



## **Republican National Committee**

**Counsel's Office**

### **RESOLUTION ON WEALTH AND REGULATION: HOW REGULATORY REFORM CAN HELP REIGNITE INNOVATION AND CREATE NEW JOBS AND NEW ECONOMIC GROWTH**

WHEREAS, America works best when Americans are working; and

WHEREAS, The United States has a crisis of work with too many Americans unemployed or underemployed; and

WHEREAS, The current crisis of work represents a human tragedy for millions of Americans, many of whom are being relegated, along with their families, to decaying job skills, long-term unemployment, welfare, and hopelessness; and

WHEREAS, The current crisis of work has led to a deterioration of public finances, with an ever expanding national debt and no credible plan for balancing the federal budget; and

WHEREAS, The current crisis of work is an artificial crisis, sustained by the Democratic Party's and Obama administration's flawed understanding of how a capitalist economy succeeds in spurring innovation and generating new work opportunities as well as by the destructive economic, regulatory, and social policies this administration has adopted as a result; and

WHEREAS, This artificial crisis of work can be reversed as rapidly as the human mind can embrace a truer understanding of how a capitalist economy succeeds in spurring innovation and maximizing the creation of new work opportunities; and

WHEREAS, The Republican Party has consistently understood that the best conditions for a capitalist economy to innovate, grow, and create new jobs and new opportunities for the widest number of Americans include the rule of law, property rights, sound money, and clear and predictable tax rates and regulations, all of which must be defended and enforced by constitutional government;

WHEREAS, Federal regulations that are unclear, burdensome, arbitrary, complex, costly, and inequitable impose real costs on the lives of individual Americans and present an especially egregious obstacle to job creation and the growth potential of the economy; and

WHEREAS, The destructive human and economic impact of the current array of federal regulations requires special national attention and an energetic national movement for regulatory reform led by the Republican Party (ATTACHMENT A hereto identifies two representative studies of the tremendous economic cost of federal regulations); and

WHEREAS, The wealth of a capitalist economy grows through the accumulation of knowledge. As Thomas Sowell observed in 1971: “All economic transactions are exchanges of differential knowledge, which is dispersed in human minds around the globe”; and

WHEREAS, Federal regulations that are not simple, clear, understandable, low cost, or predictable are an enemy of the knowledge accumulation and are therefore an enemy of the growth of individual and national wealth. As Jude Wanniski wrote, “Growth comes not from dollars in people’s pockets but from ideas in their heads;” and

WHEREAS, Any participant in the economy who confronts ambiguous, burdensome, and arbitrary federal regulations cannot act, cannot gain, share or receive new knowledge, cannot learn and therefore cannot innovate, and therefore cannot do their part to push the economy forward; and

WHEREAS, Federal regulations that protect enterprises from failure and therefore prevent the generation of new knowledge made possible from failure are equally destructive of the growth of individual and national wealth; and

WHEREAS, Regulatory reform that restructures, reduces, and/or eliminates wealth distorting regulations can liberate economic activity with enormous speed and become a tremendous driver of new economic growth and new work opportunities to end the current crisis of work; and

WHEREAS, Effective regulatory reform will only be made possible with the focus and attention of the Republican Party and its officeholders and candidates; therefore be it

RESOLVED, That the Republican National Committee calls upon all Republicans in the House and Senate, presidential and other federal and state candidates, Governors and state legislators to make it a top priority to explain to the public (i) the individual and economic costs imposed by burdensome federal regulations, (ii) how ill considered regulations stifle human creativity and the accumulation of knowledge and innovation that allows for economic growth and job creation and which makes individual and national wealth possible, and (iii) the principles that should govern the reform of existing federal resolutions and the drafting and implementation of any new federal regulations.

## **ATTACHMENT A**

# **Two Representative Studies of the Financial Impact Of Federal Regulation**

## **The Competitive Enterprise Institute's "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State"**

Description from the CEI Website:

Ten Thousand Commandments is an annual report by **CEI Vice President for Policy Wayne Crews** on the growing compliance costs of federal regulations. The purpose of the report is to hold legislators and regulators accountable for the regulatory burdens they impose on American business owners, workers, and families.

**About the report:** The federal government primarily funds its programs in three ways. The first is to raise taxes to pay for new programs. The second is to borrow money to pay for them (with a promise to pay back that borrowed money, with interest, from taxes collected in the future).

The third way the government can accomplish its goals is to regulate. That is, rather than pay directly and book the expense of a new initiative, it can require that the private sector and lower-level governments pay. By regulating, the government can carry out desired programs but avoid using tax dollars to fund them. This process sometimes allows Congress to escape accountability and to blame agencies for costs. Since disclosure and accountability for regulation are limited, policymakers have little incentive to care about the extent of regulatory costs or where those costs stand in relation to ordinary government spending. Regulatory costs are unbudgeted and lack the formal presentation to the public and media to which ordinary federal spending is subject, and thus regulatory initiatives allow the government to direct private-sector resources to a significant degree without much public fuss. In that sense, regulation can be thought of as off-budget taxation.

