

2. Counting and Reporting the Costs

15. Ministers need to realize that the microeconomic effects of society's expenditures on new regulations or regulatory statutes are similar to the effects of budget outlays. The macroeconomic effects (output, employment, prices) are also similar. The federal government diverts resources from private to public use in three principal ways: (a) by taxation, (b) by borrowing, and (c) by imposing regulatory requirements necessitating outlays by firms and individuals in the private sector. The U.S. General Accounting Office⁶ suggests that regulatory costs have an economic impact closer to that of excise taxes or user fees than to income taxes, but a major effect nonetheless. Thus if ministers are concerned about the micro- and macro-economic effects of the some 800 new regulations they make annually, they need to know not only how much each one costs (in the RIAs), but also the total amount of their regulatory spending.

16. Some of the flaws identified in the analysis above could be addressed by having the Federal Government first adopt a policy of publishing the cost of individual regulations and their cumulative costs, and then making an effort to control the total costs of regulations. While the ideal might be a regulatory budget, the federal government could start with the following much more modest steps.

- In advance of each fiscal year, RAD, on behalf of the Cabinet, would compile a list of proposed major regulations that each department or agency anticipated they would request the cabinet to enact in the forthcoming year. Almost all of these would have been listed in a previous *Federal Regulatory Plan*.
- The "estimated costs and benefits of federal regulations" (ECBFR) would be tabled in the House of Commons at the same time as the *Estimates*.
- The ECBFR would be sent to the Commons Standing Committee on Finance for review. The Committee's report, tabled in the House, would provide the Cabinet with advice on the general scale and growth in the costs of federal regulations.

17. This approach would provide a very gentle introduction to the idea that the Cabinet should start to think of the total costs to society of new regulations in much the same fashion as it does about traditional expenditures or taxes. The ECBFR would, in effect, be a tally of the estimated social costs of new regulations (a) over the past few years, and (b) for the coming year based on proposed major regulations. The costs could be broken down by year, by department or agency, by government administrative costs, and by private sector compliance costs, broken down by major industry sector.

18. At the outset, these figures would be simply "background information" provided by the President of the Treasury Board to Ministers, Parliament and the public. The data would be part of the larger context they would be encouraged to consider when making new regulations. In a few years, it may be possible to move from the "tally" approach to the one outlined below.

⁶ U.S. General Accounting Office, 1992.