



Why Do Politicians Pursue Regulatory Reforms?

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Regulation was a hot topic in the 2012 presidential campaign, with the Republican challenger accusing President Obama of issuing an “onslaught of regulations” that caused a slowdown in the startups of new businesses. In Congress, the rhetoric has been even more heated. The 113th Congress is currently considering 23 bills to change the way that federal agencies write regulations. The changes at issue would force agencies to go through more steps each time they write a regulation – including getting Congressional approval, doing more economic analysis, and soliciting additional public input.

Many state-level politicians are demanding similar regulatory reforms – and state legislatures across the United States regularly pass laws reshaping regulatory processes. Proponents say they are aiming to reduce the numbers of regulation and prevent rules from harming business and the economy. Do these rationales hold up? A colleague and I have done extensive research on regulatory reforms in 28 states – and we find considerable evidence that the reform craze is much more about political gain than about administrative efficiency or economic benefits.

Do Reforms Reduce the Number of Regulations?

In our study of 28 states, we tracked regulatory reforms enacted as well as the number of regulations issued by each state’s agencies in one year. We looked at three different types of reforms: new requirements for legislative review of particular regulations, requirements for gubernatorial review of regulations, and requirements for extensive economic analysis as regulations are considered.

Tellingly, we found no relationship between adoptions of such reforms, singly or in combination, and the sheer number of regulations issued in each state. Requiring additional reviews and more analysis, in short, did not reduce the numbers of regulations – despite the rhetoric that often accompanies their enactment.

What else could be going on? Partisan leanings were the key influence. States with legislatures controlled by Democrats systematically issued more regulations than states with Republican or split legislatures. Regulations do not seem to be the product of bureaucrats run amok, but rather the product of bureaucrats following the proclivities and instructions of elected officials.

Regulation and the Economy

An article of faith for politicians who push reforms is that regulations hurt the economy. According to a recent study, mentions of “job-killing regulations” increased in the media by more than a factor of 17,000 between 2007 and 2011. Even if attempts at regulatory cutbacks aren’t very effective, maybe legislatures and governors enact them because they believe that even tiny gains in reducing regulation will have small positive effects on

the economy. Maybe they think it is worthwhile to keep chipping away at regulatory boulders.

However, research reveals mixed and unclear economic effects from regulations:

- Many studies have looked at the effects of environmental regulations, and others examine regulatory impacts on the economy more generally. Although some have found that regulations reduce jobs, others find employment increases – for example, because environmental regulations boost industries that make and sell pollution control equipment.
- Additional studies have probed relationships between regulation and employment, and between regulation and productivity, only to conclude that the relationships are weak.
- Our own study found no relationship between the number of state-level regulations issued and numbers of business start-ups or closings.

Why Do Regulatory Reforms Keep Happening?

If the public rationales bear little relationship to the actual effects of regulatory reforms, why do politicians continue to pursue them? By supplementing our data on 28 states with extensive interviews in two states, Pennsylvania, and North Carolina, we learned more about why these reforms are so attractive to lawmakers. The re-election prospects of incumbent politicians depend to a significant degree on the fortunes of the economy. But individual legislators and governors – even the President of the United States – have few tools at their disposal to speed economic growth. Regulations are an easy culprit to finger when growth is slow, and making changes in the regulatory process allows politicians to claim credit and respond to constituents.

Process reforms as a way to claim credit for economic progress. Denouncing regulations during an election campaign is one thing, but when the candidate gets into office, repealing regulations turns out to be both difficult and not uniformly popular. For example, public health supporters might push back against deregulation as pro-pollution. What to do? Supporting changes in the regulatory process is safer. If constituents worry that regulations hamper the economy – and opinion surveys show that they do – then making changes in the regulatory process allows politicians to claim credit without repealing any actual regulations.

New openings for constituent service. Regulatory reforms allow officeholders as well as interest groups and members of the public to get more involved. Politicians can influence legislative or executive bodies set up to review regulations, and new analyses provide information about the effects of regulation on constituents. One telling story we heard featured a legislator who submitted a comment to regulatory reviewers. When a member of the review body thanked him, the legislator explained that he did not care if the reviewers actually read the comment; he just wanted to be able to tell a concerned constituent that he was trying to influence regulatory decisions of concern to that constituent.

In sum, regulatory reforms are popular with legislators not because they actually change much or greatly help the economy, but because they are as an excellent way to burnish political reputations and improve prospects for re-election.

Read more in Stuart Shapiro and Debra Borie-Holtz, *The Politics of Regulatory Reform* (Routledge, 2013).

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