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TESTIMONY

# ACHIEVING A MODERN REGULATORY SYSTEM IN OHIO

**James Broughel, PhD**
*Senior Research Fellow, Mercatus Center at George Mason University*

Ohio Senate Government Oversight and Reform Committee

February 26, 2019

Chairman Coley, Vice Chair Huffman, Ranking Member Craig, and members of the committee:

Thank you for allowing me to submit this written testimony in regards to the regulatory environment in Ohio. My name is James Broughel, and I am a senior research fellow at the Mercatus Center at George Mason University, where my research focuses on state regulatory matters.

My message here today can be summarized in three points:

1. Ohio has a significant amount of regulation on its books, both in absolute terms and relative to other US states.
2. The accumulation of unnecessary regulations can be a drag on economic growth and prosperity in a state and can even weaken the effectiveness of regulations that are justified to protect health, safety, and the environment.
3. Creating a budget, or inventory, system for regulations, as is being proposed under the SB1 legislation before this committee, is a way to help the Ohio economy grow, make the state a more attractive place to do business, and encourage recurring systematic looks back at the thousands of existing regulations affecting Ohio residents.

## QUANTIFYING REGULATION AT THE STATE LEVEL

Generally speaking, state regulatory codes are too large for any single individual to read through from start to finish. For example, the online version of the *Ohio Administrative Code* (OAC) contained more than 15 million words as of early 2018.[1] It would take an ordinary person about 847 hours—or more than 21 weeks—to read the entire OAC, assuming the person reads regulations 40 hours per week as a full-time job. At the Mercatus Center, my colleagues and I have launched State RegData, a first-of-its-kind effort to quantify regulation across the 50 states.[2] State RegData uses text analysis technology to scan through bodies of legal text, in this case state administrative codes. Modern technology allows the State RegData project to overcome some of the traditional barriers associated with parsing millions of words of regulatory text.

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[1] James Broughel and Jonathan Nelson, "A Snapshot of Ohio Regulation in 2018" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, February 2018).
[2] State RegData is part of a broader project called QuantGov, which seeks to quantify legal text. See Patrick A. McLaughlin and Oliver Sherouse, "QuantGov—A Policy Analytics Platform," QuantGov, December 20, 2017.

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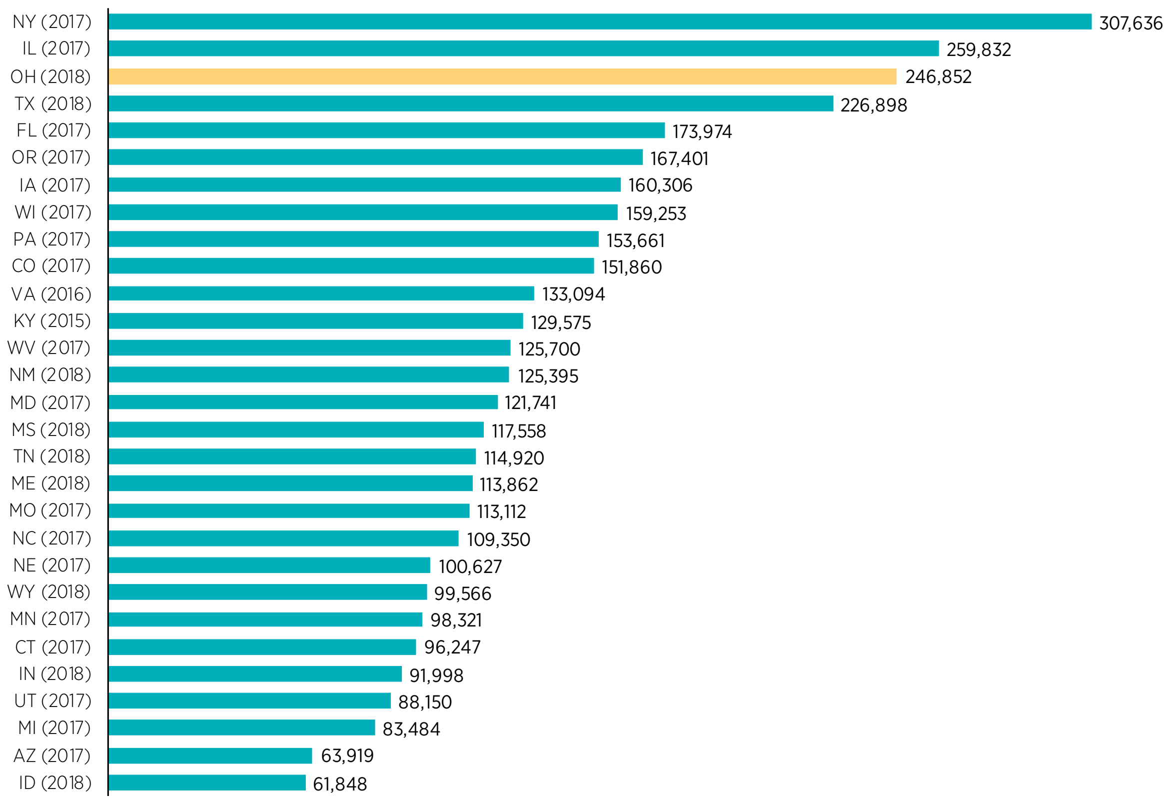
State RegData pulls key information from state codes, including word counts and counts of regulatory restrictions, which are instances of the terms *shall*, *must*, *may not*, *prohibited*, and *required*. These restrictions can signify legal constraints and obligations of various kinds.[3] We are also able to estimate which industries are most targeted by state regulation and assess which types of regulation are most prevalent.

