Regulatory Reform in Wisconsin: An Opportunity for Greater Economic Growth

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Chair Kapenga, Chair Nedweski, and Members of the Committees:

Thank you for the opportunity to appear before you today. I am a Research Fellow with Stanford University's Hoover Institution and a Visiting Research Fellow with the Pacific Legal Foundation. I am also an associate editor of the *Journal of Regulatory Economics*. The views expressed here are strictly my own and do not necessarily reflect those of the Hoover Institution, Stanford University, Pacific Legal Foundation, or any other entity with whom I am affiliated.

The bulk of my research is on the regulatory process and its economic effects, and my testimony today is mostly based on this research.

The Scale of Wisconsin's Regulatory Accumulation

My research on the economic effects of regulation has led to the development of ways to measure how regulated different states are. Wisconsin currently ranks as the 13th most regulated state in the country, with 165,311 regulatory restrictions—terms in regulatory text such as "shall," "must," and "may not" that impose binding obligations or prohibitions. That total makes Wisconsin 5.25 times more regulated than Idaho, the least-regulated state, and second only to Illinois in the upper Midwest.[1]

Between 2020 and 2024, Wisconsin's regulatory stock grew another 2.9 percent, slightly higher than the national average. But unlike reform-minded states such as Idaho, Ohio, and Virginia, Wisconsin has yet to implement a systematic process for reviewing and retiring outdated or duplicative rules. The result is a dense, costly regulatory code that has accumulated for decades—an accretion that imposes real economic and human costs.

[1] McLaughlin, Patrick A., "Regulatory Reform in Wisconsin: An Opportunity for Greater Economic Growth," Wisconsin Institute for Law & Liberty (Apr. 2025), esp. Key Points and pp. 3–5, 10–13.

The Economic and Social Consequences of Regulatory Accumulation

The economic evidence is now unequivocal: excessive regulation slows growth and harms ordinary people. In peer-reviewed work with Bentley Coffey and Pietro Peretto, published in the Review of Economic Dynamics, I show that regulatory accumulation reduces GDP growth by nearly one percentage point annually—leaving the national economy about $4 trillion smaller and households roughly $13,000 poorer (2012 dollars).[2] Other analyses place the negative effect as high as 2 percentage points per year.[3]

The burden is not distributed evenly. Research shows that regulatory accumulation disproportionately burdens small businesses—including the startups that are often the sources of innovation—and that this burden grows at an increasing rate as regulation accumulates (i.e., the negative effect of each new regulation grows larger as the stock of regulation grows larger).[4] And where there are fewer new businesses entering an industry, there is less competition, less investment in new technologies, and slower productivity growth.

But this isn't just about businesses—regulatory accumulation affects households too. A 10 percent increase in total regulation is associated with nearly a 1 percent increase in consumer prices, and this price effect disproportionately impacts low-income households.[5]

Lessons from Other Jurisdictions

Fortunately, there are models that show how to reverse regulatory accumulation without undermining health or safety. The Canadian province of British Columbia cut roughly 40 percent of its regulations within three years; empirical evaluation finds that economic growth rose by more than one percentage point annually as a direct result.[6]

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[2] Coffey, Bentley; McLaughlin, Patrick A.; Peretto, Pietro, "The Cumulative Cost of Regulations," Review of Economic Dynamics 38 (2020): 1–21.
[3] John Dawson and John Seater, "Federal Regulation and Aggregate Economic Growth." *Journal of Economic Growth* 18 (2013): 131–177.
[4] Dustin Chambers, Patrick A. McLaughlin, and Tyler Richards, "Regulation, Entrepreneurship, and Firm Size," *Journal of Regulatory Economics* 61 (2022): 108–134.
[5] Chambers, Dustin; Collins, Courtney A.; Krause, Alan, "How Do Federal Regulations Affect Consumer Prices? An Analysis of the Regressive Effects of Regulation," Public Choice 180 (2017): 1–34.
[6] Coffey, Bentley; McLaughlin, Patrick A., "Regulation and Economic Growth: Evidence from British Columbia's Experiment in Regulatory Budgeting," Mercatus Working Paper (2021).

