New American

Written by **Brian Koenig** on August 17, 2011

Regulatory Agencies Boom Under Obama Administration

While the private-sector is drowning under a perpetual recessionary storm, U.S. regulatory agencies are flourishing. “If the federal government’s regulatory operation were a business, it would be one of the 50 biggest in the country in terms of revenues, and the third largest in terms of employees, with more people working for it than McDonald’s, Ford, Disney and Boeing combined,” writes John Merline of Investors.com.

Indeed, the federal regulatory business is thriving, and if there is one “victory” President Obama can declare, this is it, because government regulation has grown rapidly under his watch. From Investors.com:

> Regulatory agencies have seen their combined budgets grow a healthy 16% since 2008, topping $54 billion, according to the annual “Regulator’s Budget,” compiled by George Washington University and Washington University in St. Louis.
>
> That’s at a time when the overall economy grew a paltry 5%.

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Since Obama took office, 75 new major regulations have been enacted, costing $38 billion annually, according to a study by the Heritage Foundation. “No other president has imposed as high a number or cost in a comparable time period,” wrote James Gattuso, the study’s author.

The Heritage study predicts that this flood of new red tape will only intensify, as hundreds of new regulations will flow from the tentacles of ObamaCare, the Dodd-Frank financial regulation law, and the EPA’s war on global warming.

According to the Government Accountability Office, between October 2010 and March of this year, 1,827 rulemaking proceedings were completed, 37 of which were classified as “significant” or “major,” meaning their expected economic impact surpassed $100 million per year. According to estimates by regulatory agencies, 15 of these new major regulations have combined annual costs of a whopping $5.8 billion.

The number of pages in the *Federal Register*, which chronicles all new and proposed rules and regulations, jumped 18 percent in 2010. Further, the *Federal Register* documents more than 4,200 regulations in waiting, not including new EPA clean air rules, ObamaCare mandates, new fuel economy standards, or Dodd-Frank regulations.

With all that said, these regulatory costs, which place debilitating strain on the private-sector, are transferred into assets for the government in various forms. One form is through the government workforce.

A report by George Washington University and the Weidenbaum Center on the Economy, Government, and Public Policy found that between 2009 and 2010, regulatory staff at government agencies increased around 3 percent — or by almost 9,000 workers — and is predicted to rise another 4 percent in 2011. So while government regulatory agencies skim dollars off the top off business profits, the private-sector workforce endures its comatose state.

According to a 2010 study by the Small Business Administration, by 2008 the cost for the private-sector to comply with federal regulations will exceed $1.75 trillion a year, and surprisingly, regulatory costs for small businesses are worse than large corporations. Inc.com expounded:

> Businesses with 20 employees or fewer pay 36 percent more than their larger counterparts (defined as those with 500 or more employees), says the report — called "The Impact of Regulatory Costs on Small Firms" — from the SBA's Office of Advocacy. This is because a lot of costs are fixed — the same whether you have two employees or 2,000. Total annual cost of following the rules for a small business: $10,585 per employee, or about $2,830 more than big business. Businesses with 20 to 499 employees paid about $7,454 per employee, or about $300 less than the largest companies.

Of all U.S. businesses, 89 percent employ fewer than 20 workers, while large businesses account for a mere 0.3 percent of all U.S. businesses.

The SBA report explains further the consequences of burdensome regulations: "If federal regulations place a differentially large cost on small business, this potentially causes inefficiencies in the structure of American enterprises, and the relocation of production facilities to less regulated countries, and adversely affects the international competitiveness of domestically produced American products and services."

By no means was President George W. Bush innocent of private-sector regulations, but Obama has continued to build these regulatory barriers at an accelerated rate. The following is a letter Obama wrote in the early months of his presidency:

> Only coordinated international action can prevent the irresponsible risk-taking that caused [the financial] crisis. That is why I am committed to seizing this opportunity to advance comprehensive reforms of our regulatory and supervisory framework.
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> All of our financial institutions — on Wall Street and around the globe — need strong oversight and common sense rules of the road. All markets should have standards for stability and a mechanism for disclosure. A strong framework of capital requirements should protect against future crises. We must crack down on offshore tax havens and money laundering.
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> Rigorous transparency and accountability must check abuse, and the days of out-of-control compensation must end. Instead of patchwork efforts that enable a race to the bottom, we must provide the clear incentives for good behavior that foster a race to the top.

This is the ideology the President of the United States represents. Unfortunately for the U.S. economy, perception is critical to the markets. And when markets perceive a government which strives to place heavy burdens on their business operations, unemployment will indefinitely continue to burden the unemployed.

Graphic: A cartoon parody of FDR's New Deal "alphabet soup" agencies using alphabet cards.