Ohio had 246,852 regulatory restrictions in its administrative code as of early 2018.[4] To put Ohio's regulatory situation in context, Ohio's administrative code contains the third-highest count of regulatory restrictions of any state reviewed thus far under the State RegData project.[5] Ohio's regulatory code is roughly four times the size of Idaho's code in terms of regulatory restrictions, and it contains more than 100,000 more restrictions than the average state, which has roughly 138,000 restrictions. Neighbors Indiana, Kentucky, Michigan, Pennsylvania, and West Virginia all have significantly fewer restrictions in their regulatory codes than Ohio. Of those states, Pennsylvania comes closest to Ohio, with 153,661 restrictions, or approximately 93,000 fewer than Ohio (see figure 1).

FIGURE 1. STATE REGULATORY RESTRICTIONS




Source: State Regulatory Snapshot Reports, 2015–2019, Mercatus Center at George Mason University, Arlington, VA, https://www.mercatus.org/states.

Some of Ohio's more than 246,000 restrictions are vital for protecting the health and safety of citizens, but others make the code unnecessarily complicated or impose costly burdens on the public with no corresponding benefits. For example, many occupational licensing requirements exist to protect

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[3] Restrictions can also occur in legal text for other purposes, such as for definitional purposes. At times, restrictions may relate to government employees rather than the private sector.

[4] Broughel and Nelson, "A Snapshot of Ohio Regulation in 2018."

[5] To date, the Mercatus Center State RegData project has examined 29 state administrative codes and plans to look at all 50 states in the near future.

established interests rather than to serve the public interest.[6] Such protections often raise the wages of workers in protected occupations, but they also raise prices for consumers and make it harder for people to enter regulated professions and obtain well-paying jobs. These negative outcomes disproportionately burden low-income individuals, as well as other vulnerable populations such as minorities, military spouses, and immigrants, all of whom are trying to better provide for their families.[7] Too often, no corresponding quality improvements can be detected from occupational licensing regulations.[8]

## WHY REGULATORY ACCUMULATION MATTERS

The body of regulations in a state, taken together, has an effect on the economy that is greater than the sum of the effects from each individual regulation.[9] Michael Mandel and Diana Carew of the Progressive Policy Institute in Washington, DC, liken the effect of regulation on the economy to dropping pebbles in a stream.[10] The first pebble is insignificant, a thousand pebbles may slow the flow, but a hundred thousand pebbles could dam the stream even when that last pebble was, by itself, also insignificant.

As more and more rules are added to the books, complexity increases. Scholarship from the fields of psychology, economics, and organizational science suggests that people are more likely to make mistakes and are less motivated and able to comply when they are required to follow too many rules simultaneously.[11] Reducing the complexity of the regulatory system is a powerful way to improve compliance and generate better outcomes from regulations that serve a justified purpose.

There is a connection between regulation and economic growth as well. A 2013 study in the *Journal of Economic Growth* estimates that federal regulation has slowed the growth rate of the US economy by 2 percentage points per year on average since 1949.[12] A study published by the Mercatus Center estimates that growth has been slowed by 0.8 percentage points per year on average by all federal regulations implemented since 1980.[13] Researchers at the World Bank estimate that countries with the least burdensome business regulations grow 2.3 percentage points faster annually than countries with the most burdensome regulations.[14] Numerous other academic studies have confirmed the negative effects

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[6] William Mellow and Dick Carpenter II, *Bottleneckers: Gaming the Government for Power and Private Profit* (New York: Encounter Books, 2016).
[7] Matthew D. Mitchell, "Occupational Licensing and the Poor and Disadvantaged" (Mercatus Policy Spotlight, Mercatus Center at George Mason University, Arlington, VA, 2017); Patrick A. McLaughlin, Matthew D. Mitchell, and Anne Philpott, "The Effects of Occupational Licensure on Competition, Consumers, and the Workforce" (Mercatus on Policy, Mercatus Center at George Mason University, Arlington, VA, November 2017); US Department of the Treasury, Council of Economic Advisers, and US Department of Labor, *Occupational Licensing: A Framework for Policymakers*, July 2015, 4.
[8] McLaughlin, Mitchell, and Philpott, "The Effects of Occupational Licensure."
[9] James Broughel, *Regulation and Economic Growth: Applying Economic Theory to Public Policy* (Arlington, VA: Mercatus Center at George Mason University, 2017).
[10] Michael Mandel and Diana G. Carew, *Regulatory Improvement Commission: A Politically Viable Approach to US Regulatory Reform* (Washington, DC: Progressive Policy Institute, 2013).
[11] Patrick A. McLaughlin, "How Regulatory Overload Can Make Americans Less Safe" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, November 2018).
[12] John W. Dawson and John J. Seater, "Federal Regulation and Aggregate Economic Growth," *Journal of Economic Growth* 18, no. 2 (2013): 137–77.
[13] Bentley Coffey, Patrick A. McLaughlin, and Pietro Peretto, "The Cumulative Cost of Regulations" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2016).
[14] Simeon Djankov, Caralee McLiesh, and Rita Maria Ramalho, "Regulation and Growth," *Economic Letters* 92, no. 3 (2006): 395–401.

that product market regulations can have on investment rates,[15] productivity growth,[16] innovation and research and development spending efficacy,[17] and employment.[18]

A few lost percentage points in growth may not sound like a lot, but consider this: From 2007 to 2017, the compound annual growth rate of Ohio real GDP was just 0.9 percent (the rate for the nation was 1.5 percent).[19] If this trend continues, it will take about 78 years for the state's economy to double its size. This was approximately the life expectancy at birth for an American born in 2007.[20] By contrast, if Ohio's economy were to grow 3 percent per year, it would take just 24 years for its real GDP to double. This small difference in growth rates is roughly the difference between the economy doubling once in a lifetime and doubling three times in the same time period. Growth rates of 3 percentage points or more per year are not unrealistic, and are they being achieved in some states right now.[21] By contrast, years of slow growth mean incomes for state residents will be much lower than they otherwise would be. Reversing this trend would boost innovation, bring increased employment opportunities for Ohioans, and improve living conditions for state residents, now and in the future.

