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To revive the economy, pull back the red tape

By Mark R. Warner
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Our economic recovery remains frustratingly sluggish, unemployment is still unacceptably high, and all of us should be concerned that leading U.S. corporations have remained on the economic sidelines over much of the past year instead of making new investments or hiring additional workers.

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One reason often cited for this unwillingness to invest is executives' belief that Washington regulators are stifling fresh investment and discouraging innovation through new rules and requirements.

If Washington expects to partner with the private sector to lead the effort toward economic recovery, we must address the regulatory uncertainty felt by many of our small and large businesses.

Britain has been [working on regulatory reform](#) since 2005, and officials there have posted some impressive results in developing an inventory of regulations as well as setting ambitious targets for reducing red tape.

Now, no one is seriously questioning the need for common-sense rules of the road to protect American consumers, public health and our environment, especially in the wake of the BP oil-rig blowout in the Gulf of Mexico and the 2008 near-meltdown of several of our nation's leading financial firms.

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But our current regulatory framework actually favors those federal agencies that consistently churn out new red tape. In this town, expanded regulatory authority typically is rewarded with additional resources and a higher bureaucratic profile, and there is no process or incentive for an agency to eliminate or clean up old regulations.

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As a former CEO, I think the best option is to adopt a regulatory "pay as you go" system. I am drafting legislation that would require federal agencies to identify and eliminate one existing regulation for each new regulation they want to add.

According to the U.S. Small Business Administration, the [estimated annual cost of federal regulations in 2008 exceeded \\$1.75 trillion](#). The Office of Management and Budget says that the federal government has issued more than 132,000 final rules since

1981, and [over 1,200 of those rules have an estimated economic impact of greater than \\$100 million each](#).

My legislation represents a common-sense effort for a more appropriate regulatory balance. It would require federal agencies to produce a baseline catalogue of their existing regulations and a credible, quantifiable estimate of the economic impact for each one.

OMB should have primary responsibility for these estimates, and the Congressional Budget Office or the Government Accountability Office should be given responsibility for checking the math and verifying the underlying assumptions.

Regulatory pay-go would discourage agencies from continually adding new rules because they would be required to eliminate one outdated or duplicative regulation of the same approximate economic impact for each new rule they want to enact. This will not only provide balance but also will help simplify or eliminate outdated rules and procedures.

Yes, it will require some effort to design transparent and credible assessments of the economic impact of each regulation. And yes, agencies should be required to report their proposed actions to Congress so lawmakers can review the merits of the agency's arguments for eliminating significant regulations.

That said, I spent 20 years in business, and I know that any company that does not periodically review its operations or look for ways to improve its procedures will not survive very long.

And the fact that Britain has aggressively embraced regulatory reform could explain why it recently leapfrogged ahead of the United States, knocking us from fourth to fifth place, in the [World Bank's annual rankings](#) of the business "friendliness" of 183 global economies.

Britain calls its initiative "one-in, one-out." Whatever we call our regulatory reform program, the bottom line is that this effort would go a long way toward addressing the uncertainty that has kept the U.S. business community from participating more fully in our nation's economic recovery.

The writer, a Democrat from Virginia, is a member of the Senate's Budget and Banking committees. A co-founder of Nextel, he served as governor of Virginia from 2002 to 2006.

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