

The Daily Dish

Small Business and the Regulatory State – An Update

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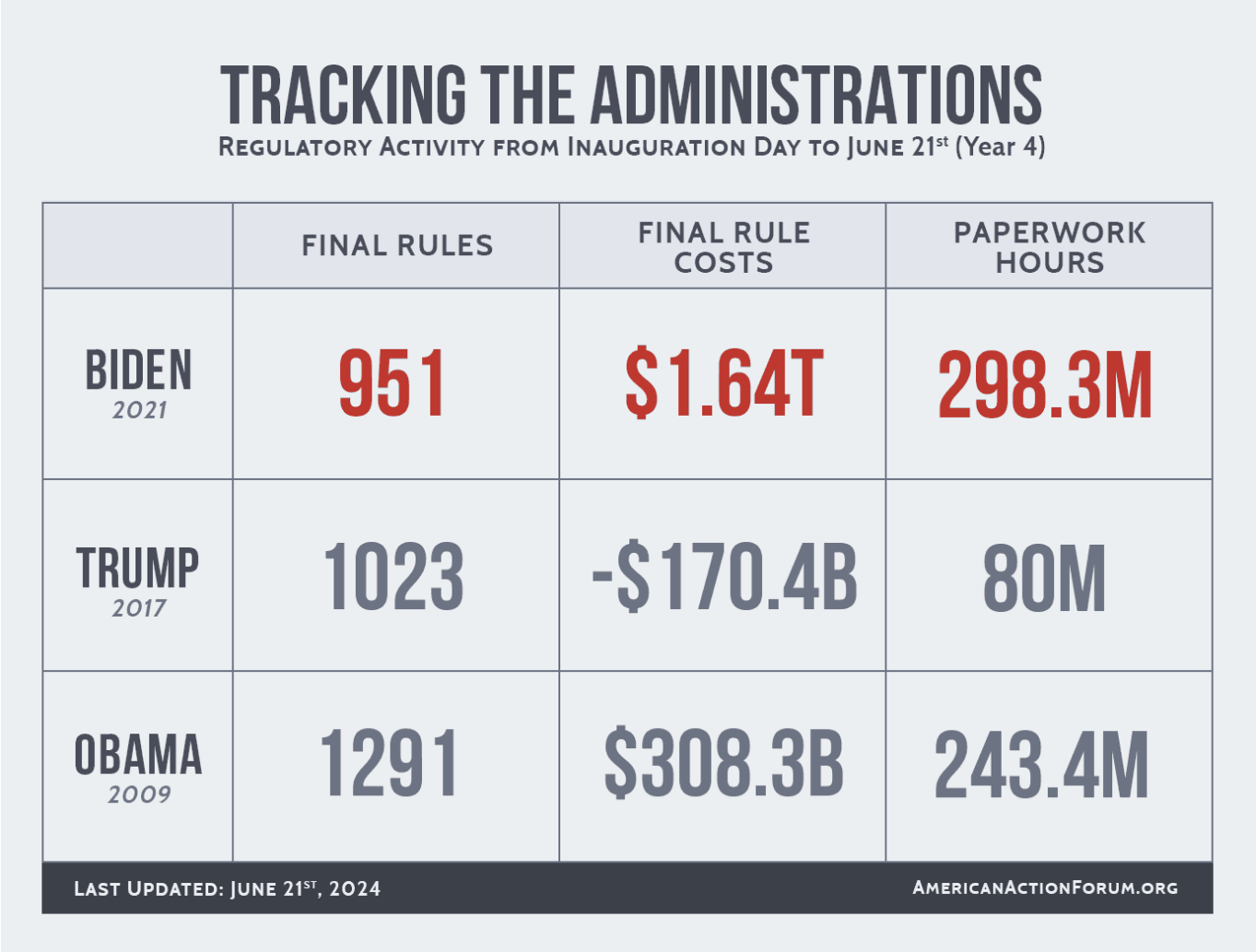
Regular readers of Eakinomics are aware of the efforts of Dan Goldbeck and AAF's Regulation Rodeo to regularly track the burden imposed by federal agencies' rulemakings. This chart, reproduced from the most recent Week in Regulation, is stark testimony on the burdens produced by the Biden Administration.

