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Federal Regulatory Reform: Rhetoric or Reality

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Federal Deregulation, Regulatory Reform and Regulatory Management: Rhetoric or Reality?

Introduction¹

The Canadian government, like governments all over the world, is being forced by large budget deficits and public debt to be more fiscally responsible. This might lead one to believe that politicians have very little room to manoeuvre when they make decisions about spending. This is not true. Governments have two ways to spend: they can extract money through taxation and spend it directly, or they can order individuals and firms to spend their own resources in order to achieve the government's goals. This latter route is called regulation and it is one of the biggest impediments to Canada's economic competitiveness.

The 1970s witnessed increasing concern over the growth and extent of regulation in most of the OECD countries. Along with technological change, which affected the structure of industries and raised questions about the necessity of continued regulation, there was also a growing awareness that one of the costs of regulation was the decreased competitiveness of domestic industries. Concern about this cost grew in the 1980s, causing governments to examine regulations more closely with a view to making them more efficient and effective.

In Canada, growing concern over the adverse effects of regulation on the economy led to a number of studies. These include studies done by Parliamentary committees, the Economic Council of Canada, the Ontario Economic Council, the Law Reform Commission of Canada, and the Federal Task Force on Program Review. These studies expose the short-comings of the regulatory process and offered numerous recommendations for change.

Over the last 20 years, successive federal governments have reacted by implementing various initiatives, including deregulation (reducing the number of regulations), regulatory reform (improving the quality of regulations), and regulatory management (prioritizing regulations and looking for alternatives to command and control measures). In practice, however, the rhetoric of regulatory change initiatives has largely not been matched by action.

This paper begins by examining the unintended consequences of welfare-state policies. Second, it briefly explores the costs—including the opportunity costs—imposed by regulation on Canadians. Third, the paper illustrates and analyzes the relationship between how we manage risk in our society and our standard of living. Fourth, it provides a brief summary of attempts at regulatory improvement by successive governments over the last 20 years. Finally, it reviews the reforms enacted by the federal government in order to evaluate empirically its claims of deregulation, regulatory reform and improved regulatory management. This final section examines in particular the effectiveness of using the Regulatory Impact Assessment Statement (RIAS) by Regulatory Affairs Directorate (RAD) at Treasury Board to improve the quality of regulations that are passed.

The moral hazards of the welfare state

In writing the history of the latter half of the twentieth century, future historians will probably point out that it was the era of the welfare state and the emergence of big government. During

1 The author would like to thank Danielle Smith and Liv Fredricksen for their superb research assistance.

this period, the industrialized nations of the West, including Canada, have undergone considerable change.² Most of the OECD countries were concerned at first with developing and enforcing framework laws³ that protected persons and private property. Eventually, the state began to take over responsibilities that were once considered the domain of individuals, their families, and charitable organizations. The modern welfare state is now expected to provide welfare to the poor, assistance and job training to those who are unemployed, pensions and seniors benefits for the old, and “universal” and “accessible” health care.

The modern Canadian state is also expected to ensure that transport is safe, that the conditions under which we work are safe and secure, that the homes in which we live are well built, that the air we breathe is clean, that the water we use is free from bacteria, that the food we consume is free of any health hazards, that the deposits we make at our banks and credit unions are secure and more. We have built the great Canadian safety net to protect us from many of the risks, real and perceived, in life. The creation of this safety net has had several economic and social ramifications.

Economists have long known that it is an enormously costly endeavour for the state to eliminate or reduce risks for its citizens. There is risk in any activity and there is a cost to eliminate it. When the risk is reduced by government regulations (or other means), the cost to the participant of being involved in such activity falls. Therefore, the reduction of risk changes the set of incentives facing a particular individual (see Skidelsky 1997).

