

EXECUTIVE SUMMARY

This Report to Congress on regulatory policy was prepared consistent with Section 624 of the Treasury and General Government Appropriations Act of 2001 (31 U.S.C. § 1105 note, Pub. L. 106-554), often called the Regulatory Right-to-Know Act. It provides a statement of the costs and benefits of Federal regulations and recommendations for regulatory reforms.

A major feature of this report is the estimates of the total costs and benefits of regulations reviewed by OMB. Major Federal regulations reviewed by OMB from October 1, 1993, to September 30, 2003, were examined. The estimated annual benefits range from \$63 billion to \$169 billion, while the estimated annual costs range from \$35 billion to \$40 billion. A substantial portion of both benefits and costs is attributable to a handful of clean-air rules that reduce public exposure to fine particulate matter. Technical limitations in these estimates are significant and are discussed in the text of the Report.

During the past year, six “major” final rules with quantified and monetized benefits and costs were adopted. These rules added \$1.6 to \$4.5 billion in annual benefits compared to \$1.9 billion in annual costs. There were an additional eight final “major” rules that did not have quantified and monetized estimates of both benefits and costs.

The Report also reviews the international literature on the effects of regulation on national economic growth and performance. Based on a comparison of 145 countries, the ten least regulated economies are New Zealand, the United States, Singapore, Hong Kong, Australia, Norway, the United Kingdom, Canada, Sweden, and Japan. These same economies have experienced relatively good economic performance measured by economic growth and per capita income. They also rate highly in human development as measured by life expectancy and infant mortality. The adverse impacts of regulation may be mediated through factors such as the number of procedures required to start a new business, the flexibility of labor markets, and the enforceability of contracts. More research is needed to determine the precise causal relationships between regulation, including different types of regulation, and economic growth and performance.

In light of recent concerns about the health of manufacturing in the United States, the Report reviews the economics literature on the impacts of regulation on manufacturing enterprises. The cumulative costs of regulation on the manufacturing sector are large compared to other sectors of the economy. In response to this large burden, OMB requested public nominations of promising regulatory reforms relevant to this sector. In particular, commenters were asked to suggest specific reforms to rules, guidance documents, or paperwork requirements that would improve manufacturing regulation by reducing unnecessary costs, increasing effectiveness, enhancing competitiveness, reducing uncertainty, and increasing flexibility. In response to this request, OMB received 189 distinct nominations from 41 commenters. Federal agencies are expected to review the merits of each of the 189 reform nominations and prepare a response for OMB by January 24, 2005. After agencies have performed their

evaluations, OMB will work with the agencies to identify the Administration's regulatory-reform priorities, which we will announce in February, 2005.

An additional feature of this Report is a summary of the Administration's regulatory reform accomplishments in the fields of labor, health, safety, the environment, transportation, and homeland security. The Report also provides a list of additional reforms that merit priority consideration by agencies. Many of these reform ideas were nominated for consideration by OMB and the agencies in 2001 and 2002. Taken together with the manufacturing initiative, the promising reforms described in this Report provide a blueprint for comprehensive regulatory reform.

This final Report was issued in draft form in February of this year and was, as a matter of policy, submitted for and revised in response to public comment, external peer review, and interagency review. OMB has already begun to prepare the 2005 Report to Congress on the Costs and Benefits of Federal Regulations. OMB's objective is to publish the Draft 2005 Report with the President's FY 2005 budget in February, 2005.