

REGULATORY BLUES

SPEA Dean Says Country Can Do Better

By Tom Schuman

John Graham, dean of the Indiana University School of Public and Environmental Affairs (SPEA), says the federal regulatory reform movement has been present since the late 1970s. If his testimony before two recent congressional committees is any indication, the effort is picking up renewed momentum.

Graham provides background and unique insight during this *BizVoice*® interview.

BizVoice: Talk about the evolution of this effort.

John Graham: “The movement has had its ups and downs. It varies depending on factors like the condition of the economy and the current state of regulatory activity. The Reagan administration had a lot of regulatory reform activity that was in many ways a reaction to the pro-regulation activity under the Carter administration.

“The George W. Bush administration had a lot of reform activity that was linked in part to a lot of the regulation that emerged from the Clinton administration. It has a partisan element to it – that is Republicans tend to be more interested than Democrats

but there has always been a significant number of Democrats also interested. And that’s given it kind of a bipartisan focus.”

BV: Currently, there appears to be no shortage of complaints about regulations coming out of Washington.

Graham: “The Obama administration, during its first term, was more legislative focused. But the use of executive power in the form of regulation – President Obama has ramped that up in his second term as it has become more difficult for him to accomplish his objectives through regulation. That’s why there has been a lot more discussion of regulations the last couple of years.”

BV: How does your experience in the Bush administration (Graham was an administrator in the Office of Information and Regulatory Affairs in the White House Office of Management and Budget from 2001-2006) impact your views?

Graham: “When the Bush administration was forming, and you remember it was after the closest election in American history and the administration was late developing because of all the litigation and the Supreme Court case, a lot of people were thinking it was going to be a predominantly deregulation and regulatory reform administration. And I certainly thought that way after I was nominated and confirmed in the Senate.

“Then what happened was 9/11. What was fascinating to me about 9/11 is that it turned a lot of colleagues who were conservative Republicans in the Bush administration into pro-regulation guys. They wanted to regulate everything from airlines to chemical plants to universities. There was a



Visits to Congress to testify on regulatory matters are nothing new for John Graham, appearing before the Senate Committee on the Budget in December 2015.



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huge wave of regulation that I never would have predicted that was a consequence of 9/11.

“I did my best as an OMB official to bring strong cost-benefit analysis thinking to these regulations, but it was very difficult given the emotional nature of that period and the political outpouring of outrage and calls for action.”

BV: In your testimony (before the Senate Committee on the Budget in December 2015), you state: Why should \$1 billion in compliance costs on industry be treated differently than \$1 billion in federal budgetary outlays that are typically financed by taxes? That seems so logical. What reactions do you receive?

Graham: “I think it’s a helpful analogy for people because in the final analysis we’re spending money from the same household budgets. When you impose a cost on business, basically that cost is then paid for, for the most part, in higher prices on products – but also to some extent by workers in the form of lower wages or compensation benefits. And also lower returns to the owners and investors in these companies. A lot of times people don’t draw those connections.”

BV: Wouldn’t this also be an opportunity for Congress to reassume its accountability and add some transparency?

Graham: “In fairness, the House of Representatives for the last several years have passed a wide range and substantial number of regulatory reform bills that have basically not been able to make any headway in the Senate. So you have to focus more on the Senate than the House to understand this inaction. A lot of the legislation coming out of the House was seen as a threat to the initiatives and the legacy of President Obama. So I don’t think it should surprise us there has been that logjam on regulatory reform activities in the Senate.”

BV: What is the biggest objection to regulatory reform – the process or the policy itself?

Graham: “I think the most common objection is the fear that this is going to remove protections for human health, safety and the environment and for civil rights that have been established through federal regulatory activity. In reality, what we’re trying to do is make

these regulations more cost effective, less intrusive and less discouraging of innovation.”

BV: This would apply to just new regulations, correct?

Graham: “In the context of a specific proposal about a regulatory budget, yes. But there are other regulatory reforms out there – outside the budget context – that apply to existing regulations. The Obama administration, to its credit, one of the things it has done is it has created a process whereby some existing regulations get nominated for review and reform on a regular basis. It’s not as ambitious as we regulatory reformers would like it to be, but it’s definitely a step in the right direction.”

BV: What has been learned from the experience in other countries?

Graham: “I would say the United Kingdom and the Netherlands have been the big pioneers in the regulatory reform area outside of the United States. The Netherlands has a very innovative model, estimating how much red tape and paperwork businesses have to address associated with various regulations, and then they use that as a priority for deciding which regulations should be streamlined or made more cost effective.

“In the U.K., they have a formalized advisory body of business leaders who play a role in suggesting priorities for regulatory reform. That has been operating under various political administrations in Britain for the past 20 years. So they have a much more direct voice from business in the regulatory reform process.”

BV: You recommended a congressionally-designed pilot project in your testimony. Explain that.

Graham: “There was an effort in the U.K. to implement the idea (of comprehensive reform). They postponed it after several months. That’s the signal you get when you try to do something that is too ambitious and you’re not sure how to implement it. That’s the motivation for doing a smaller scale pilot project – take a couple of agencies that do a lot of regulation and see if you can implement a pilot project on them. Then if it’s successful, you extend that idea through a larger number of agencies.”

RESOURCE: John Graham, Indiana University, at www.spea.indiana.edu