When the state provides risk reduction programs, it encourages individuals to indulge in activities in which they would not otherwise have participated. For example, many consumer advocacy groups argue that the state should try to protect drivers and their passengers by enacting strict safety regulations. They argue that with safer cars, there will be fewer traffic accidents and deaths. Many economists have argued that safer cars will encourage individuals to indulge in much more reckless behaviour since the risk of being in a serious accident is diminished. Professor Sam Peltzman’s analysis of the effects of the *National Traffic and Motor Vehicle Safety Act* of 1966 provides empirical support for this position (see Peltzman 1975). A recent study completed by Professor Kip Viscusi on child-resistant medicine bottle caps indicate that 3,500 additional poisonings of children under the age of 5 have occurred annually from aspirin-related drugs since the introduction of the caps (cited in Lott 1997). How and why did this new risk reduction strategy fail? Quite simply, parents are lulled into a false sense of safety and are not as vigilant. In insurance parlance, this phenomenon is known as a moral hazard. By changing the set of incentives facing individuals, a well-intentioned policy of risk reduction can encourage individuals to make socially costly choices, and can also hinder productivity growth, and consequently the standard of living (see Gray 1987; Hahn and Hird 1991, Mihlar 1997).

The cost of regulation

Politicians and policy makers often fail to consider the unintended consequences of their actions in their quest to build the welfare state. There are two important considerations that

2 There are several studies that attempt to explain the growth of the state with empirical evidence. For instance, see Peltzman 1980; Meltzer and Richard 1981; Higgs 1988; Tanzi and Schuknecht 1995.

3 Framework laws include competition law, bankruptcy and corporation law, intellectual and private property laws, and the criminal code.

merit attention. First, life is an inherently risky adventure and it is impossible to eliminate all risks we face. Indeed, it is impossible to eradicate some of the more substantial risks. In our quest to reduce or, in some cases, to eliminate risks, we expend huge sums of money. In 1993/94, the whole array of federal, provincial, and local regulations costs Canadians \$85.7 billion (12 percent of GDP) in compliance costs. The cost of regulatory compliance due to federal regulations alone constituted around \$50 billion. The three levels of government in Canada impose an annual burden of around \$12,000 per family of four (see Mihlar 1996).

Spending these huge sums of money to comply with regulations has opportunity costs. For example, Loss of Life Expectancy (LLE) is estimated to be 3,500 days for someone living in poverty. LLE due to risks such as air pollution is estimated to be about 80 days. In the case of airline crashes, LLE is 1 day.⁴ The relevant question is: should we expend scarce resources to control risks such as air pollution and airline crashes when such attempts have diminishing returns or should we attempt to reduce poverty? Lack of jobs is the primary reason for lack of an adequate standard of living. More regulations retard economic activity and growth leading to fewer jobs. Therefore, in order to increase life expectancy, should we not be ensuring that we reduce the regulatory burden so that enterprise can flourish? Choosing to spend additional resources on minor risks while ignoring the diminishing returns on risk-reducing investments that also impede economic activity will result in job losses that increase poverty as well. If this is the course we choose to go, then we will be indulging in “statistical murder.” We also pay a heavy price for risk reduction with limits to our individual freedoms (Hayek 1973).

Second, we have neglected to inform Canadians of some basic economic facts—like the price we pay for the relentless pursuit of zero risks (Boulding and Purohit 1996; Bernstein 1996). Issues that merit consideration include scarcity of resources, trade-offs in decision-making, the regressive (taxing) nature of regulation, and the diminishing returns on more spending on safety issues. Given the scarcity of resources, the trade-offs, and the unintended consequences of more regulation, we should ask, for example, how much we should spend on breast cancer initiatives as opposed to a national AIDS program? As Professor Bill Stanbury notes:

In 1992, Health Canada pledged \$25 million over five years to the Breast Cancer Initiative. At the same time, it allocated \$203.5 million for a five-year national AIDS strategy. And yet, since 1982, just over 9,500 Canadians have died of AIDS, while more than 60,000 died of breast cancer. In 1994, 1,628 people died of AIDS, or about one-third the number who died of breast cancer (1996b).

While recognizing the sanctity of each individual life, in a world with limited resources it is important to raise these kinds of questions explicitly. In fact, governments make trade-offs on a daily basis when deciding to spend money on, or to regulate, activity X or Y. Implicitly, governments do put a dollar value on life by their policy action or inaction.