## ESTABLISHING A BUDGET FOR REGULATIONS

Ohio has a track record of pursuing regulatory reforms in recent years.[22] However, there is much more work to be done. One potential reform that is worth considering is creating a budgeting system for regulations, as is being proposed under SB1. A regulatory budget can prevent excessive regulatory accumulation while also preserving the flexibility regulators need to maintain a modern and up-to-date regulatory system. There are some benefits to this approach:

- *Limiting regulatory accumulation*. A budget provides a check on the inertial growth of regulations. In Mandel and Carew's metaphor, it helps prevent too many pebbles from clogging the stream.
- *Demonstrated success*. The budgeting approach has been tried, and proven effective, in other places, most notably in Canada.[23] A similar effort is underway in Virginia.
- *Improving state competitiveness*. Based on restriction counts, Ohio looks less attractive to businesses than neighboring states. A regulatory budget could be used to reduce regulatory complexity, thereby lowering barriers to entrepreneurship and helping Ohio achieve regulation levels closer to other states like Pennsylvania or Kentucky.
- *A culture change at state agencies*. After the Canadian province of British Columbia instituted a simple regulatory budget in the early 2000s, one public official noted that it changed her role

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[15] Alberto Alesina, Silvia Ardagna, Giuseppe Nicoletti, and Fabio Schiantarelli, "Regulation and Investment," *Journal of the European Economic Association* 3, no. 4 (2005): 791–825.
[16] Renaud Bourlès, Gilbert Cette, Jimmy Lopez, Jacques Mairesse, and Giuseppe Nicoletti, "Do Product Market Regulations in Upstream Sectors Curb Productivity Growth? Panel Data Evidence for OECD Countries," *Review of Economics and Statistics* 95, no. 5 (2013): 1750–68; Giuseppe Nicoletti and Stefano Scarpetta, "Regulation, Productivity, and Growth: OECD Evidence," *Economic Policy* 18, no. 36 (2003): 11–72.
[17] Chiara Franco, Fabio Pieri, and Francesco Venturini, "Product Market Regulation and Innovation Efficiency," *Journal of Productivity Analysis* 45, no. 3 (2016): 299–315.
[18] Giuseppe Nicoletti, Robert C. G. Haffner, Stephen Nickell, Stefano Scarpetta, and Gylfi Zoega, "European Integration, Liberalization, and Labor Market Performance," in *Welfare and Employment in United Europe*, ed. Bertola Giuseppe, Tito Boeri, and Giuseppe Nicoletti (Cambridge, MA: MIT Press, 2001); Giuseppe Nicoletti, Andrea Bassanini, Ekkehard Ernst, Sebastian Jean, Paul Santiago, and Paul Swaim, "Product and Labor Markets Interactions in OECD Countries" (OECD Economics Department Working Paper No. 312, OECD Publishing, Paris, 2001).
[19] US Bureau of Economic Analysis, *BEARFACTS: Ohio*, September 2018.
[20] Centers for Disease Control and Prevention, *Table 15. Life Expectancy at Birth, at Age 65, and at Age 75, by Sex, Race, and Hispanic Origin: United States, Selected Years 1900–2016*, 2017, https://www.cdc.gov/nchs/data/hus/2017/015.pdf.
[21] For example, in 2017, Oregon real GDP grew 3.6 percent.
[22] James Broughel, "Ohio, A Leader in Cutting Red Tape, Can Do More," *Columbus Dispatch*, April 19, 2018.
[23] Laura Jones, "Cutting Red Tape in Canada" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, 2015).

from a regulation "maker," who simply adds new rules, to a regulation "manager," who oversees and cares for a portfolio of rules.

In 2001, British Columbia sought to reduce regulation levels by one-third within three years,[24] which is a similar target to the 30 percent reduction in regulatory restrictions envisioned under Ohio SB1. After hitting its initial target, British Columbia implemented a policy whereby one regulatory requirement would be eliminated for every new one introduced, thus ensuring that regulatory creep would not return after the initial reduction target was met. Regular reporting played an important role in providing the necessary transparency about how many requirements were added or removed over time and where requirements were coming from.[25] In fact, regulation levels have fallen further in the province since the "one-in, one-out" policy was established.[26] Accompanying the overall reduction in regulation has been an economic turnaround.[27] While regulatory reform was one factor among many, it likely contributed to British Columbia's strong economy in recent years.

