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REGULATORY SNAPSHOT

A Snapshot of Regulatory Restrictions in the Great Lakes Region

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RegData is a project started by scholars at the Mercatus Center at George Mason University to introduce an objective, replicable, and transparent methodology for measuring regulation. It quantifies regulations based on the content of regulatory texts using a custom-made text analysis program that counts the number of binding constraints, or restrictions: terms that indicate an obligation to comply. These terms are *shall*, *must*, *may not*, *required*, and *prohibited*. RegData also uses machine-learning algorithms to map regulations to the sectors or industries of the economy that are most likely to be affected by the regulations.

The RegData project was launched in 2012 with the express purpose of facilitating research that was previously not feasible.[1] Regulations have been an important and widely used policy tool for decades, but empirical analysis of regulations' actual effects was historically hampered by a paucity of data. Historical data going back to 1970 are available for the US *Code of Federal Regulations* (CFR), and current data are available for most US states. More recently, RegData Canada, a new part of the RegData project, was launched, allowing for cross-border comparisons in regions such as the Great Lakes region.[2]

Growth in the number of restrictions can serve as a first approximation to the measurement of the aggregate regulatory burden at the national or subnational level. Counting restrictions is also a considerable improvement on earlier research that relied on page counts. Also, restriction counts are associated with a number of economic variables, including economic growth, productivity, and consumer prices.[3]

RegData datasets include statistics such as the number of individual restrictions, the industries that those restrictions are likely to affect, and the agencies responsible for the restrictions. RegData maps

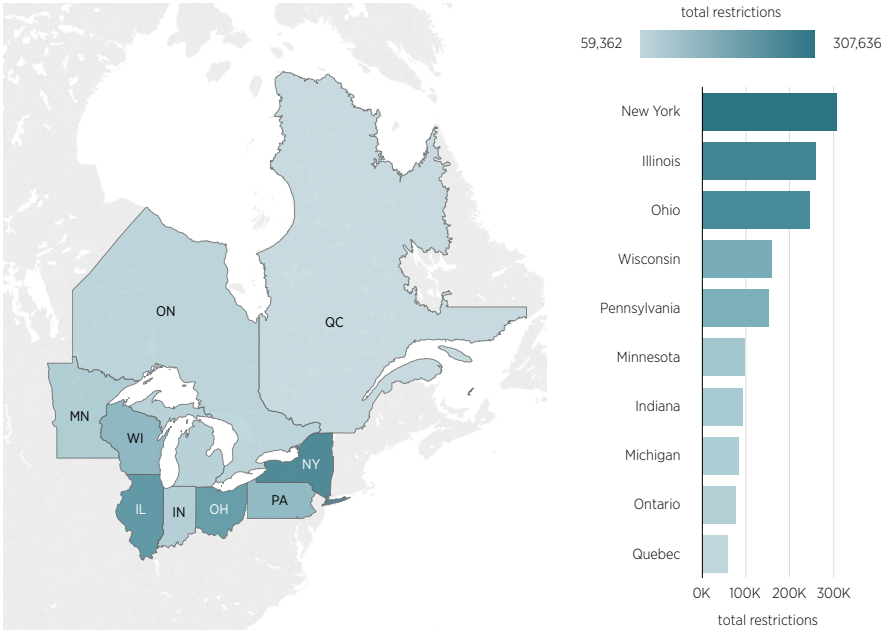
regulations to the sectors and industries most likely to be associated with them using the North American Industry Classification System (NAICS). It captures information in minutes that would take hours, weeks, or even years to obtain by reading and counting.

COMPARISONS OF THE GREAT LAKES STATES AND PROVINCES

Figure 1 shows the restriction counts for the eight states and two provinces in the Great Lakes region. The range is wide. Michigan has the smallest number of restrictions of any state in the region at 83,484. At the other end of the spectrum, New York has more restrictions than any other state in the region at 307,636—more than three times the number of restrictions in Michigan. Ontario and Quebec, the Canadian provinces in the region, have fewer restrictions than any of the states at 77,139 and 59,362 restrictions respectively.