These are difficult choices but one has to take the larger picture into account so as to allocate scarce resources efficiently among competing health and safety risks and maximize the number of statistical lives saved. For this to occur, the federal government has to state explicitly how much will be spent on averting each statistical death. In other words, how much are Canadians willing to pay to save a life? While many Canadians will be

⁴ In the case of air pollution and airline crashes, the estimated number of days is based on the average over the total population and in the case of poverty risk, it is based on those exposed to the particular risk. For details, see Sutherland 1997.

understandably repulsed at the thought of putting a dollar value to life, it is necessary to do so in order to ensure that we save as many lives as possible. Professor Kip Viscusi, drawing from several American studies estimates the value of a single life to be between US\$3 million to US\$7 million. Evidence from the United States also suggests that some regulations end up costing over US\$100 million per statistical life saved (see Viscusi 1992; Hahn 1996b). While studies of this nature are sparse in Canada, there is no evidence to indicate that the situation here is better (Kasperson and Kasperson 1983). Setting an upper limit on resources to be spent per statistical life saved, therefore, is critical if we are to avoid wasting scarce resources.

This process will ensure that all the regulatory initiatives emanating out of the different federal departments and agencies are compared and ranked according to their relative risk magnitudes and costs. This kind of big-picture analysis would require some sort of centralizing function on the part of the federal government with respect to regulatory initiatives (Stanbury 1996b).

Clearly, for a democracy to work and for bureaucratic and political accountability to be meaningful, the public needs to be informed about the realities of risk management. For example, for all occupations except fishing and hunting, forestry, and mining, people are safer at their places of work than in their homes. In other words, the average annual risk of death from accidents in Canada is lower at work than at home (see table 1; Sutherland 1997). Statistics on accidents suggest that, for instance, in 1993, about 50 percent of all accidents in Canada occurred either at home or while playing sports. These activities are not subject to many safety regulations. At the same time, it is important to recognize that attempting to reg-

ulate activities at home or at the playground could be expensive and end up hurting more Canadians (O'Tengs et al. 1995).

A recent situation illustrates the problems inherent in risk-reduction strategies pursued by government. There is much agitation for regulating jet-skis based, in part, on some tragic accidents that have occurred even though the number of deaths in Canada in 1994 due to maritime accidents was only 135 and the probability of dying in an accident involving water transport is 1 in 214,800 while the risk of dying in an accident at home is 1 in 11,000 (Stanbury 1996b; Sutherland 1997).⁵

Table 1: The Average Annual Risk of Death in Canada from Accidents

Hazard	Annual Risk of Death
Fishing and Hunting	1 in 500*
Forestry	1 in 900
Mining	1 in 1,100
Accidents on the road	1 in 5,000
Accidents at home	1 in 11,000**
Accidents at work	1 in 24,000**
Public risk from underground disposal of nuclear waste	<1 in 2,000,000,000,000

*For every 500 people employed in fishing and hunting, about one will lose his life at work each year.

**For all occupations in general (except the three most dangerous), people are safer at work than they are at home!

Source: Most figures from Atomic Energy Control Board 1995. Taken from Sutherland 1997: 8.

Nevertheless, in spite of the accumulating evidence from research, governments continue to regulate relatively less risky activity with little consideration for the actual costs. In spite of the moral hazards that have arisen out of the welfare state, politicians still climb the podium to an-

5 The presentation of these relative statistics should not be construed as a call for more regulations governing home life. As is evident from the introduction of child-resistant caps for medicine bottles, the unintended consequences of such regulations are costly.

nounce another series of new regulations in the aftermath of most tragedies. Comparative risk analysis and science-based decision-making are relegated to the back burner (see O'Tengs 1997). Moreover, bureaucrats responding to certain perverse incentives (political imperatives) that are inherent in a bureaucracy are only too willing to oblige their political masters (see Niskanen 1971; Mueller 1989).

The role of risk assessment in developing regulation

One of the Western world's greatest achievements this century has been the enormous increase in the average life expectancy of its citizens. The average life expectancy of Canadians in 1920 was around 60 years. By the 1990s, it had risen to 76 years (Stanbury 1996b).

Major reasons for our longer lives include greater affluence and the opportunities created by technological change. The new risks we accept usually replace even greater risks left behind. For example, automobile travel is dangerous, but mile for mile it is much safer than travel on horseback. People die each year in highly publicized airplane crashes but planes are far safer than automobiles. Only the world's richer residents ride in automobiles and only the very richest travel the safest way, by air. The benefits of greater income and wealth, including safer travel and safer homes, far outweigh the risks of economic development and technological change.

