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Examiner Editorial: Obama's regulatory tsunami is eroding America's competitive edge

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President Obama's unprecedented regulatory agenda is driving both foreign and domestic capital out of the United States. For now, the U.S. fortunately is still the top destination for investment in the world. Foreigners have invested more than $3.5 trillion in the U.S. economy, more than triple the share of the next-closest economy. But that edge is slipping. In 2011, foreigners invested $227 billion in the United States. That dropped to just $147 billion in 2012, a drop of more than 35 percent. And the decline occurred during what was supposedly an economic recovery.

There are many reasons why investors are choosing to put their money in places other than the United States. Developing countries are growing faster, 95 percent of the world's population lives outside the U.S., and other countries are embracing free markets for the first time. But, as Cato scholar Daniel Ikenson notes in a new paper, some of that decline in investment is also due to the deteriorating business climate in the U.S. As recently as 2000, the U.S. ranked second in the annual Economic Freedom of the World Report. It fell to eighth by 2005, and all the way to 18th after just four years under Obama. The main driver of the fall is heightened regulation.

A similar story can be found in the Global Competitiveness Index, where the U.S. is fifth, thanks largely to positive factors like "market size," "university-industry collaboration," and "strength of investor protection." But on "Burden of Government Regulation," the United states is 58th of 142 countries. Obama knows this. Shortly after his 2010 election disaster, Obama issued an executive order titled "Improving Regulations and Regulatory Review." But the tidal wave of new regulations hasn't receded.

According to the Heritage Foundation, Obama has inflicted nearly $70 billion worth of regulatory burdens on the U.S. economy since he was sworn into office, including $23.5 billion in new regulatory costs in 2012 alone. That number will only increase as Dodd-Frank and Obamacare come online. Obama's "war on coal" is also inflicting hundreds of billions in new regulatory costs.

Liberals will, of course, insist that it is wrong to focus on just the costs of new regulations, while ignoring their benefits. But Ikenson claims regulators routinely overestimate the benefits of new regulations. Worse, federal agencies only take the costs and benefits of new regulations into account when the least is known about them: before they go into effect.

Something must be done to regain America's competitive edge. Obama would never sign such a law, but if conservatives retake the White House, one of their top priorities must be to pass Sen. Rand Paul's Regulations from the Executive in need of Scrutiny (REINS) Act to require every new major regulation (meaning costs larger than $100 million annually) to be approved by Congress. Such a step would not solve our economic problems, but it would at least prevent future anti-growth presidents from drowning the U.S. economy in red tape.