The success of the province's regulatory effort inspired a similar national law in Canada, which passed the Canadian parliament overwhelmingly by a margin of 245 "yes" votes to just one "no" vote.[28] US states, such as Kentucky, have also been inspired by the reforms in British Columbia and are currently implementing red tape reduction programs.[29] British Columbia was able to achieve its goals in part because government employees counted the number of regulatory requirements in place and committed to tracking this statistic across time. A similar tracking system is now being set up in Virginia, as part of its 2018 Regulatory Reduction Pilot Program.[30] By July 1, 2020, all executive branch agencies in Virginia that are subject to the state Administrative Process Act must develop a baseline regulatory catalog and report their catalog data. Two states agencies, the Department of Professional and Occupation Regulation and the Department of Criminal Justice Services, must, by July of 2021, initiate reforms that produce a 25 percent reduction of the rules and requirements under their purview. Like with the national law in Canada, Virginia's law is notable for its bipartisan nature.[31] CNBC recently named Virginia one of America's best states for business, citing the new regulatory reduction law as a major reason for Virginia's strong placement in the rankings.[32]

Importantly, a budgeting system leaves important decisions about the fine details of policymaking to the regulatory agencies that tend to possess the relevant expertise.[33] This helps explain why British Columbia's reforms did not come at the expense of public health or the environment.[34] Meanwhile, under a regulatory budget or inventory system, the legislature plays an important supervisory role in determining whether regulatory allocations should rise, fall, or stay the same over time. The legislature

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[24] Jones, "Cutting Red Tape in Canada".
[25] James Broughel and Laura Jones, "Effective Regulatory Reform: What the United States Can Learn from British Columbia" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, September 2018).
[26] The total reduction since 2001 is estimated to be 49 percent. See Laura Jones, "Lessons from the British Columbia Model of Regulatory Reform" (Testimony before the House Subcommittee on Healthcare, Benefits, and Administrative Rules and Subcommittee on Intergovernmental Affairs, Mercatus Center at George Mason University, Arlington, VA, September 27, 2018).
[27] James Broughel, "Can the United States Replicate the British Columbia Growth Model?," Mercatus Center at George Mason University, Arlington, VA, May 25, 2017.
[28] Red Tape Reduction Act, S.C. 2015, c. 12 (Can).
[29] For example, the website for Kentucky's Red Tape Reduction Initiative cites British Columbia as an influence. See Red Tape Reduction home page, accessed February 23, 2019, http://www.redtapereduction.com.
[30] H.B. 883, Gen. Assemb., Reg. Sess. (Va. 2018).
[31] James Broughel, "A Reform That Offers Hope for Centrists," *Washington Post*, March 14, 2018.
[32] Jeff Clabaugh, "Virginia Ranks 4th among CNBC's Best States for Business," *WTOP*, July 10, 2018.
[33] James Broughel, "Let Regulators Eliminate Regulations," *US News & World Report*, February 12, 2018.
[34] A 2011 British Columbia Progress Board report notes that the province maintained a top ranking in Canada on health and environmental outcomes from 2000 to 2010. See *Final Benchmark Report* (Vancouver, BC: British Columbia Progress Board, 2011). Similarly, a 2015 Conference Board of Canada report gives British Columbia the top ranking in Canada in terms of health. See Conference Board of Canada, "British Columbia Gets Top Marks on Health Report Card," news release, February 12, 2015, http://www.conferenceboard.ca/press/newsrelease/15-02-12/British_Columbia_Gets_Top_Marks_on_Health_Report_Card.aspx.

can also play an oversight role to ensure agencies are meeting their targets. For example, Ohio SB1 grants an oversight role to the Joint Committee on Agency Rule Review.

## CONCLUSION

The state of Ohio had more than 246,000 regulatory restrictions on its books as of early 2018. It has more regulation than all of its immediate neighbors, based on findings from the Mercatus Center's State RegData project. A budgeting system for regulations could help prevent unwanted regulatory accumulation in Ohio, while also granting regulators the flexibility to address new and evolving problems. The successful experience of British Columbia since 2001 offers a roadmap for how to implement such a reform. Other US states such as Kentucky and Virginia are following British Columbia's successful example.

If Ohio can consistently increase its economic growth rate each year, this would have profound implications for the opportunities available to state residents, both in the near term as well as far into the future. Establishing a regulatory budget is a smart step toward achieving this goal.

Thank you again for your time and the opportunity to submit this testimony.

Sincerely,

James Broughel, PhD
Senior Research Fellow, Mercatus Center at George Mason University

## ATTACHMENTS (3)

"A Snapshot of Ohio Regulation in 2018" (Mercatus Policy Brief)
James Broughel, "Ohio, A Leader in Cutting Red Tape, Can Do More," *Columbus Dispatch*, April 19, 2018
"Can the United States Replicate the British Columbia Growth Model?" (Mercatus Freestanding Chart)

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POLICY BRIEF

# A Snapshot of Ohio Regulation in 2018

## 246,852 Restrictions, 15.2 Million Words, and 21 Weeks to Read

*by James Broughel and Jonathan Nelson*

February 2018

It would take an ordinary person more than two and a half years to read the entire US *Code of Federal Regulations* (CFR), which contained more than 104 million words in 2016.[1] The sheer size of the CFR poses a problem not just for the individuals and businesses that want to stay in compliance with the law but also for anyone interested in understanding the consequences of this massive system of rules. States also have sizable regulatory codes, which add an additional layer to the large body of federal regulation. A prime example is the online version of the 2018 *Ohio Administrative Code* (OAC).[2]

Researchers at the Mercatus Center at George Mason University developed State RegData,[3] a platform for analyzing and quantifying state regulatory text. State RegData captures information in minutes that would take an ordinary person hours, weeks, or even years to obtain. For example, the tool allows researchers to identify the industries that state regulation targets most by connecting text relevant to those industries with restrictive word counts. Known as regulatory restrictions, the words and phrases *shall*, *must*, *may not*, *prohibited*, and *required* can signify legal constraints and obligations.[4] As shown in figure 1, the three industries with the highest estimates of industry-relevant restrictions in the 2018 OAC are chemical manufacturing, food manufacturing, and animal production and aquaculture.