### **Highlights from the 2013 report:**

- Total costs for Americans to comply with federal regulations reached \$1.806 trillion in 2012. For the first time, this amounts to more than half of total federal spending. It is more than the GDPs of Canada or Mexico.
- This is the 20th anniversary of Ten Thousand Commandments. In the 20 years of publication, 81,883 final rules have been issued. That's more than 3,500 per year or about nine per day.
- The Anti-Democracy Index – the ratio of regulations issued to laws passed by Congress and signed by the president – stood at 29 for 2012. That's 127 new laws and 3,708 new rules – or a new rule every 2 ½ hours.

- Regulatory costs amount to \$14,678 per family – 23 percent of the average household income of \$63,685 and 30 percent of the expenditure budget of \$49,705 and more than receipts from corporate and personal income taxes combined.
- Combined with \$3.53 trillion in federal spending, Washington's share of the economy now reaches 34.4 percent.

**The following May 20, 2013 Wall Street Journal editorial spotlighted the 2013 report:**

## **Red Tape Record Breakers**

*A new study puts the cost of regulation at \$14,768 per household.*

**Wall Street Journal**  
**May 19, 2013**

President Obama is opposing a bill passed by the House last week that would require the Securities and Exchange Commission to better measure the costs and benefits of new regulations. That's no surprise considering that the latest annual index of federal rules shows that Team Obama is now the red tape record holder.

For two decades, Wayne Crews of the Competitive Enterprise Institute has tracked the growth of new federal regulations. In his 20th anniversary edition this week, he'll report that pages in the Code of Federal Regulations hit an all-time high of 174,545 in 2012, an increase of more than 21% during the last decade.

Relying largely on government data, Mr. Crews estimates that in 2012 the cost of federal rules exceeded \$1.8 trillion, roughly equal to the GDP of Canada. These costs are embedded in nearly everything Americans buy. Mr. Crews calculates these costs at \$14,768 per household, meaning that red tape is now the second largest item in the typical family budget after housing.

Last year 4,062 regulations were at various stages of implementation inside the Beltway. The government completed work on 1,172, an increase of 16% over the 1,010 that the feds imposed in 2011, which was a 40% increase over 722 in 2010.

Another way to measure the regulatory burden is by pages in the Federal Register, which includes new rules as well as proposed rules and supporting documents. By that measure the Obama Administration did not break the all-time record of 81,405 pages it set in 2010. But the 78,961 pages it churned out in 2012 mean that the President has posted three of the four greatest paperwork years on record.

And to be fair, if Mr. Obama were ever to acknowledge that this is a problem, he could reasonably blame George W. Bush for setting a lousy example. Despite the Obama myth that the Bush years were an era of deregulation, the Bush Administration routinely generated more than 70,000 pages a year in the Federal Register.

When it comes to "economically significant" rules, which are those estimated by the feds to cost at least

\$100 million each, Mr. Crews notes that the current Administration is "in a class by itself." The bureaucracy finished up 57 such rules in 2012 and another 167 are in the pipeline.

These are largely the progeny of the Affordable Care Act, Dodd-Frank and the EPA's effort to use regulation to impose an anti-carbon-fuels agenda that even a Democratic Senate won't pass. Since Mr. Obama doesn't want to accurately assess the costs of these rules, we'll rely on Mr. Crews.

<http://online.wsj.com/news/articles/SB10001424127887323582904578485241326184204>

### **NEW STUDY: "Federal Regulation and Aggregate Economic Growth"**

In June 2013, John Dawson and John Seater, economists at Appalachian State University and North Carolina State University, respectively, published a new study in the *Journal of Economic Growth* "Federal Regulation and Aggregate Economic Growth" that details the cost effects of regulatory accumulation on the US economy.

The short summary is this: Dawson and Seater find that, on average, federal regulation reduced economic growth in the US by about 2% annually in the period from 1949 to 2005.

Here is a relevant excerpt that describes the size of the reduction:

We can convert the reduction in output caused by regulation to more tangible terms by computing the dollar value of the loss involved. [...] In 2011, nominal GDP was \$15.1 trillion. Had regulation remained at its 1949 level, current GDP would have been about \$53.9 trillion, an increase of \$38.8 trillion. With about 140 million households and 300 million people, an annual loss of \$38.8 trillion converts to about \$277,100 per household and \$129,300 per person.

While this study assumes no additional federal regulation during the period 1949-2005 to arrive at its figures – an assumption we are not suggesting should have been the case -- the study is helpful in quantifying the cost impact federal regulations have on economic growth over time. It is a most helpful reminder of the long term cost effects of federal regulation and a caution that federal regulation must be constructed with an abundance of good judgment lest we unnecessarily undermine the long term growth potential of the economy.

*\*As adopted by the Republican National Committee on January 24, 2014.*