Caution should be used in reading the comparisons we present here. Canadian provinces and American states have different institutional environments and traditions for enacting and writing rules and regulations. Our estimates of regulatory burden (using restriction counts) may not reflect those differences. Also, complete sets of rules and regulations for each jurisdiction are not always available in the public domain or could be difficult to read for our data-scraping tools. When comparing any two jurisdictions, please consult our technical manual for details on how the respective sets were built.[4]

Figure 1. Restriction Counts for the Great Lakes Region



Sources: Patrick A. McLaughlin, Oliver Sherouse, Daniel Francis, and Jonathan Nelson, State RegData (dataset), QuantGov, Mercatus Center at George Mason University, Arlington, VA, 2018, https://quantgov.org/state-regdata/; Patrick A. McLaughlin, Scott Atherley, and Stephen Strosko, RegData Canada (dataset), QuantGov, Mercatus Center at George Mason University, Arlington, VA, 2018, https://quantgov.org/regdata-canada/.

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Patrick A. McLaughlin is the director of Policy Analytics and a senior research fellow at the Mercatus Center at George Mason University. His research focuses primarily on regulations and the regulatory process. He created and leads the RegData and QuantGov projects, deploying machine-learning and other tools of data science to quantify governance indicators found in federal and state regulations and other policy documents. McLaughlin has authored more than a dozen peer-reviewed studies in diverse areas, including regulatory economics, administrative law, industrial organization, and international trade.

Laura Jones is a visiting research fellow at the Mercatus Center and the executive vice president and chief strategic officer of the Canadian Federation of Independent Business (CFIB). CFIB is a nonprofit association that advocates for 110,000 independent businesses in Canada on topics of importance to them, including taxes and regulation. Jones has authored a number of studies on regulatory topics and has been providing advice to Canadian governments on effective regulatory reform for more than a decade, serving on a number of advisory committees including the Red Tape Advisory Committee for the government of Canada.

QuantGov This regulatory snapshot was produced in part using **QuantGov**, a policy analytics platform that facilitates analysis of the causes and effects of various government actions. The QuantGov project treats policy text as data, allowing researchers to quickly and effectively examine broad policies (as articulated in bodies of text) by using some of the latest advances from data science, such as machine learning and other artificial intelligence technology. The Mercatus Center's team of data engineers, analysts, and developers created this platform and continually utilize and update it to produce data that support a variety of research products and to provide policymakers with data that inform positive policy change. More information is available at **quantgov.org**.

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NOTES

1. QuantGov, "The History of RegData," accessed January 28, 2019, https://quantgov.org/regdata/history/.
2. To find datasets for RegData Canada, see Patrick A. McLaughlin, Scott Atherley, and Stephen Strosko, RegData Canada (dataset), QuantGov, Mercatus Center at George Mason University, Arlington, VA, 2018, https://quantgov.org/regdata-canada/.
3. James B. Bailey, Diana W. Thomas, and Joseph R. Anderson, "Regressive Effects of Regulation on Wages," *Public Choice* 180, no. 1–2 (forthcoming, July 2019): 91–103; Dustin Chambers, Courtney A. Collins, and Alan Krause,

"How Do Federal Regulations Affect Consumer Prices? An Analysis of the Regressive Effects of Regulation," *Public Choice* 180, no. 1–2 (forthcoming, July 2019): 57–90; Dustin Chambers, Patrick A. McLaughlin, and Laura Stanley, "Barriers to Prosperity: The Harmful Impact of Entry Regulations on Income Inequality," *Public Choice* 180, no. 1–2 (forthcoming, July 2019): 165–90.

4. QuantGov, "RegData 3.0 User's Guide," accessed April 25, 2019, https://quantgov.org/regdata/users-guide/; Patrick A. McLaughlin, Scott Atherley, and Stephen Strosko, "RegData Canada: An Overview" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, February 2019).