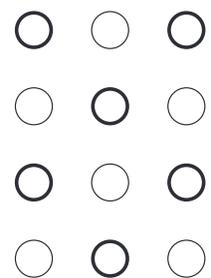


THE MERCATUS CENTER AT GEORGE MASON UNIVERSITY:

Information is power: How to deploy large-scale research projects to provide a catalyst for reining in out-of-control government regulation





Opening the books on bad regulations in states across the U.S.—when no one else was looking

Mercatus Center—an incubator of the next generation of free-market thinkers and ideas—created a state-by-state campaign to shed light on how to motivate officials and the public to roll back bad regulations, creating a freer society and a less burdensome set of government rules.

When it comes to effecting change, the first step is knowing the facts

Sometimes change starts with a story. For the Mercatus Center at George Mason University, that story came from an unlikely source: British Columbia.

The westernmost province of Canada was also one of its most economically weak regions, with GDP and jobs performance lagging behind the rest of the country in the 1990s. That all changed when a new political administration took over with one major goal: reduce the province’s regulatory footprint by a third. Over the course of two decades, the province has cut its regulatory requirements in half. Its GDP, which trailed the rest of Canada in the 1990s, is now above the national average. In fact, British Columbia saw faster GDP growth in 2002-2008 than did Canada as a whole.

Mercatus used this story to ask an important question: If regulatory reform can happen up north in Canada with such positive outcomes, why not here in the 50 states?

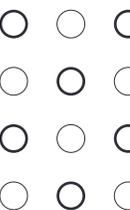
Mercatus realized all it would take to ignite the fight for thoughtful deregulation was the facts. The only thing standing in the way? Thousands upon thousands of pages of state rules, most of which hadn’t been reviewed for years by anyone.

Fortunately, Mercatus experts have created a database to help demystify the myriad rules and regulations in each state. That groundbreaking software, called RegData, provides “snapshots” of the regulatory codes of 26 states, showing the real-world effects of government regulations on economic growth.

So far, Mercatus’ RegData snapshots have reduced red tape in seven states—and more are in progress. These red tape reductions represent an opportunity for economic growth, new job prospects, and overall more prosperity and opportunity for all.

Mercatus has shared its success story from Kentucky and its genesis story—the incredible shift in regulatory policy in British Columbia—to continue generating momentum for reform that eliminates red tape in other states.

- ▶ Because of the massive regulatory review Mercatus has undertaken, seven states (Kentucky, Illinois, Missouri, Arizona, Nebraska, Iowa, and Virginia) are implementing regulatory review commissions or initiatives.
- ▶ Mercatus experts and staff have conducted more than 100 briefings, presentations, and testimonies with policymakers and policy stakeholders across the country.
- ▶ The media narrative on regulation is shifting, thanks to over 150 media placements by Mercatus’ award-winning media shop.



Key Takeaways

The Mercatus Center has written the book on how to produce substantive policy documents on a large scale. Not only is their research foundational, informative, and consumable, but it also provides everything necessary for groups and leaders in other states to pick up the free-market, limited-government mantle to fight for reform. Mercatus' regulatory rollback campaign can offer insight to other groups on how to:

- Produce large-scale research projects that have maximum impact
- Spread the word on this research to get their chosen messaging out to the public
- Get key research and information in front of influencers in order to effect change

Why focus on government regulation? Economic growth.

The average American doesn't spend much time thinking about the regulatory environment in their given state, in large part because state regulatory codes have become vast, tangled, and overreaching.

For example, it would take an ordinary person more than 31 weeks to read all of New York's 307,636 regulations, assuming he reads for 40 hours per week reading at a rate of 300 words per minute. For comparison, in 2017 there were over 1.15 million additional restrictions in the federal code. Individuals and businesses in New York must navigate all of these restrictions to remain in compliance.

These massive regulatory codes have serious effects on taxpayers, namely that they restrict their freedoms and ability to do business, and, more broadly speaking, too much regulation stifles economic growth and jobs creation. To

illustrate this point, recent research from Mercatus indicates that the accumulation of rules over the past several decades has slowed economic growth, amounting to an estimated \$4 trillion loss in U.S. GDP in 2012.