Despite these improvements, according to news reports North Americans worry about risks relating to health and safety issues. North Americans, including Canadians, are worried about the food they eat, the water they drink, the air they breathe, the cars they drive, and the safety of their

workplaces (see Douglas and Wildavsky 1982; Wildavsky 1995).

Risk is often interpreted as something to be avoided. However, all economic and technological progress requires that we take risks. It is precisely because our ancestors took risks that we enjoy healthier and longer lives. Accumulated technological innovations and inventions have helped increase levels of productivity which leads to a higher standard of living (Lipsev 1996; Mokyr 1990). As Professor Wildavsky has noted: "There can be no safety without risk" (1988: 1). The challenge, then, is to provide protection for the public against certain risks without unduly stifling the ability to enjoy the benefits of new technologies, products, and economic growth.

Not every disease and not all threats to human health merit equal public concern. Although cancer⁶ kills fewer Canadians than heart disease, cancer receives more attention because we feel it is caused by an uncontrollable external force. Therefore, we hope that by identifying the causes (environmental risks), we can reduce its death toll. According to recent studies, however, pollution appears to account for about 1 percent of cancer. Most cancers can be prevented by voluntary actions such as reducing smoking, eating well, reducing exposure to the sun, and engaging in physical activity (see Ames and Gold 1995).

In response to our fears, and in the hopes of identifying and controlling causes, risk assessment has emerged as a discipline designed to estimate health risks from various sources and guide efforts in reducing them. Health risk assessment is commonly in the news. Every time a carcinogenic chemical is discovered in a consumer product, the air, water, soil, or food, someone will come forward to estimate the health risk (cancer risk).

6 It is important to recognize that in most cases, cancer afflicts the elderly.

Increasingly, regulation of many products and services is being driven by political responses to public fear and hysteria created, in part, by interest groups rather than by careful, objective, scientific evaluations of the actual risks, and of the costs and benefits posed by environmental hazards including chemicals and their use.⁷ For example, there are trace amount of natural carcinogens (toxins) all around us. They do not, however, pose a health hazard. In conducting rodent tests to regulate chemical exposure, many toxicology tests use what is known as maximum tolerated dose, rather than trace amounts. Straight-line extrapolations from these rodent studies are then applied to humans. Using these studies to set the thresholds for chemical toxins in humans exaggerates the risk. Another case in point is the ban on smoking in public buildings in Canada, based in part, on a flawed study from the Environmental Protection Agency on the effects of passive smoking (for a detailed critique, see Bernstein 1996: 211-213). In the final analysis, we end up regulating trivial rather than high risks, and perceived real risks (for a detailed discussion, see Wildavsky 1996). It is time, therefore, for regulatory decision-making to be based on sound science and comparative risk assessment (Hahn 1996a; Regulatory Impact Analysis Project 1994).

Regulatory reform initiatives: a short history

Regulation, taxation and spending are the three main governing instruments. According to the Doern and Phidd model of instrument choice, these three instruments are some of the more coercive instruments in the government's arsenal (Pal 1989: ch. 7). The government budget is a relatively transparent exercise. In Canada, on paper, there is a transparent process for regulation with

one very important exception. The government's annual volume of regulatory proclamations are not easily converted into some quantifiable measure. In other words, there is no regulatory budget, largely because most of the costs of regulation are borne by private-sector firms and, by extension, individual Canadians.⁸ In addition, the government's annual volume of regulatory choices are not easily aggregated.

There were several government initiatives to change the regulatory process in Canada. In 1977, a Treasury Board Circular required all federal departments and agencies to evaluate the effectiveness of their programs in meeting their objectives and the efficiency with which they were being administered. In 1978, the federal government set up the Office for the Reduction of Paper Burden in an effort to reduce the amount of paperwork required of businesses. In 1978, the Treasury Board announced a new program called Socio-Economic Impact Analysis. This program was meant to promote more systematic analysis of the socio-economic impact of new health, safety, and environmental protection legislation in order to improve the allocative efficiency of resources. The 1980 Liberal government set up the Office of the Coordinator, Regulatory Reform. It had two principal objectives: "to improve public administration through reforms to the regulatory process," and "to reduce the regulatory burden on the Canadian economy." The Progressive Conservative government of 1984 set up the Nielsen Task Force; its main objective was to ensure "better service to the public and improved management of government programs." The Task Force proposed that the federal government establish a "regulatory budget" to set limits on the total economic costs to be imposed by federal regulation. In 1986, the Conservative government

7 Often, decisions on health risks are being made on the basis of "junk science." For superb critiques, see Milloy 1995; Anderson 1991; and Angell 1996.

