



Regulators should take the Red Tape Challenge

By: Christian Rice & Ryan Young – March 24, 2013

The American economy has been stagnant for half a decade now, and overregulation is a major reason why. The U.S. has traditionally had one of the world's freest economies. But in the most recent edition of the *Economic Freedom of the World* report, jointly published by the Cato Institute in Washington and the Fraser Institute in Vancouver, the U.S. slipped all the way to 18th place out of 144 countries. It is the first time the U.S. has ever been out of the top 10.

President Obama has made some minor strides to address overregulation, but clearly they are not enough. In 2011, he issued an executive order requiring "agencies shall consider how best to promote retrospective analysis of rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal [regulations]." The annual savings are estimated to be about \$2 billion.

To put this in context, total annual regulatory costs are an estimated \$1.8 trillion. In 2010, the total number of regulatory restrictions in the *Code of Federal Regulations* surpassed 1 million for the first time, according to research from the Mercatus Center at George Mason University. Now would be a good time for regulatory agencies to adopt a regulatory reform policy that has proven successful in the United Kingdom: the Red Tape Challenge.

The Red Tape Challenge is a two-year experiment that began in early 2011. Here's how it works. Every few weeks, the British government publishes regulations on a government website focusing on a specific area of the economy. The public then submits comments as to which regulations in that sector are unnecessary or overly burdensome. People can also recommend ways to improve the rules or even eliminate them entirely.

The departments that administer these regulations then collect these Red Tape Challenge comments and use them to develop specific regulatory policy proposals. Department ministers have three months to justify the existence of a regulation. They are challenged by relevant stakeholders. Those affected by a regulation — businessmen, for example — present evidence as to why a regulation should be reformed or repealed.

A Star Chamber (rather different from Charles I's, mind you) consisting of Cabinet Office members and various ministers then decides if a regulation is justified. If a regulation is not justified, the Chamber makes a recommendation to the relevant department, which then responds with its own proposal.

The Reducing Regulation Committee and other Cabinet subcommittees then consider the Star Chamber's proposal against the relevant department's proposal. These committees ultimately decide which proposal to accept, and their decision is then implemented.

Adopting a similar process in America would go a long way to help address one of the biggest problems with the U.S. federal regulatory state: Regulatory agencies aren't accountable to voters. The advantage of the Red Tape Challenge model is that it gives the public a say in which regulations need to be reexamined, based on real-life harm to pocketbooks and businesses.

Right now, there is just one month left in the U.K.'s two-year Red Tape Challenge. The results so far have been very positive. Policymakers here in the U.S. should take note. In just under two years, the Red Tape Challenge has helped business to save over £155 million (\$233 million) per year. For example, one regulation that required a business car insurance certificate is set to be eliminated for 1 million at-home workers. This will save businesses £33.5 million (\$51 million) per year.

This is just less than 0.2 percent of the £80 billion (\$122 billion) that U.K. regulations cost annually, so the Red Tape Challenge is no silver bullet solution to regulatory reform. But if an American Red Tape Challenge shaved off 0.2 percent of U.S. regulatory costs, the U.S. economy would save about \$3.6 billion annually — nearly double the impact of President Obama's executive orders. When it comes to burdensome and unnecessary regulations, Washington is a target-rich environment, so a Red Tape Challenge here would likely save much more than that.

Conservatives and progressives alike should support the Red Tape Challenge approach to regulatory reform. Conservatives would approve of a more efficient and less costly regulatory regime. Meanwhile, its extensive public participation should appeal to the progressive tradition of direct democracy. Both parties agree that regulatory reform is an urgent priority. The Red Tape Challenge model is something they could, and should, work on together.