U.S. states have dozens of bureaucracies generating new regulations, but few review regulations already in place. With virtually no one doing this essential regulatory review work, Mercatus stepped in to give power back to the people, providing research that clearly explains the regulatory climate in individual states as a means to ignite policy debate and reform that will make these state economies freer and more vibrant.



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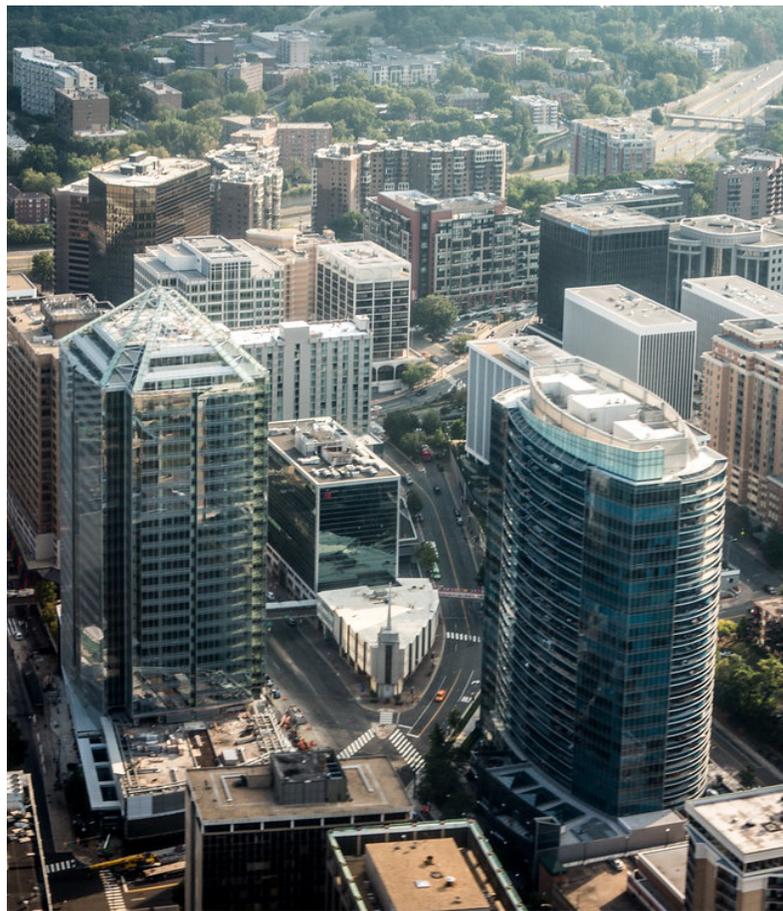
About The Mercatus Center

The Mercatus Center at George Mason University is the world's premier university source for market-oriented ideas—bridging the gap between academic ideas and real-world problems.

Mercatus researchers conduct research, work with students to apply ideas to problems in the world, and make research findings available to the media, policymakers, and the general public to connect academic learning with real-world practice.

As the name implies, Mercatus (Latin for “market”) research focuses on how markets solve problems. Another important aspect of the organization’s work is that Mercatus experts bring good ideas from scholars around the world to people in government.

Since 1980, the Mercatus Center has been a part of George Mason University, located on the Arlington and Fairfax campuses.



THE CONTEXT: British Columbia’s story illustrates why reducing regulations has a powerful impact on economic growth

British Columbia is Canada’s westernmost province with a population of 4.6 million people (roughly the same as Louisiana) and a GDP of approximately US\$170 billion. During the 1990s, economic growth and employment in British Columbia lagged behind the rest of the country. At that time, excessive regulation and high taxes were widely cited as major concerns by those in the business community.

But over the course of the past two decades, British Columbia has adopted and executed a drastic cultural and political shift, changing the role of the regulator from that of regulation “maker” to that of regulation “manager.” The results have been extremely encouraging for the people of British Columbia and those who support regulatory reforms across the world.

In the 1990s, examples of excessive regulating were not hard to find in British Columbia. Forest companies were told what size nails to use when building bridges over streams. Restaurants were told what size televisions they could have. Golf courses had to have a certain number of par-four holes, and the maximum patron capacity for ski hill lounges was based on the number of vertical feet it took to get to the top of the mountain.

In 2001, a new government was elected after campaigning on promises to improve the economy. One of these commitments was to reduce the regulatory burden by one-third in three years.