8 This transfer of costs is of course a function of elasticity of demand for particular products and services.

announced another series of initiatives to reform the regulatory process. These were outlined in the Regulatory Process Action Plan. This document called for public consultations, regulatory reviews and evaluation, and Regulatory Impact Analysis Statements (RIAS) (for a detailed review, see Stanbury 1992a; Economic Council of Canada 1979).

In Canada, the movement towards the deregulation of the airline industry eventually led to the privatization of government-owned Air Canada. The trucking industry, historically a regulated industry, was deregulated. Specialized telecommunications services industries were deregulated and thrown open to competition (Block and Lerner 1991; Stanbury 1996a). In other areas, where the government considered continued regulation desirable and necessary, regulatory agencies were pressured to reform and improve the regulatory decision-making process to reduce inefficiencies, bureaucratic delays, and administrative red tape.

Since the mid-1980s, the Regulatory Affairs Directorate (RAD) at the Treasury Board Secretariat (TBS) has undertaken several reform initiatives. In 1986, for instance, it was prescribed that line departments submit a Regulatory Impact Assessment Statement (RIAS) for all new regulations and amendments. It went even further and set out what the RIAS should contain (for a detailed review, see Stanbury 1992a). In 1992, a new Canada Regulatory Policy was initiated and certain policy requirements were set forth. Among the requirements were that departments “can demonstrate that a problem or risk exists ... the benefits outweigh the costs to Canadians, their governments and businesses ... Adverse impacts on the capacity of economy to generate wealth and employment are minimized” (Regulatory Affairs Directorate 1995: 2).

As Professor Margaret Hill explains, regulatory management is distinctly different from deregulation and regulatory reform. While deregulation concentrates on the *quantity* of regulation, regulatory reform emphasizes the *quality* of regulation. Regulatory management is said to take a long-run view of regulation as a policy tool within the state. Its primary concerns include the impact of regulation on Canadians, coordinating mechanisms between different regulatory systems, ranking regulations, and finding alternatives to command and control regulation so as to meet government policy goals (Hill 1997).

As Stanbury points out, process reform in Canada is associated with the following initiatives, some of which were proposed in the various studies mentioned above but few of which were actually implemented:

- the use of cost-benefit analysis in the evaluations of new regulations
- the restriction of political appeals from regulatory agencies to the cabinet
- the increased use of public participation (by means of advance notice, regulatory agenda, pre-publication in the *Canada Gazette*, and more consultation with the parties directly affected by the regulations)
- the reduction of federal-provincial overlap and duplication that result in a greater burden on those subjected to regulation
- oversight by a central agency of the regulation-making process so as to improve the effectiveness and reduce the burden of new regulations (Stanbury 1992; Regulatory Affairs Directorate 1994).

Deregulation, regulatory reform and regulatory management: an empirical evaluation

On paper, it appears that the federal government is keen to ensure that regulations do not stifle Canadian entrepreneurship and economic growth. The federal government has an explicit and increasingly transparent process for proposing, analyzing, scrutinizing, reforming, and eliminating regulations. The processes can include comparative risk analysis and cost-benefit studies.

The federal government has been relatively effective at deregulation, that is in reducing the number of regulations that are passed each year. As table 2 indicates, the growth in the number of regulations passed between 1978 and 1986 seems to suggest that the deregulation agenda may be far more impressive on paper than in practice. Since 1986, however, the number of regulations passed by the federal government has declined. However, while the number of new regulations passed has decreased in recent years, the total number of regulations still on the books is enormous. In addition, the number of pages it takes to record the regulations that are enacted continues to grow. These regulations in total, of course, pose a significant cost burden to Canadian businesses and consumers.