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1. This assumes that a person reads 300 words per minute for 40 hours per week with two weeks of vacation per year. See "RegData 3.0," QuantGov; Patrick A. McLaughlin, Oliver Sherouse, Daniel Francis, Michael Gasvoda, Jonathan Nelson, Stephen Strosko, and Tyler Richards, "RegData 3.0 User's Guide," accessed February 2, 2018, https://quantgov.org/regdata/users-guide/.
2. Ohio Laws and Rules, *Ohio Administrative Code*, accessed January 3, 2018.
3. State RegData is part of a broader project called QuantGov, which seeks to quantify legal text. See Patrick A. McLaughlin and Oliver Sherouse, "QuantGov—A Policy Analytics Platform," QuantGov, December 20, 2017.
4. Restrictions can also occur in legal text for other purposes, such as for definitional purposes. At times, restrictions may relate to government employees rather than the private sector.

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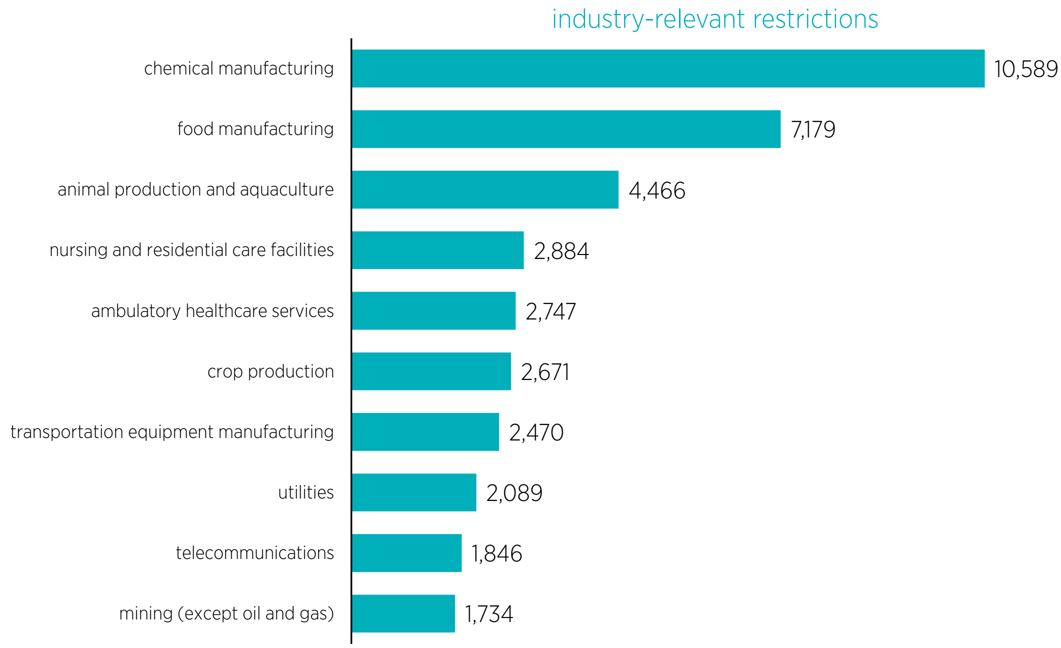
Figure 1. Top 10 Industries Targeted by Ohio State Regulation in 2018




Source: State RegData, "Ohio," http://www.quantgov.org/data/.

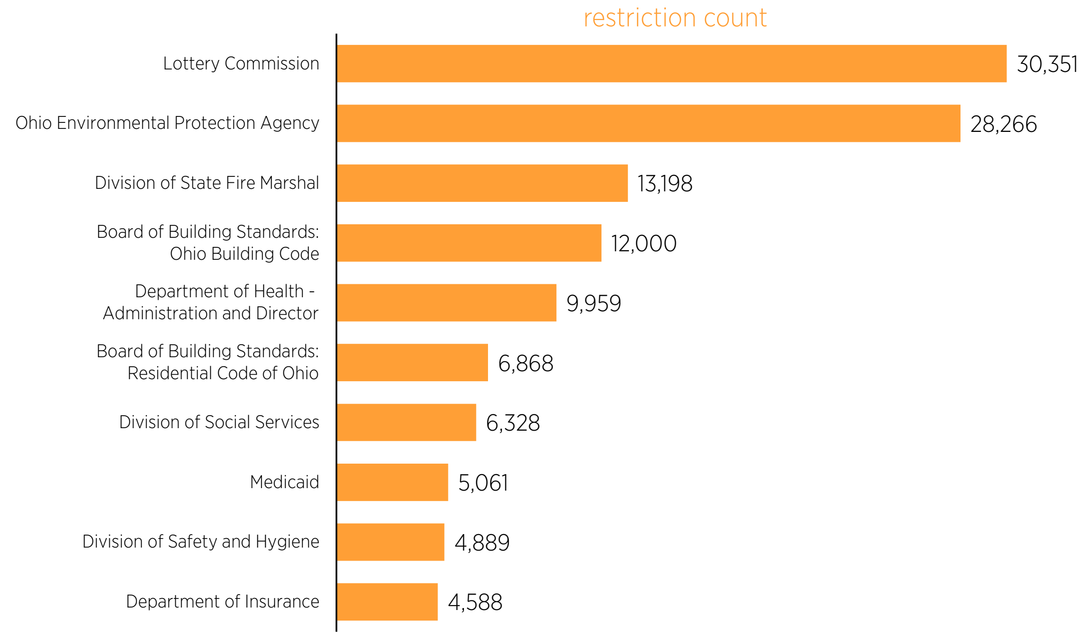
State RegData also reveals that the OAC contains 246,852 restrictions and 15.2 million words. It would take an individual about 847 hours—or more than 21 weeks—to read the entire OAC. That's assuming the reader spends 40 hours per week reading and reads at a rate of 300 words per minute. By comparison, there are more than 1.08 million additional restrictions in the federal code.[5] Individuals and businesses in Ohio must navigate these different layers of restrictions to remain in compliance.

