



EXECUTIVE SUMMARY:

*Regulatory Expenditures, Economic Growth and Jobs:  
An Empirical Study*

**I. Paper Overview**

With a sluggish economy, high unemployment, and unprecedented deficit spending, growing the economy and curbing Federal spending are top priorities in Washington. A now-popular target for reform is regulation, which even President Obama claims to have “stifled innovation” and to have had “a chilling effect on growth and jobs.” In POLICY BULLETIN NO. 28, *Regulatory Expenditures, Economic Growth and Jobs: An Empirical Study*, the Phoenix Center uses fifty years of data and modern econometric methods to quantify the relationship between government spending on regulatory activity and the important goals of economic growth and job recovery. 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.

**II. Major Findings**

As noted in the figures below, even a small 5% reduction in the regulatory budget (about \$2.8 billion) will 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, 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.

<b>Cost Per Federal Regulator Summary</b>			
<b>Regulatory Budget Adjustment</b>	<b>- 5%</b>	<b>- 10%</b>	<b>- 16%</b>
Reduction in Federal Regulatory Agency Jobs	- 12,109	- 24,217	- 38,747
Average Annual Increase in GDP	\$75 Billion	\$149 Billion	\$238 Billion
Ratio of New GDP per Lost Federal Regulatory Agency Job	\$6,200,000:1	\$6,200,000:1	\$6,200,000:1
Average Annual Increase in New Private Sector Jobs	1,188,197	2,362,490	3,753,524
Ratio of New Private Sector Jobs per Lost Federal Regulatory Agency Job	98:1	98:1	98:1

**III. Policy Recommendation**

As Congress and President Obama struggle with the difficult decisions of how to shrink federal spending, an excellent place to start would be to investigate responsible cuts in the size of the federal regulatory budget. A full copy of the report, PHOENIX CENTER POLICY BULLETIN NO. 28, *Regulatory Expenditures, Economic Growth and Jobs: An Empirical Study* (April 2011) may be downloaded free at <http://www.phoenix-center.org/PolicyBulletin/PCPB28Final.pdf>.