Within the United States, Idaho implemented a "one-in, two-out" policy and later adopted "zero-based regulation," requiring agencies to re-justify rules every five years—reducing overall restrictions by more than 50 percent.

Perhaps the most relevant recent success story comes from Virginia, where Governor Glenn Youngkin launched a comprehensive regulatory modernization initiative in 2022. Through the Office of Regulatory Management (ORM), agencies were tasked with reducing regulatory requirements by 25 percent. Three years later, ORM has streamlined approximately 30 percent of requirements and cut nearly 50 percent of the words in agency guidance documents—saving more than $1.2 billion annually.[7]

What distinguishes Virginia's model is process design that Wisconsin can adapt: centralized oversight; a simplified Regulatory Economic Analysis Manual requiring benefit–cost analysis for every rule and guidance document; a Regulatory Reduction Guide with a comprehensive method for counting and reducing requirements (including private standards incorporated by reference); radical transparency via a regulatory town hall and permit-transparency dashboard; and smart use of AI tools that flag discretionary requirements and benchmark against peer states—a targeted "heat-map" that helps human reviewers focus on the most burdensome provisions first.[8]

What a Wisconsin Reform Could Achieve

Wisconsin has a great opportunity to unleash economic growth through regulatory reform. I authored a report for the Wisconsin Institute for Law and Liberty that models four scenarios—10, 20, 30, and 40 percent reductions in accumulated regulations accomplished over three years. Even under conservative assumptions, all yield measurable gains: a 10 percent cut could lift annual growth by ~0.16 percentage points; a 40 percent cut could boost growth by up to 1.56 points—equivalent to an economy $68 billion larger by 2037. That's billions of real dollars in Wisconsinites pockets, achieved by merely cutting red tape.[9]

Best Practices for Building a Wisconsin Model

Drawing from Virginia and British Columbia, a pragmatic framework could rest on five pillars: 1) Establish a reduction target (e.g., 25 percent over three years) anchored to a transparent baseline; 2) Create a small office charged with oversight (e.g., a Regulatory

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[7] Bull, Reeve T., & McLaughlin, Patrick A., "The Virginia Model: How the Commonwealth Built a Best-in-Class Regulatory System," Regulatory Transparency Project (July 8, 2025).

[8] McLaughlin, Patrick A., "There's hope for pruning federal regulations. Some state experiments are paying off," Los Angeles Times (July 30, 2025) (AI pilot; low-cost oversight; transparency).

[9] McLaughlin, Patrick A., "Regulatory Reform in Wisconsin: An Opportunity for Greater Economic Growth," Wisconsin Institute for Law & Liberty (Apr. 2025), esp. Key Points and pp. 3–5, 10–13.

Management Office) to coordinate analysis and publish all regulatory data; 3) Mandate simplified benefit–cost analysis with distributional assessment; 4) Institutionalize review via a one-in/one-out budget or periodic sunset; 5) Leverage AI and transparency to identify outdated, duplicative, or discretionary rules while preserving clearly justified protections.

This is about restoring balance between governance and growth. Overregulation undermines confidence and mobility. Streamlined codes do not compromise safety; they improve it by reducing compliance overload and focusing attention on the rules that truly matter.

Imagine a Wisconsin where permits arrive in weeks, not months or years; where unnecessary training-hour mandates no longer block entry into professions; and where modernized codes make housing construction faster and more affordable. Virginia has achieved comparable outcomes—cutting licensing delays by 77 percent and shaving roughly $24,000 from the cost of building a new home—by pairing analysis, transparency, and reduction with careful safeguards. Working people and businesses alike come out ahead when governments streamline intelligently.

Conclusion

Regulatory modernization is a pro-growth, pro-transparency, pro-citizen reform. The experiences of British Columbia, Idaho, Virginia, and other states demonstrate that governments can dramatically cut red tape without cutting corners on safety. If Wisconsin embraces a quantitative, transparent, tech-enabled model, it can unlock tens of billions in additional GDP, strengthen small-business formation, and become a magnet for innovation and opportunity.

Thank you for your time. I welcome your questions.