

Informing Regulatory Decisions: 2004 Draft Report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities

This Draft Report to Congress on regulatory policy was prepared pursuant to the Regulatory Right-to-Know Act. It provides a statement of the costs and benefits of Federal regulations and recommendations for regulatory reforms. The report will be published in its final form later this year, after revisions to this draft are made based on public comment, external peer review, and interagency review.

A major feature of this report is the estimates of the total costs and benefits of regulations reviewed by OMB. Major Federal regulations cleared by OMB from October 1, 1993, to September 30, 2003, were examined to determine their quantifiable benefits and costs. The estimated annual benefits range from \$62 billion to \$168 billion, while the estimated annual costs range from \$34 billion to \$39 billion. A substantial portion of both benefits and costs is attributable to a handful of EPA clean-air rules that reduce public exposure to fine particulate matter.

During the past year, 6 “major” final rules with quantified and monetized benefits and costs were adopted. These rules added \$1.6 to \$4.5 billion in annual benefits compared to \$1.9 billion in annual costs. There were an additional 8 final “major” rules that did not have quantified and monetized estimates of both benefits and costs.

The Report also reviews the international literature on the effects of regulation on national economic growth and performance. Based on a comparison of 130 countries, the ten least regulated economies are Hong Kong, Singapore, the United States, New Zealand, the United Kingdom, Canada, Switzerland, Ireland, Australia and the Netherlands. These same economies have experienced relatively good economic performance measured by economic growth, per capita income and life expectancy. The adverse impacts of regulation may be mediated through factors such as the number of procedures required to start a new business, the time and costs of registering a new business, and the enforceability of contracts. More research is needed to determine the precise causal relationships between regulation and economic growth and performance.

In light of recent concerns about the health of manufacturing in the U.S., the Report reviews the economics literature on the impacts of regulation on manufacturing enterprises. The cumulative costs of regulation on the manufacturing sector are large compared to other sectors of the economy. In response to the large impact of regulation on manufacturing, OMB requests public nominations of promising regulatory reforms relevant to this sector. In particular, commenters are requested to suggest specific reforms to rules, guidance documents or paperwork requirements that would improve manufacturing regulation by reducing unnecessary costs, increasing effectiveness, enhancing competitiveness, reducing uncertainty and increasing flexibility.

The full draft report is available at http://www.whitehouse.gov/omb/inforeg/regpol-reports_congress.html