The titles of the OAC are organized by regulatory commission, program, board, or agency. Figure 2 shows that the title of the OAC associated with the Lottery Commission contains more than 30,000 restrictions. By this measure, this commission is the biggest regulator in Ohio. Coming in second is the Ohio Environmental Protection Agency, with more than 28,000 restrictions.

Federal regulation tends to attract the most headlines, but it is important to remember that the more than 104 million words and 1.08 million restrictions in the federal code significantly understate the true scope of regulation in the United States. States like Ohio write millions of additional words of regulation and hundreds of thousands of additional restrictions. State-level requirements carry the force of law to restrict individuals and businesses just as federal ones do.

5. "RegData 3.0"; McLaughlin et al., "RegData 3.0 User's Guide."

Figure 2. Top 10 Regulators in Ohio in 2018




Source: State RegData, "Ohio," http://www.quantgov.org/data/.

Researchers are only beginning to understand the consequences of the massive and growing federal regulatory system on economic growth and well-being in the United States.[6] Meanwhile, the effects of state regulation remain largely unknown. If this snapshot of Ohio regulation in 2018 is a good indicator, then the states are also active regulators, suggesting that the full impact of regulation on society is far greater than that of federal regulation alone.

6. See, for example, Bentley Coffey, Patrick A. McLaughlin, and Pietro Peretto, "The Cumulative Cost of Regulations" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2016).

## ABOUT THE AUTHORS

James Broughel is a research fellow for the State and Local Policy Project at the Mercatus Center at George Mason University. Broughel has a PhD in economics from George Mason University. He is also an adjunct professor of law at the Antonin Scalia Law School.

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## ABOUT THE MERCATUS CENTER

The Columbus Dispatch

Opinion

# James Broughel: Ohio, a leader in cutting red tape, can do more

Posted Apr 19, 2018 at 12:01 AM
Updated Apr 19, 2018 at 6:11 AM

Recently Ohio lawmakers led by state Senate President Larry Obhof, R-Medina, called for a renewed push to modernize the state's regulatory system. Figuring out which rules are necessary to protect Ohioans and which have become outdated is an important and urgent bipartisan issue. Neighbors Kentucky, Michigan, Pennsylvania and West Virginia each carry far less regulation than Ohio, making them tempting destinations for businesses to move or set up shop.

The Trump administration has also made news with its regulatory reform efforts in the past year, and many Ohioans might be surprised to learn that Washington is taking a page from Gov. John Kasich's playbook. In fact, Ohio has been experimenting with regulatory reform as part of an ongoing effort since 2011.

Given that the program has been in place for more than seven years, it makes sense to take stock of its results and the lessons it holds, both for Ohio and for reformers across the nation.

Created by Kasich in 2011, the Ohio Common Sense Initiative exists to foster a more jobs-friendly regulatory environment. Twice a year the program provides updates. A 2017 report, for example, details how 341 rules were rescinded last year out of 2,613 that the CSI office reviewed. That's progress.

Many additional rules have been amended, which likely lowers costs to the public further. Overall, the CSI has reviewed 12,500 rules since 2012 — of which 1,049 were repealed.

And 1,049 repealed rules isn't bad. But what if there are 100,000 rules in total? Or 200,000? Without knowing more about how many regulations are actually on the state's books, it's difficult to say if the CSI has made a meaningful reduction in red tape.

The Mercatus Center at George Mason University has a project to quantify state regulations, because the total in many states is actually a mystery. Our newest report describes how the Ohio Administrative Code contains more than 15 million words. It's so long that an ordinary person would need 21 weeks to read it, assuming 40 hours a week spent reading.

Included in these 15 million words are nearly 247,000 restrictive words like "shall," "must" or "required" — a simple way to count up the staggering amount of commands and prohibitions in a state's code.

Word counts and restriction counts don't compare perfectly to the numbers in the CSI reports, but these figures nonetheless suggest a lot of room to improve Ohio's business climate. Of the 22 state codes analyzed so far, only Illinois and New York have more restrictions than Ohio. Meanwhile, Arizona has about a quarter as much regulation as Ohio, and neighbors West Virginia, Michigan and Kentucky each have at least 100,000 fewer restrictions in their codes.

So how can Ohio demonstrate that it's a welcoming place for entrepreneurs and innovators?

One example comes from Virginia, home of a brand-new regulatory-reduction pilot program. It tasks the state's Department of Planning and Budget with counting up and tracking the various regulations and requirements imposed by state agencies. This simple reform is actually a big deal because it gives legislators a solid grasp of how much red tape is on the state's books.

Additionally, the Virginia law sets a goal of reducing regulatory burdens by 25 percent at two state agencies: the Department of Professional and Occupational Regulation and the Department of Criminal Justice Services. This target is to be met in three years' time.

Not only is the law ambitious, but it is bipartisan as well. It passed the legislature almost unanimously.