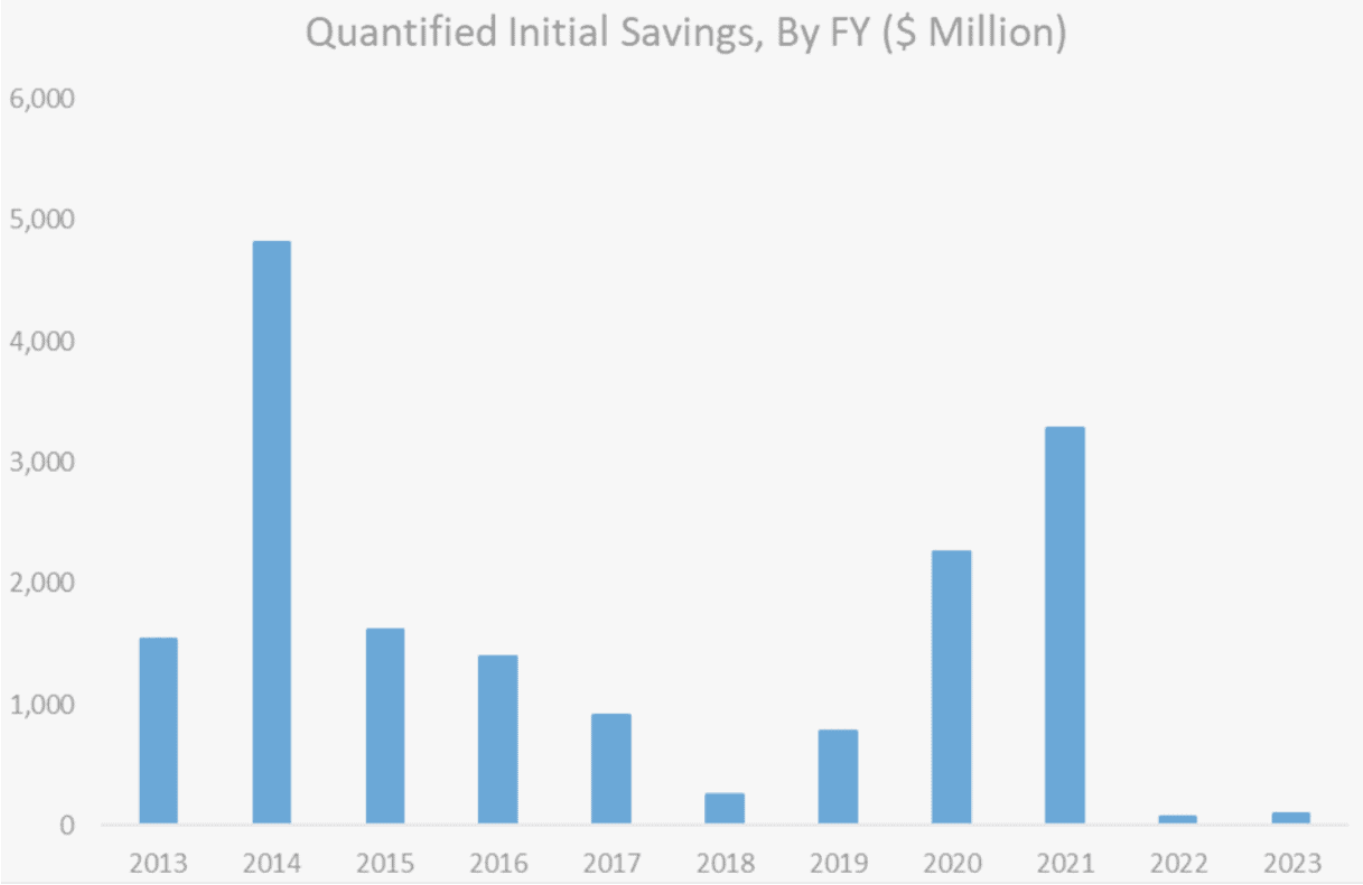


A long-established concern about federal red tape is its disproportionate impact on small businesses. With an eye to this threat, Congress passed the Regulatory Flexibility Act (RFA) in 1980. As described in Dan Goldbeck's latest insight:

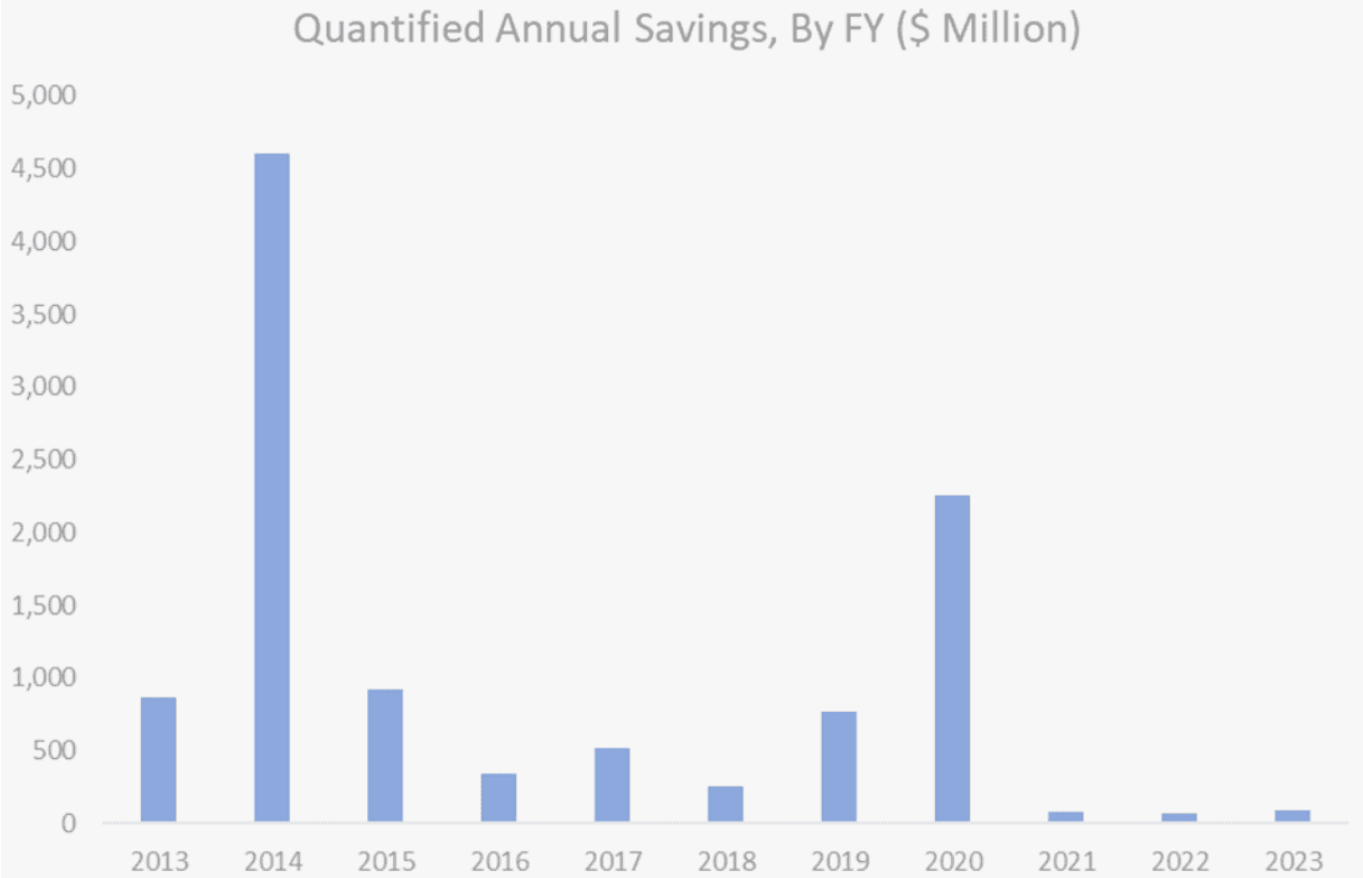
> *The Office of Advocacy of the Small Business Administration (Advocacy), established in 1976, is a relatively small, obscure agency with a rather unique mission: to be "the independent voice for small business in the federal government." The Regulatory Flexibility Act (RFA) of 1980 further empowered Advocacy, but also tasked it with certain duties, including the production of an annual report (Advocacy RFA Report) on how federal agencies are complying with the RFA, as well as any relevant updates from Advocacy on its efforts in the rulemaking process.*

The report identifies the degree to which agencies shield small businesses from the impact of their new regulations. Goldbeck provides a detailed breakdown of the report, but the

bottom line is captured in two graphs contained in his research. The first shows one-time savings provided by RFA efforts as regulations are imposed.



The second shows the ongoing savings produced by RFA efforts initiated by those same regulators.



The essence is clear: While 2021–2023 represents a regulatory tsunami, the RFA is not providing protection to the small business community from this onslaught.

What are the implications? Certainly, the economy appears to be resilient over the near term. Yet the greater threat is to the trend rate of productivity and real economic growth. Indeed, one can think of the extensive use of administrative actions as the natural substitute when it is no longer possible to implement policies via spending bills. In this way, the administrative burden is simply another manifestation of poor fiscal policies that have plagued the United States in the 21st century.