When the government of British Columbia introduced its first wave of regulatory reform policies in 2001, two regulatory requirements had to be eliminated for every one introduced. At one point regulators were going beyond this requirement and identifying five requirements to be cut for every new one introduced. (Today the policy requires one-for-one.) This put the onus on the government to make the case that additional regulation was necessary, to ensure adequate consultation, to keep compliance flexible, and to reduce the total amount of regulation.

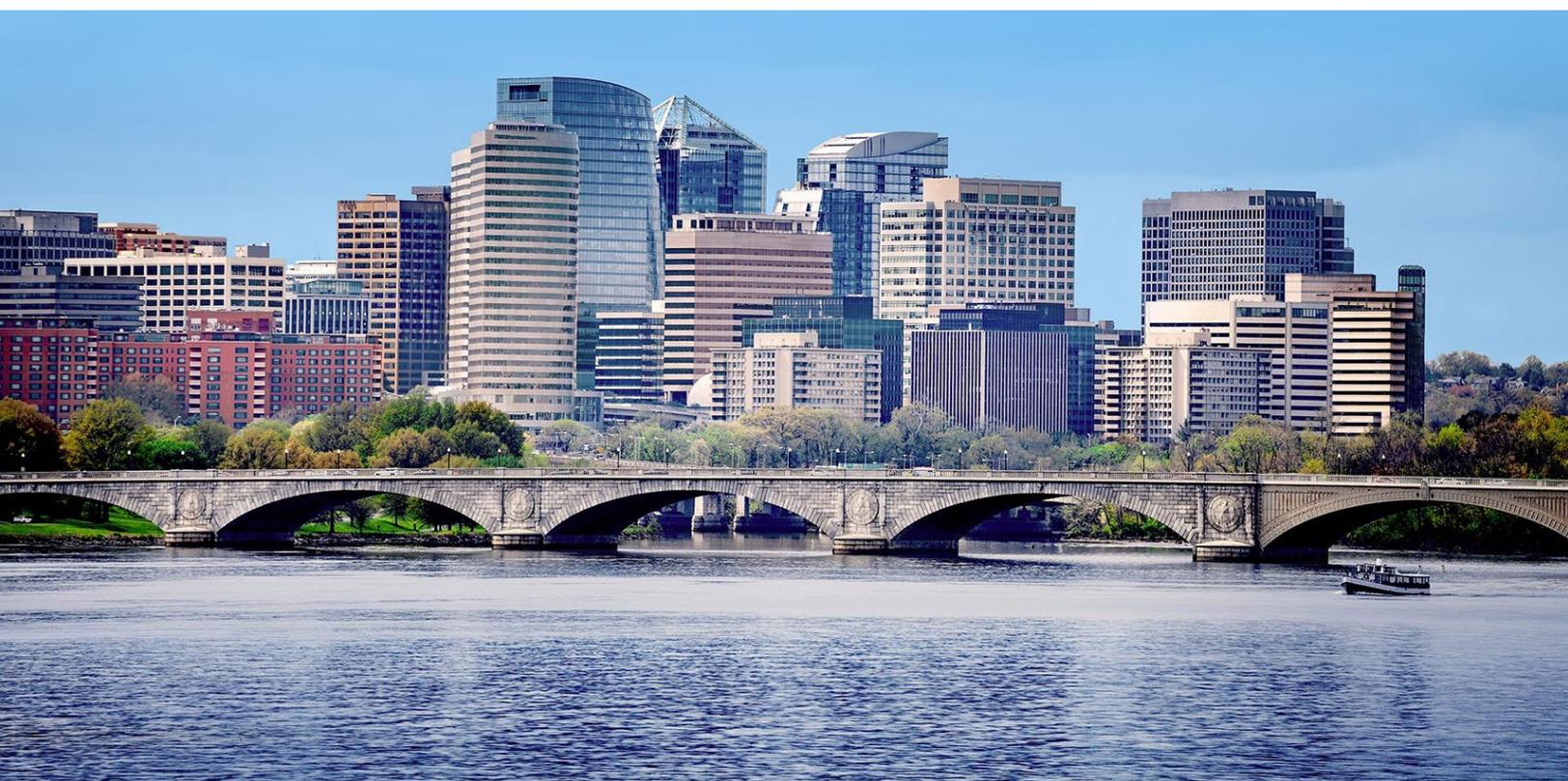
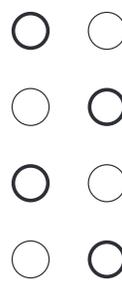
As a result of this shift in regulatory policy, alongside a sweeping tax cut, the province went from being one of the worst-performing

economies in the country pre-reform to one of the best post-reform.

