

PETER ROFF

Study Confirms Cutting Federal Regulations Lowers Unemployment

By [PETER ROFF](#)

Posted: April 12, 2011

Many prominent economists hold to the view that government regulation is a form of taxation. Except that, rather than take money out of the economy to perform some function, regulations require the expenditure of private money to achieve some arguably public good.

In that sense, then, unlike taxes, the cost of regulation to the individual and to the economy as a whole is largely hidden from view. People disagree on regulations' effects and whether they promote or retard productive economic activity. One thing is for sure, though: The hidden cost helps protect the political class from their consequences. [\[Check out a roundup of political cartoons about the budget and the deficit.\]](#)

The effort to accurately assess regulatory costs will take a giant step forward Wednesday when [the Phoenix Center for Advanced Legal & Economic Policy Studies](#) releases a new study that uses 50 years of data and modern econometric methods to quantify the relationship between [government spending](#) on regulatory activity and economic growth and [job recovery](#).

In [Regulatory Expenditures, Economic Growth and Jobs: An Empirical Study](#), the center finds that reducing the size of the federal regulatory budget by even modest amounts will have significant positive effects on both GDP and private sector growth.

"In particular," the group says, "even a small 5 percent reduction in the regulatory budget (about \$2.8 billion) would result in about \$75 billion in expanded private-sector GDP each year, with an increase in employment by 1.2 million jobs annually."

"On average," the Phoenix Center says, "eliminating the job of a single regulator grows the American economy by \$6.2 million and nearly 100 private sector jobs annually. Conversely, each million dollar increase in the regulatory budget costs the economy 420 private sector jobs." [\[Check out cartoons on the economy.\]](#)

"Our statistical analysis of historical data indicates that federal expenditures on regulatory activity have a significant impact on the size of the private-sector economy and private-sector employment," says Dr. George S. Ford, chief economist of the Phoenix Center. "While the entire federal budget must be cut to address the deficit problem, the evidence indicates that reductions in the overall federal regulatory budget may substantially impact the growth of economic output and employment."

The study is likely to be a bombshell. The recently concluded agreement on spending for Fiscal Year 2011 and the federal budget for 2012 proposed by Wisconsin Rep. [Paul Ryan](#) take on the issue of spending in a way that has many in the political class up in arms. The Phoenix Center study will only add much-needed fuel to the fire, which is already blazing.

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