The RAD at the TBS is responsible for ensuring that departments and agencies follow the government's regulatory policy, particularly with the policy on regulatory reform and regulatory management (see Treasury Board Secretariat 1996). In other words, RAD is expected to perform a gate-keeper function. In particular, it must decide whether the line departments complying with the requirements set forth and of what quality are the

Table 2: The Number of Regulations Enacted Each Year by the Federal Government (1975 to 1996)

Year	Number of Regulations	Number of Pages
1975	844	3,343
1976	1,028	3,393
1977	1,383	5,366
1978	1,136	4,496
1979	1,148	4,539
1980	1,166	4,254
1981	1,196	3,916
1982	1,348	4,196
1983	1,181	4,444
1984	1,223	4,450
1985	1,392	4,976
1986	1,369	5,368
1987	991	4,732
1988	901	5,626
1989	840	5,226
1990	1,035	6,799
1991	885	4,830
1992	981	5,363
1993	874	4,636
1994	818	4,278
1995	683	—
1996	624	3,415

Source: Registrar of Regulations, Privy Council Office, Ottawa, July, 1995; *Canada Gazette Part 11*, Ottawa: Ministry of Supply and Services, 1995 and 1996.

RIAS and cost-benefit studies being submitted by the line departments.⁹

9 These questions were first raised by Professor Bill Stanbury about eight months ago in a conversation with me in Vancouver. I must thank him for setting me on this research path.

Table 3: An Analysis of Regulations Passed by the Federal Government (1995)			
Type and Number of Regulations	No	Yes	N/A
Amendment: 346			
New Regulation: 86			
Sub-total: 432			
Others: 251			
Total: 683			
1. Does it identify the objectives of the regulation?	114	569	0
2. Is there a RIAS?	127	418	138
3. Does it identify the regulatory alternative considered?	109	166	143
4. Does it identify the non-regulatory alternative considered?	193	71	154
5. If there is no alternative, is this explained?	31	114	273
6. Does it identify who will receive the benefit(s)?	91	327	0
7. Does it detail (quantify) the benefits of the regulations?	347	71	0
8. Does it identify who will bear the cost?	285	133	0
9. Does it detail (quantify) who will bear the cost?	372	46	0
10. Does it include compliance cost to industry/public?	256	33	129
11. Does it include cost to government?	398	17	3
Note: N/A: not applicable.			
Source: Compiled from <i>Canada Gazette, Part II</i> , Ottawa: Ministry of Supply and Services, 1995. The Fraser Institute, 1997.			

RAD does not measure the costs and benefits of proposed new regulations in a majority of instances. Moreover, it appears that the RAD does not take account of whether this policy requirement set out by the RAD is met. As recently as April 1996, the federal government announced that it would prohibit the production and sale of raw cheese due human health concerns. This ban was suggested without any cost-benefit study. The trivial risks to human health and the fact that this regulation would have killed a fledgling industry appears to have been of no concern to the regulators. Given the nature of the incentives within the institutions of the welfare state, it is

easy to understand why such a regulation would be proposed in the first place. Based on the recommendations of a scientific panel, this regulation was not enacted, to the relief of many in the industry, (Mihlar 1996: 38).

A survey of *Canada Gazette Part II*, where regulations and their RIAS are recorded, indicates that in a majority of the instances the line departments are not complying with the policy guidelines set by the RAD. Moreover, RAD does not appear to be exercising its gatekeeper function effectively. More importantly, however, the RIAS were of

Table 4: An Analysis of Regulations Passed by the Federal Government (1996)

Type and Number of Regulations	No	Yes	N/A
Amendment: 339			
New Regulation: 61			
Sub-total: 400			
Others: 224			
Total: 624			
1. Does it identify the objectives of the regulation?	67	549	8
2. Is there a RIAS?	50	405	169
3. Does it identify the regulatory alternative considered?	103	146	156
4. Does it identify the non-regulatory alternative considered?	192	56	157
5. If there is no alternative, is this explained?	33	172	200
6. Does it identify who will receive the benefit(s)?	37	332	36
7. Does it detail (quantify) the benefits of the regulations?	241	126	38
8. Does it identify who will bear the cost?	116	160	129
9. Does it detail (quantify) who will bear the cost?	189	109	107
10. Does it include compliance cost to industry/public?	191	65	144
11. Does it include cost to government?	188	60	157
Note: N/A: not applicable.			
Source: Compiled from <i>Canada Gazette, Part II</i> , Ottawa: Ministry of Supply and Services, 1996. The Fraser Institute, 1997.			

