



United States  
General Accounting Office  
Washington, D.C. 20548

Program Evaluation and  
Methodology Division



B-261704

June 15, 1995

The Honorable Patrick J. Leahy  
Ranking Minority Member  
Committee on Agriculture, Nutrition, and Forestry  
United States Senate

Dear Senator Leahy:

You asked us to provide you with an additional analysis of the costs of federal regulations, based upon work we presented in our previous report, Regulatory Reform: Information on Costs, Cost-Effectiveness, and Mandated Deadlines for Regulations (GAO/PEMD-95-18BR; March 8, 1995).

In that report, we presented information on estimates made by Dr. Thomas Hopkins of the cumulative costs of federal regulations.<sup>1</sup> Hopkins included five categories of costs in his estimate of the "cost of regulation" on the economy. These are the direct, or efficiency, costs of (1) environmental regulations, (2) other social regulations, and (3) economic regulations; (4) the "process" costs to the economy stemming from such things as paperwork requirements; and (5) transfers stemming from regulations. In the report, we presented figures showing Hopkins' estimates of the regulatory costs by each of these categories (pp. 14 and 16) and a chart showing the total of his five categories as a percentage of gross domestic product (GDP) (p. 15).

As we noted in our report, there is disagreement about whether the process costs and transfer costs should be included in an analysis of the burden placed on the economy by regulations. These two categories account for the majority of Hopkins' estimate, and by excluding them, his 1990 estimate, for example, would drop from \$562 billion to \$228 billion.

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<sup>1</sup>Thomas D. Hopkins, Cost of Regulation, A report to the Regulatory Information Service Center, Aug. 1991; "Federal Regulatory Burdens," RTT Public Policy Working Paper, Rochester, N.Y.: Rochester Institute of Technology, 1993; and unpublished data.

GAO-PEMD-95-24R Costs of Regulation

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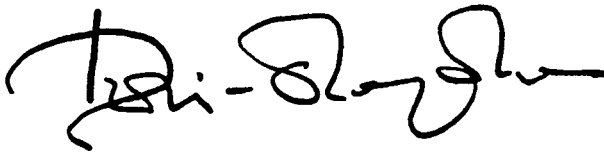
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You requested that we provide you with a chart showing the percentage of GDP represented by Hopkins' first three categories of costs, excluding the process and transfer costs. This chart, provided in appendix I, shows that the percentage of GDP devoted to these costs of regulation was relatively flat from 1977 to 1994, decreasing from 4.6 percent in 1977 to 3.6 percent in 1990 before rising to 4.1 percent in 1994 (see table I.1 ). It should be noted that Hopkins' cost estimates for the later years in the period are based on projections.

Copies of this correspondence will be provided to other interested congressional parties. Copies will also be made available to others upon request.

This analysis was prepared by Dan Engelberg, Project Manager. If you or your staff have any questions about this analysis, please call me or Marcia Crosse, Assistant Director, at (202) 512-3092.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Kwai-Cheung Chan', written in a cursive style.

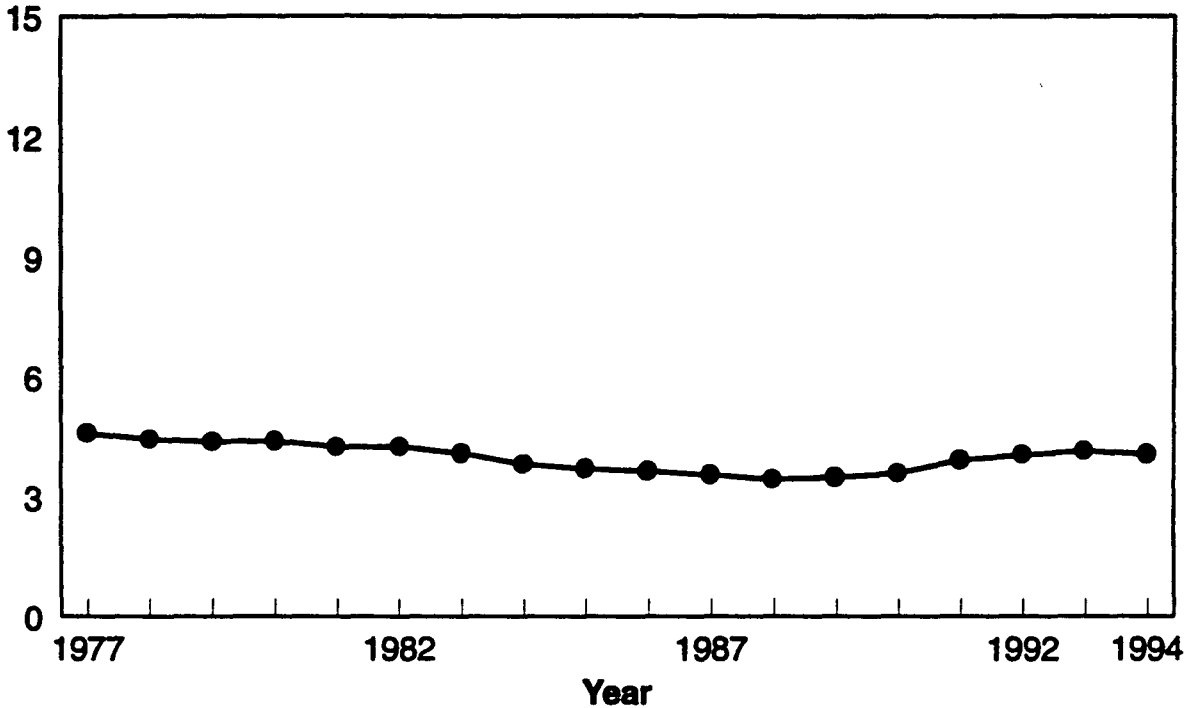
Kwai-Cheung Chan  
Director of Program Evaluation  
in Physical Systems Areas

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# GAO Hopkins' Estimates of Regulatory Costs (Three Categories)

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Percentage of GDP



Note: These data consist of the environmental, other social, and economic efficiency cost categories.

Source: Data derived from Hopkins, 1993, and data provided by the Bureau of Economic Analysis, 1995.

APPENDIX I

Table I.1: Regulatory Costs as a Percentage of GDP (Three Categories)<sup>a</sup>

<b>Year</b>	<b>Percentage</b>
1977	4.59
1978	4.43
1979	4.37
1980	4.39
1981	4.25
1982	4.25
1983	4.07
1984	3.81
1985	3.69
1986	3.63
1987	3.54
1988	3.42
1989	3.48
1990	3.59
1991	3.91
1992	4.05
1993	4.15
1994	4.07

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<sup>a</sup>These data consist of the environmental, other social, and economic efficiency cost categories.

Source: Data derived from Hopkins, 1993, and data provided by the Bureau of Economic Analysis, 1995.

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