Ohio should take note. By counting and tracking how much regulation is actually in place, it is easier to assess whether reductions in red tape are actually meaningful. Moreover, an explicit reduction target tied to a concrete deadline gives policymakers a clearer goal to strive for and makes it easier to hold them accountable later on.

The Common Sense Initiative has certainly taken some good first steps, and Ohioans should be proud of its work. Before Gov. Kasich leaves office, his administration, along with leaders in the legislature, may want to consider updating their approach to keep Ohio at the forefront of regulatory reform efforts in the states.

*James Broughel is a research fellow with the Mercatus Center at George Mason University and co-author of the new study "A Snapshot of Ohio Regulations in 2018."*

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Chart / Data Visualization

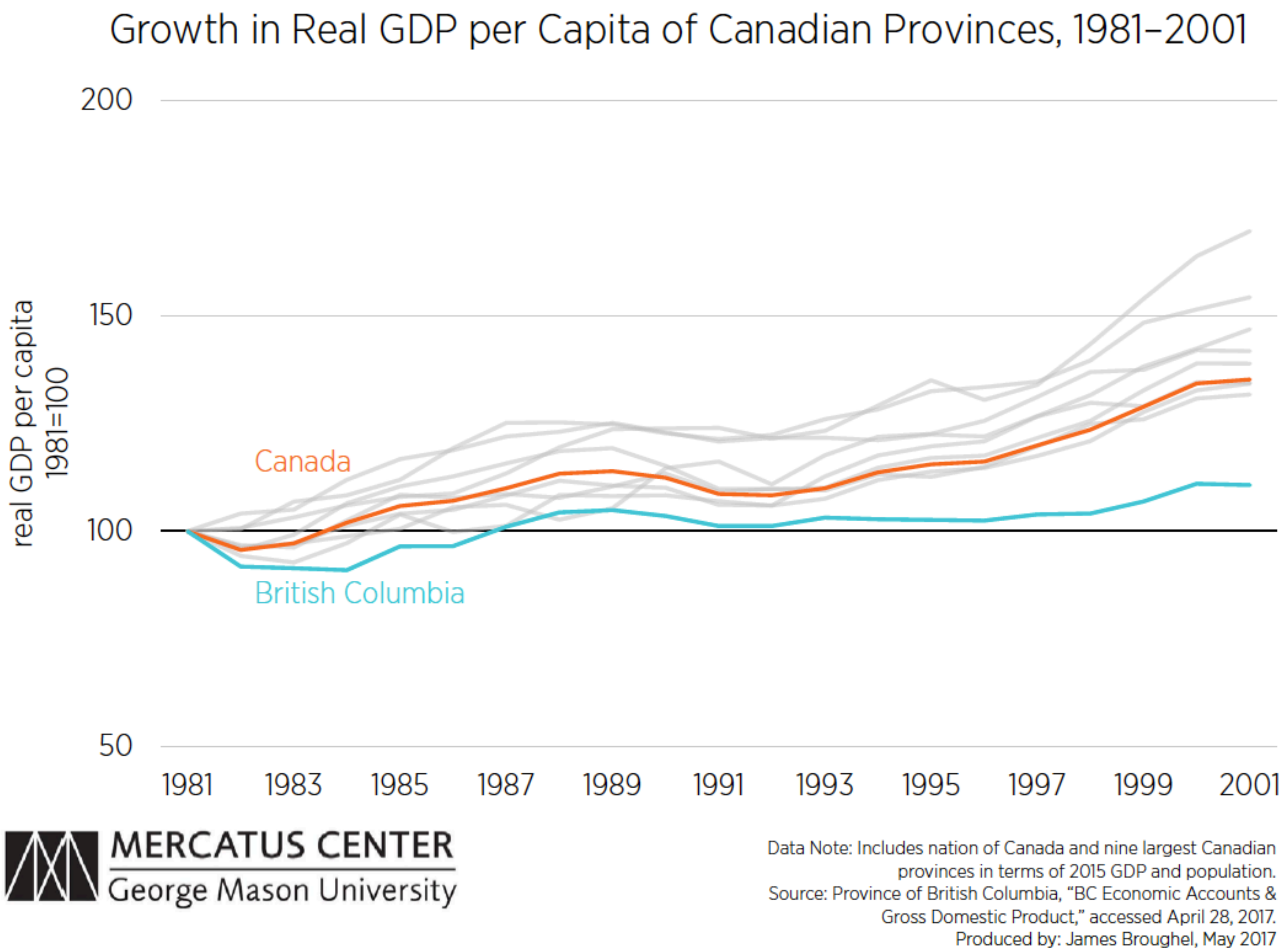
# Can the United States Replicate the British Columbia Growth Model?