poor quality, showing a lack of detail and quantification of costs and benefits.¹⁰

In order to evaluate the claims of regulatory reform, the questionnaire shown in table 3 was created based on the policy guidelines of the RAD (Regulatory Affairs Directorate 1995). The results of the survey are also shown in table 3. The federal government passed 683 regulations in 1995 and 624 in 1996. The snapshot from table 3 given

in the following paragraph reveals that line departments and the RAD are not ensuring that regulations and amendments that are enacted have a RIAS and pass a cost-benefit test.

In 1995, as table 3 indicates, 127 regulations (29 percent) passed did not have a RIAS. In 91 cases (21 percent) the RIAS did not identify who the beneficiaries of the regulation were. More importantly, in 347 instances (83 percent) there were no

10 It is certainly true that some aspects of costs and benefits are difficult to quantify. However, even in cases where costs and benefits could be easily quantified, it was not done. For example, the federal government proposed banning raw cheese without a cost benefit study. Professor Bill Stanbury estimates that this ban on raw cheese would have cost \$500 million per statistical death averted.

details on the benefits of regulation (no quantification). In 285 cases (68 percent), the RIAS did not identify who would bear the cost. In addition, in 372 instances (88 percent) there were no details of the cost of regulation (no quantification). The survey also revealed that in 256 cases (61 percent) the RIAS did not include the compliance cost to industry or the public. Finally, in 398 cases (95 percent) the RIAS did not include the cost to government.

In 1996, as the table 4 indicates, similar results are evident. In 50 cases (12 percent) regulations which were passed did not have a RIAS. In 37 cases (9 percent) the RIAS did not identify who the beneficiaries of the regulation were. More importantly, in 241 instances (60 percent) there were no details on the benefits of regulation (no quantification). In 116 cases (29 percent), the RIAS did not identify who will bear the cost. In addition, in 189 instances (47 percent) there were no details of the cost of regulation (no quantification). The survey also revealed that in 191 cases (47 percent) the RIAS did not include the compliance cost to industry or the public. Finally, in 188 cases (47 percent), the RIAS did not include the cost to government.

The aforementioned figures and the evidence indicate that the rhetoric of regulatory reform by successive federal governments has not been met with action. The current federal government was elected on a job-creation platform. Since coming into power in the Spring of 1993, the Liberal government has continued to emphasize the need for creating an environment conducive to job creation. For example, in 1994, a report by the Small Business Working Committee set up by Ottawa is an example of the lip service paid to the connection between regulatory reform and job creation. The report stated: "Too many regulations are developed and administered with little consideration given to their impact on the competitiveness of small businesses. Governments must regulate less, simplify paperwork, limit information re-

quirements, and get out of the way so that small businesses can focus on creating wealth and jobs" (Small Business Working Committee 1994: 3).

Given that the objective of the federal government is to ensure that entrepreneurs are not stifled by unnecessary and costly regulations so that they can invest and create jobs, the regulatory bureaucracy should be ensuring that RAD guideline are followed. Unfortunately, the aims of the regulatory process and outcomes have been circumvented by the incentives (political imperatives) that are inherent in a redistributive welfare state, the quest to protect Canadians from all real and perceived risks, and the relative lack of central agency (RAD) control over line departments. Moreover, the line departments should also be held accountable for not adhering to RAD guidelines. In the final analysis, due to the lack of bureaucratic accountability to the politicians, political accountability to the public is diminished.

Conclusion

This paper has shown that the federal government recognizes the cost of regulation to the economy and its consequent adverse impact on economic activity and job creation. At the same time, successive federal governments have failed to recognize the unintended consequences of attempting to alleviate most, if not all, risks facing Canadians. In response to the former concerns, Ottawa has initiated regulatory reforms over the last two decades without much success. It is time for the federal government, therefore, to improve the regulatory decision-making process by insisting that government departments and agencies rely on solid science, comparative risk assessment, and rigorous cost-benefit studies; more importantly, it must impose upon the departments and agencies a management structure that will ensure that these changes are carried out.

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