estimate the benefits?)”

Most of the figure comes from flawed regression analysis based on a World Bank index – highly questionable in its own right – based on an opinion survey of business leaders! It also counts \$300 billion in “regulatory costs” attributable to the cost of filing tax returns.

Cass Sunstein, administrator of the Office of Information and Regulatory Affairs, says the \$1.75 trillion figure “should be considered nothing more than urban legend.”

Austan Goolsbee, the Chairman of the Council of Economic Advisers, wrote: “...the \$1.75 trillion figure is utterly erroneous. In fact, their own data (which come from the World Bank) show that countries with smarter regulations have higher standards of living, and the United States has one of the best regulatory systems in the world. And beyond that, their number completely ignores the benefits of regulation.”

- **Regulatory benefits are often discussed only in the context of a threat to job creation, while their role in protecting lives, public health and the environment is ignored.**

Regulatory controls on Big Business have enormous benefits. They save lives and reduce illness. Less pollution, for instance, means fewer cases of asthma and lung disease. Having safer toys on store shelves means fewer children dying after choking on small parts.

The latest Office of Management and Budget (OMB) report shows that between 2001 and 2010, the benefits of major regulations reviewed substantially exceeded their costs. It put the total annual benefits “between \$132 billion and \$655 billion, while the estimated annual costs are in the aggregate between \$44 billion and \$62 billion.” That estimate puts benefits at 2 to 15 times more than the cost!

- **The rulemaking process provides numerous opportunities for business input.**

Rulemaking is the result of lengthy consideration that includes frequent opportunities for public participation by all small businesses, private industries, state and local governments, and members of the public.

- **Small businesses have multiple chances to influence regulations.**

The Regulatory Flexibility Act and the Small Business Regulatory Enforcement Fairness Act assure small business involvement at **two** stages of the process when regulations are proposed that would impact small business interests. Agencies must prepare reports that determine the number of small businesses affected, compliance requirements for them and any alternatives to minimize economic impacts.

Three agencies – the Occupational Safety and Health Administration, the Environmental Protection Agency and the Consumer Financial Protection Bureau – must provide previews of new proposals and receive extensive feedback from small businesses before even giving notice to the broader public.

The Chief Counsel for Advocacy of the Small Business Administration is specifically designated to represent small business interests in the regulatory process by consulting and providing input to the Office of Management and Budget.

- **Despite the propaganda from Big Business, regulations often help the business community, including small businesses.**

Some regulations protect or strengthen certain industries, including small businesses. Other regulations deliver aid to small businesses; for example, the Small Business Administration sets standards for when and how small businesses qualify for special loans or other benefits.

Regulation can foster innovation, as a recent paper by the Economic Policy Institute found. EPI also found regulations can help specific industries, can stabilize the financial and housing markets essential to sound growth, and generally result in net benefits to society.