The Daily Dish

A Head Fake on Regulatory Costs

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Regular readers of Eakinomics are familiar with its focus on the cost burden of the regulatory state. This stems not from some reflexive, unthinking dislike of regulations or government, but rather for three good reasons:

- Those regulatory costs are the non-tax equivalent of federal revenues, indicating the scale of both the government policy and the likely distortion of private economic decisions and growth (including the decision to enter a new market);
- The costs will be borne by someone and thus will affect real wages, the return to capital investment, or the cost of goods and services to households; and
- For any given policy, minimizing the regulatory costs is a way to produce high-value regulations.

From this perspective, the first year of the Biden presidency was alarming – the cost burden of 283 finalized regulations was just a hair over $200 billion and the largest first-year total on record. So, it was with a sigh of relief that I learned from AAF's Daniel Bosch that "Federal agencies collectively finalized $117.1 billion in net regulatory costs in 2022…." Granted, this was still the fifth-highest total, but perhaps a trend toward a more streamlined regulatory state was emerging?

No such luck. As Bosch noted: "…the administration also proposed 311 rules that, if finalized as is, would add another $191.2 billion. Those rules will likely be finalized during the remainder of the Biden Administration's current term, suggesting that expensive regulations will continue for the foreseeable future."

In short, expect regulatory costs to be a continued headwind to growth, both directly and because the costs imposed add to the inflationary pressures that the Federal Reserve is forced to fight. A less costly executive agenda would be a favor on both fronts. (And, as an aside, one still does not know what the regulatory agenda will be. The administration has not released the fall version of the Unified Agenda – a failure that has only happened once before – outlining its regulatory plans.)

One might think that the expensive regulatory push stems from a large signature initiative such as climate change policy. As Bosch's work makes clear, this is far from the case. The three most expensive regulations were for information reporting (Beneficial Ownership Information Reporting Requirements at $84.1 billion), energy and the environment (Corporate Average Fuel Economy Standards for Model Years 2024-2026 Passenger Cars and Light Trucks at $15.6 billion), and immigration (Deferred Action for Childhood Arrivals at $9.4 billion). Similarly, the regulatory costs are spread across a wide array of agencies.

With little promise of a substantial legislative agenda, expect there to be increasing – and merited – attention on the scope and cost of the administration's regulatory plans.