



Written by [Alex Newman](#) on September 15, 2014

## Federal Regulations Cost U.S. \$2 Trillion Per Year, Study Shows

Federal regulations imposed on America have been costing the U.S. economy more than \$2 trillion every year and growing, according to a [new study](#) that sought to quantify the economic damage inflicted by Washington, D.C., politicians and bureaucrats. That drag represents well over 10 percent of GDP, the report said. Especially burdened under the perpetually expanding regulatory regime are manufacturers and small businesses — two of the key sectors urgently needed to drive employment, growth, and exports amid ballooning U.S. trade and budget deficits. The most harmful and costly regulations and decrees, researchers found, surround alleged “environmental” issues.

### Opportunities are Open



The shocking study, entitled “The Cost of Federal Regulation to the U.S. Economy, Manufacturing, and Small Business,” only looked at the economic damage inflicted through the year 2012. In recent years, though, the Obama administration — the Environmental Protection Agency (EPA) in particular — has unveiled an avalanche of new decrees set to wreak even more havoc on the fragile and embattled U.S. economy. In other words, the cost of federal regulations in 2014 is undoubtedly higher. Over the last decade alone, more than 37,000 federal regulations have been imposed on the American people and their businesses.

Almost 90 percent of manufacturers surveyed said they view regulatory compliance as a “top business challenge.” The pace and burden of the decrees, meanwhile, is still accelerating, with the Obama administration adding an [almost unimaginable 11,000 pages of regulations in just his first three years in office](#). The National Association of Manufacturers (NAM), the trade organization that commissioned the recently released report, said it was time for lawmakers on both sides of the aisle to come together and fix the system before it inflicts further damage.

“To maintain manufacturing momentum and encourage hiring, the United States needs government policies more attuned to the realities of global competition,” explained NAM President and CEO Jay Timmons in the summary of the 77-page report. “Our regulatory system produces unnecessarily costly rules, duplicative mandates, impediments to innovation and barriers to our international competitiveness.”

According to the study’s analysis, an average U.S. company pays a stunning \$10,000 per employee every year to comply with federal regulations alone, without including state and local rules. Even more alarming, the average U.S.-based manufacturer shells out almost double that number — about \$20,000 every year for each employee. Focusing just on small manufacturers — businesses with less than 50



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employees — paints an even more troubling picture. On average, they paid nearly \$35,000 per year per employee just to comply with federal regulations.

Those already gargantuan costs are expected to continue mushrooming — harming and bankrupting businesses, putting Americans out of work, sending jobs, capital, and companies overseas, and more — unless and until lawmakers take action to rein in the sprawling regulatory regime. Experts and economists say the EPA's upcoming regulatory regime [targeting carbon dioxide \(human breath\) as "pollution," for example](#), is set to unleash potentially unprecedented devastation on the U.S. economy and American families already struggling to survive financially.

Other oncoming decrees could prove to be even more destructive. "These costs don't even include the more significant regulations heading our way, such as a new ozone standard from the Environmental Protection Agency that would be the most expensive regulation in U.S. history," NAM chief Timmons explained in a statement with the report. "These and other regulations mean an even larger burden on our country's small manufacturers. Now is the time to return clear-eyed economic analysis to the policy process and ease the burden on job creators across the country."

NAM estimated that the new EPA "ozone" scheme could reduce U.S. GDP by more than \$250 billion, while killing some three million jobs and sending energy costs soaring even higher. "This move could usher in the most expensive regulation in our history and, frankly, could tank our economy," Timmons warned, echoing concerns expressed by business leaders and economists across America. While he emphasized that manufacturers were not "anti-regulation," if the economy is going to grow and thrive, changes in the regulatory regime and its costs are desperately needed.

"If we are to succeed in creating a more competitive economy, we must reform our regulatory system so that manufacturers can innovate and make better products instead of spending hours and resources complying with inefficient, duplicative and unnecessarily burdensome regulations," Timmons said. "Manufacturers are committed to commonsense regulatory reforms that protect the environment and ensure public health and safety, while also promoting economic growth and job creation. The time is now for members of both parties to work together to reform our regulatory system."

In a survey conducted for the study, almost two-thirds of manufacturers indicated that they would spend funds currently allocated for "federal regulatory compliance" on investments. That would lead to, among other benefits, higher productivity, more innovation, more jobs, better wages, greater international competitiveness, and much more. Another 22 percent would spend those dollars on employee initiatives, improving the lives of American workers and their families. Instead, though, all of those resources that could have been put to productive use are being squandered trying to comply with a growing tsunami of indecipherable and arbitrary federal regulations and decrees.

A handful of self-styled "progressive" activists have lashed out at the NAM study and the economists commissioned to produce it, claiming, rather implausibly, that tens of thousands of pages of federal regulations are crucial to saving Americans from themselves. However, NAM's results largely confirm the findings of numerous other studies. A Competitive Enterprise Institute report released in May, for instance, suggested that the regulatory apparatus is suffocating the U.S. economy [to the tune of around \\$2 trillion per year](#) — in addition to the almost \$4 trillion federal budget.

Even as the political class in Washington, D.C., continues to wreak havoc on the U.S. economy, the swarms of federal bureaucrats enforcing all of the schemes are becoming [militarized to the point of absurdity](#). Why, for instance, does the Department of Agriculture need sub-machine guns? Why is the



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Department of Education deploying SWAT teams to break down citizens' doors? Why are heavily armed federal bureaucrats raiding family farms and grocery stores to look for raw milk? Why is the Department of Homeland Security seizing vehicles that do not meet every single one of the EPA's endless edicts? Where will it all end?

Of course, the nightmarish federal regulatory regime — virtually none of which is authorized under the U.S. Constitution — is only one component of the federal government's economically devastating policies. Other major problems cited by economists include the byzantine tax code, wild levels of taxation, the unique system of [citizenship-based taxation](#), gargantuan levels of government borrowing and spending, pseudo-“free trade” agreements, a privately owned central bank and its harmful manipulation of the currency supply and interest rates, and much more.

Taken together, more than a few critics have suggested that it would be hard for the feds to do a more thorough job destroying the economy if they were actually burning it down on purpose. NAM, perhaps in an effort to sound diplomatic amid the crushing federal burdens threatening the very existence of many of its members, is practically begging policymakers for “smarter regulation.” Lawmakers, especially Republicans, have taken a few tepid but ineffective steps in a supposed effort to rein in the bureaucracy. Real solutions, though, will not include minor tinkering with Leviathan's mushrooming mazes of edicts and decrees.

Instead of “smarter” regulation, a full-scale return to the timeless principles of federalism, constitutional governance, sound money, and free-markets is what America really needs if it hopes to thrive once again. Considering the trends, it may seem like an insurmountable task right now. With concerted action by the American people to hold their elected representatives accountable, though, saving the nation and its economy from being crushed under the weight of an out-of-control federal bureaucracy is still possible. It will be hard work, but it must be done.

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