Economic growth in British Columbia was 1.9 percentage points below the Canadian average between 1994 and 2001 but 1.1 percentage points above the Canadian average between 2002 and 2006. British Columbia's real GDP growth was lower than Canada's as a whole in six of the nine years between 1992 and 2000, but grew faster than Canada's every year between 2002 and 2008. While there were other factors at play in British Columbia's economic turnaround, red tape reduction played a critical role in this positive outcome. In the 17 years since British Columbia began its regulatory rollback campaign, the province has cut its regulatory requirements virtually in half.

Mercatus studied and observed this monumental shift in British Columbia, and used storytelling in media and legislative testimony to make the case for why regulatory reform is urgently needed in the United States. In addition to sharing the British Columbia example with countless media, Mercatus scholars presented testimony on this powerful example before the House Subcommittee on Healthcare, Benefits, and Administrative Rules and Subcommittee on Intergovernmental Affairs.

The proof is in the policy: cutting unnecessary layers of red tape is a huge component of growing any economy.



SCALING FOR SUCCESS: How RegData software creates regulatory snapshots to empower states to reduce red tape

After watching and learning from British Columbia's example, Mercatus began applying the lessons learned to its campaign to help states cut back on red tape as well.

Regulatory codes in the U.S. have virtually no review process or oversight to examine their continuing impact on state economies. That's why Mercatus created its ground-breaking RegData project, which endeavors to be the first step to break down these burdensome regulations.

Mercatus initially conceived of RegData in 2012 as a new database to quantify federal regulation, analyzing the text of federal regulations to create novel and objective measures of the accumulation of regulations in the economy overall and across different industries in the United States. In addition, RegData measures the degree to which different groups of regulations, such as those from a particular agency, target specific industries.

Since then, the RegData software has been expanded to provide assistance to the states. The Mercatus Center is using its ground-breaking RegData software to paint a clear picture of how reducing state-level regulations can have a measurable improvement on economic growth. RegData's "snapshots" of the regulatory codes of 26 states show the real-world effects of how regulations shape economic growth. These snapshots give states a way forward to reduce their regulatory burdens and make a meaningful difference in their citizens' lives. Kentucky, for example, partnered directly with Mercatus for its regulatory reform initiative.

So far, Mercatus' RegData snapshots have reduced red tape in seven states—and more are in progress. These red tape reductions represent an opportunity for economic growth, new job prospects, and overall more prosperity and opportunity for all.

WHAT SUCCESS LOOKS LIKE: A view from Kentucky

In 2015, Mercatus released the first state snapshot for the state of Kentucky. The fruits of this



labor offer a compelling case study in what success looks like for Mercatus' campaign to reduce burdensome and unnecessary regulations.

In July 2016, 40,000 Kentucky state employees got an email that read: "The governor needs your help to identify wasteful regulations." The state launched a new website, redtapereduction.com, to encourage any Kentuckian—but especially state workers—to nominate obsolete, costly, or complicated regulations for revision or elimination. This "Red Tape Reduction" initiative aims to review all of Kentucky's approximately 4,700 regulations, reduce regulations by 30%, and convert government employees "from regulation makers to regulation managers." As of August 2018, the Bluegrass State has reviewed over 2,300 regulations, repealed 453 of them, amended an additional 424, and identified hundreds more for future action.

Kentucky Gov. Matt Bevin launched the Red Tape Reduction Initiative after meeting with scholars from the Mercatus Center. Why? He was inspired by Mercatus' research showing how the Canadian province of British Columbia increased economic growth by cutting unnecessary regulations.

