The costs of regulation, both individually and in the aggregate, are notoriously hard to measure. Unlike the direct costs of government programs, which are tracked through the fiscal budget, there is no mechanism for keeping track of the off-budget costs imposed by regulation. Thus, to get a clearer picture of the impact of regulations, it is important to examine those impacts through different lenses using different measurement tools, even though none of those approaches is perfect.

A new study released today by the National Association of Manufacturers offers a new lens with which to evaluate regulatory impacts and is an important contribution to this body of literature. Authored by Mark Crain and Nicole Crain, The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business begins by presenting the results of a survey of manufacturers that provides interesting insights not only into the direct cost of different forms of regulation, but also on manufacturers’ perceptions of the less measurable impacts of regulations, such as how they affect investment and hiring decisions. The report then builds a comprehensive, quantitative estimate of the costs (but not the benefits) of regulation across sectors and firm sizes, finding that “U.S. federal government regulations cost an estimated $2.03 trillion in 2012 (in 2014 dollars), an amount equal to 12 percent of GDP.” Crain and Crain further find that “compliance costs fall disproportionately on small businesses,” with firms employing fewer than 50 people incurring regulatory costs of about $11,700 per employee per year, compared to $10,700 for medium-sized firms and $9,100 for large firms.

The study methodology extends the one developed by Crain and Crain for the U.S. Small Business Administration Office of Advocacy in 2012, and reaches similar conclusions regarding both the total cost of regulation and its incidence. Together with other measures, including OMB’s annual reports to Congress on the benefits and costs of regulation, the GW Regulatory Studies Center and Weidenbaum Center’s annual Regulators’ Budget report on the on-budget costs of regulation, the Mercatus Center’s RegData project, the Competitive Enterprise Institute’s annual Ten Thousand Commandments, and proxies such as pages of regulatory text and number of rules, this new report can help inform policy makers and the public about the scope, impact, and incidence of regulatory activity.