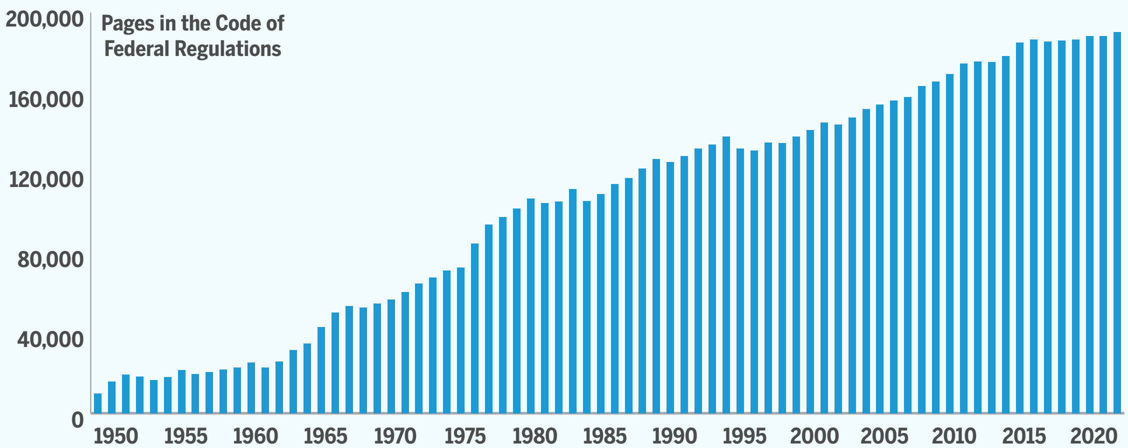
Cutting the Red Tape

Overregulation is a frequent complaint among companies in the U.S., particularly small businesses. According to the National Federation of Independent Business (NFIB), regulation consistently ranks among the top five challenges small businesses face. Could deregulation spark stronger economic activity?

The Code of Federal Regulations Has Grown Over Time



Source: George Washington Regulatory Studies Center. Data as of 2023.

- Federal regulation has grown significantly over time. In the chart above, the number of pages in the Code of Federal Regulations has generally trended upward, increasing by an average of 2,500 pages annually since 1950. Over the past 20 years, federal regulations have added more than 1.4 billion paperwork hours and cost $2.9 trillion, according to estimates from the American Action Forum. While many federal regulations provide essential protections, some impose substantial costs through administrative and compliance burdens or other operational inefficiencies.
- However, federal regulation may be less of a concern for businesses going forward. President-elect Donald Trump has proposed the new Department of Government Efficiency (DOGE), an advisory commission focused on shrinking the size of the government by reducing regulations and eliminating wasteful spending. While it remains uncertain how impactful DOGE will be, during 2017 and 2018—the last time Republicans controlled both the White House and Congress—the incoming administration enacted the fewest number of significant new rules in the past three decades.[1]
- If less regulation does come to fruition, it will likely translate into higher business confidence. In fact, the November 2024 NFIB Small Business Optimism Index saw its highest reading in over three years, reflecting a major shift in economic policy, particularly for tax and regulation policies, according to respondents.[2] Should this optimism continue, we believe it may lead to increased hiring and business spending which, in turn, could support economic growth and benefit equity markets, particularly portfolios geared toward enterprise spending.

[1] George Washington Regulatory Studies Center
[2] National Federation of Independent Business (NFIB) Small Business Optimism Index, November 2024.

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