



# Joint Economic Committee

Representative Kevin Brady • Chairman

## CHAIRMAN KEVIN BRADY JOINT ECONOMIC COMMITTEE APRIL 30, 2014

### *The First Step toward Reducing Red Tape: Better Analysis*

Too often congressional hearings are given titles that merely attract attention. But I believe the title for today's Joint Economic Committee hearing accurately describes what our witnesses are here to talk about and what we should take to heart, namely that the first step toward reducing red tape and achieving regulatory goals is better analysis.

Every Member of Congress recognizes the economic justification and constitutional authority under the Commerce Clause in Article I, Section 8 of the U.S. Constitution for balanced Federal regulation to protect public health and safety, preserve our environment, and prevent fraud of all kinds. At the same time, many Members of Congress also recognize that federal regulation has become overly burdensome and costly to job creators and the economy alike. Some regulations, regrettably, are even counterproductive.

As the volume of federal regulation has grown, regulation has done less to advance its stated goals and imposed ever more costs. These costs include slower economic growth, higher uncertainty that inhibits business investment and job creation, foregone product and process innovations, a lessening in the international competitiveness of American businesses, and stagnant incomes for hardworking American families. Unnecessarily burdensome regulation also aggravates our country's long-term fiscal imbalance by inhibiting the natural growth of federal revenues under existing tax law.

Consider the following facts:

- In 2013, the federal government issued 3,659 final rules contained on 26,417 pages, a record number in the Federal Register. Including proposed rules, the Federal Register finished 2013 with 79,311 pages.
- Four of the five highest regulatory page counts have occurred during President Obama's administration; the all-time record being 81,405 pages in 2010.
- Mr. Wayne Crews, the author of *Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State*, estimates the overall annual cost of regulatory compliance to be \$1.9 trillion, about equal to the economy of Australia, Canada, or Italy.
- Mr. Crews estimates that U.S. households face an annual hidden regulatory "tax" of \$14,974.
- In last year's draft report to Congress on the benefits and costs of federal regulation, the Office of Management and Budget (OMB) stated that executive agencies and independent regulatory agencies promulgated a combined total of 68 major rules during 2012, (each of which have an impact of \$100 million or more). Alarming, OMB presented a cost-benefit analysis for a miniscule 14 of them.

- Looking longer term, during the decade ending in 2012, federal agencies published 37,786 final regulatory rules—with OMB presenting cost-benefit analysis for only 115 regulations. That is 3/10 of one percent—meaning only three in every 1,000 regulations were subject to a complete analysis of their effects on the U.S. economy, job creators and families. For a nation seeking a smarter, more efficient government, that is just shameful.

America’s regulatory system should be designed to achieve the greatest good at the least cost. Both Republicans and Democrats should be able to agree on that principle.

Smart, effective regulations should seek to reduce rates of illness, mortality and pollution—but not by reducing economic growth, job creation, and the incomes of hardworking American families out of neglect or disregard.

Safety and security must not come at the cost of stagnation, unemployment and lower incomes that rob from the middle class. Yes, there will be tradeoffs, but too often our federal regulatory system pursues singular objectives blind to the unintended consequences of its methods—and indeed often does not even focus on realizing the intended results.

We need a better way to sift through regulations both proposed and existing; transparently identify their true costs; and find the least costly, least intrusive way to achieve the goals on which we all agree.

We cannot do that without better analysis.

My colleague, Senator Dan Coats, and I have introduced the *Sound Regulation Act* to improve the regulatory process through better analysis.

The *Sound Regulation Act* would:

- Expand accurate cost-benefit analysis to all federal regulatory agencies—beyond executive branch agencies to independent agencies as well—and close loopholes that allow some federal agencies to skirt the requirement for objective economic analysis.
- End agency bias and establish more public transparency by requiring agencies to clearly identify the nature and significance of the market failure or other problem that necessitates regulatory action; establish an achievable objective for regulatory action; and publish for public comment in advance the method and process for objectively weighing the costs and benefits of the proposed regulation;
- Encourage more innovative solutions by requiring the development and evaluation of the costs and benefits of at least three regulatory options ranked by cost from lowest to highest;
- Justify the choice of any option that is not the least cost method of achieving its regulatory objective; and;
- Review existing regulations on a timely basis to determine the success and costs of the regulation in the real world.

The *Sound Regulatory Act* would not dictate solutions or how to achieve them; instead, it would provide a better framework for rule-making by federal regulators so that regulations work more effectively and at less cost to the American economy. I believe that all Members of Congress in both chambers and both parties can ascribe to this goal.

With that, I look forward to the testimony to today’s witnesses.