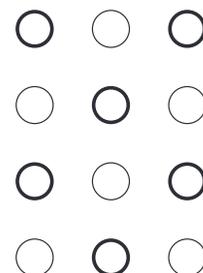
Now Kentucky officials are consulting with Mercatus scholars on other reform ideas, and six other states have created similar red tape reduction efforts. Virginia has achieved reform

that was both bipartisan and legislative, which bodes well for the success of their efforts. Other states' reforms were initiated by executive order. This year, Mercatus expects that several other states will implement similar reforms based on their work. Missouri in particular stands out as similar to Kentucky—the governor announced not only that he would use Mercatus' RegData count as his baseline but also announced a quantitative target for reduction and implemented an oversight plan to make sure that regulators followed through on the plan. These states are sending a powerful message: regulators must serve citizens and business owners, not the other way around.

Key Lessons from the Mercatus Center's RegData Project

HOW MERCATUS DID IT: Scaling up a regulatory review project for all 50 states

As Mercatus scaled up and needed to produce more products with the same number of people, its team had to adjust the way they worked. Ultimately, they adopted a workflow



framework that is typically used in software development called Scrum, which really helps all of the individual team members working on a big project avoid feeling overwhelmed or confused about what to do next. The snapshot reports Mercatus created for each state are easily replicable, and the group has saved time in developing new snapshots by simply plugging in the relevant data to their RegData software. This process allows them to save time in creating new documents and enables easy comparisons between states, or between a single state over time.

Why it matters: Not every think tank will have the resources to create something like RegData, but it's important to consider what resources you do have that can allow you to become more efficient and productive if you need to scale your work.

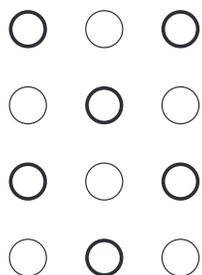
HOW MERCATUS DID IT: Allowing for trial and error to get the formula right

Producing regulatory data for the snapshots was half the equation—the other major hurdle continues to pay off, but it certainly required a long-term vision and a stubbornness on the creator's part not to get distracted by other proj-

ects or unrelated opportunities. While taking the time to get the software up and running, the person in charge of the RegData project had to ensure that the team was hitting enough short-run milestones throughout the life of the project—without that, it might have been impossible to justify such an investment of time and resources to others in the organization (as well as donors).

With RegData up and running, and with so much new information available—first on the federal and then on the state level—Mercatus next had to figure out how to reach its audience, and who that audience was. They found that at the state level, as opposed to the federal level, it was much easier to access political leaders to explain their research. State policymakers typically welcomed the information Mercatus had to offer, while federal policymakers are deluged with material from stakeholders. So Mercatus adapted its strategy accordingly, now focusing primarily on state-level audiences.

Why it matters: A good idea won't be perfect from the get-go. The team should be willing and open to making adjustments as new information and experiences become available to have the most impact possible. Shifting your approach isn't a sign of failure—it's a sign that you're willing to go where the project leads you in order to achieve your overall goals. Measuring and responding to your performance is crucial for success on large-scale campaigns.



Points to ponder

1. A key part of the success of the RegData project was that the Mercatus Center identified “a need” in the idea marketplace, namely that there was no easy way to comb through and review thousands of pages of regulatory data. What processes can think tanks, advocacy groups, or other non-profit organizations employ to effectively identify needs in the idea marketplace that they may be uniquely able to solve or address?
2. Analyzing thousands of government regulations is typically not high on the average person’s interest list. How do you take a policy reform (e.g., deregulation) that is either highly technical, misunderstood, or even ignored by most of the public and change the narrative in such a way that they can understand the problem and become interested in supporting the reform?
3. One of the critical long-term impacts of the RegData project was that it was a solution that could be used in more than just one place. How can think tanks, advocacy groups, or other non-profit organization be more strategic in creating policy reform initiatives that can be used not just in one specific instance but can be shared and applied many times over?
4. Mercatus initially built RegData to help federal regulators, but they quickly found that group to be relatively unresponsive. What can think tanks, advocacy groups, or other non-profit organizations do to be able to evolve a project when an initial effort fails to deliver the desired results?

Mercatus Learn More:

Forbes: [What Do Scholars Say About The Empirical Relationships Between Regulation And Entrepreneurship?](#)

The Hill: [Rail regulation highlights need for required economic analysis](#)

C-Span: [Federal Regulations and State Economies](#)

Journal Gazette: [You’d need 11 weeks to read regs book](#)

New York Post: [Lessons from NJ’s problem-plagued bid to cut red tape](#)

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