May 25, 2017

**Authors:** James Broughel

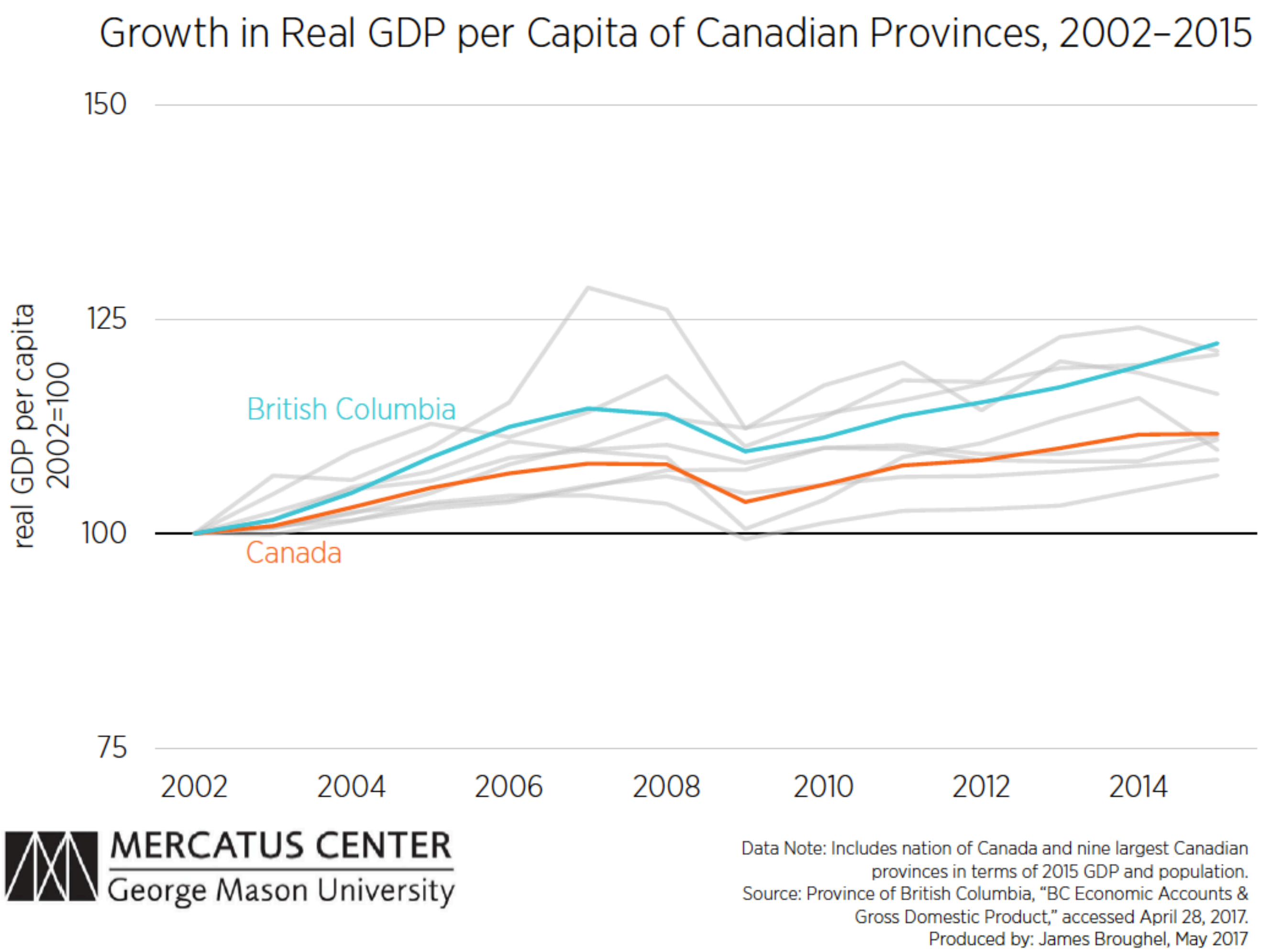
In 2001 British Columbia began an aggressive regulatory reform [1] program. One motivation for reform was no doubt the disappointing economic growth [2] the Canadian province experienced in the years prior. As of 2015, however, the province is now a leader in Canadian economic performance. The possibility of achieving similar gains in the United States—where growth has been disappointing in recent years—is one reason why regulatory reform may be an attractive option for policymakers at all levels of government.

The 1990s were sometimes referred to as a "dismal decade" in British Columbia; some commentators [3] even joked that the acronym BC referred to the province being a "basket case," rather than its name. It is not surprising then that British Columbia was one of the worst performing economies in Canada around that time, as is demonstrated in the first chart.




The first chart plots real GDP per capita across time for the nine largest Canadian provinces in terms of 2015 GDP and population. Also included are changes for the nation of Canada as a whole. The base year is 1981, meaning the lines in the first chart plot how income per person changed relative to each region's 1981 level. As is clear from the graph, British Columbia performed considerably worse by this measure than any other major economy in Canada.

In 2001 leaders in British Columbia sought to reduce regulatory requirements by one-third within three years. Reformers not only achieved this goal, but they have cut regulation levels further in the years since—nearly 50 percent [4] in total.




The economic situation in British Columbia changed dramatically. As of 2015, British Columbia is now Canada's best performing major economy in terms of real GDP per capita growth since 2002. The second chart plots this U-turn.

The turnaround represents a growth miracle [5] of sorts. The question from a public policy perspective is whether this success can be transferred elsewhere. Many factors likely contributed to British Columbia's boom, but was regulatory reform the key ingredient?

Luckily, the core elements [6] of British Columbia's reform are replicable, meaning other governments can copy the British Columbia regulatory reform model. These elements include establishing a goal to reduce regulation levels by a specified amount within a set period of time, carefully measuring how much regulation is in place, and capping regulation levels to ensure reduction targets can be met and unwanted regulatory accumulation [7] does not return in the future.

Strong leadership and public support are also important, which take time and opportunity to develop. Nonetheless, by emulating its neighbors to the north, perhaps the United States can set off a growth miracle of its own.

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[4] http://www2.gov.bc.ca/assets/gov/government/about-the-bc-government/regulatory-reform/pdfs/3904_regulatory_reform_ar_web_20160620.pdf
[5] http://www.mruniversity.com/courses/principles-economics-macroeconomics/economic-growth-miracle-and-disaster
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