Industry Regulation Spillover Networks

Shishir Shakya[*]
Juan Sayago Gomez[†]
Alicia Plemmons [‡]

Abstract

In the United States, the Federal Register publishes, among other things, regulations. These regulations are continuously updated and are rarely removed, leading to an accumulation of regulations. We examine how regulation growth in one sector spillover across the different sectors. We use the Industry-Specific Regulatory Constraint Database (RegData), which quantifies federal regulations at the industry level from 1997 to 2020 based on text analysis and machine learning. We then develop Connectedness Indices measures to examine information transmission of regulation from one sector spillover across the different sectors.

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[*]Assistant Professor of Economics, Department of Economics, Walker College of Business, Appalachian State University, 416 Howard Street, Peacock Hall, Boone, NC 28608. Visiting Research Fellow: West Virginia University, The Knee Regulatory Research Center at John Chambers College of Business and Economics. Email: shakyas@appstate.edu

[†]Juan Sayago Gomez, Visiting Assistant Professor, Department of Economics, Tippie College of Business, The University of Iowa, 108 John Pappajohn Business Building, Iowa City, IA 52242, Email: juan-sayago@uiowa.edu

[‡]West Virginia University, Department of General Business; The Knee Regulatory Research Center at John Chambers College of Business and Economics, 83 Beechurst Ave, Morgantown, WV 26505. Email: alicia.plemmons@mail.wvu.edu