

Regulatory offsetting in advanced democracies

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Abstract

The growth of rules in modern democracies burdens citizens, businesses, and administrative bodies. To address this, many governments have implemented so-called “regulatory offsetting schemes,” requiring the removal of existing rules and regulations for each new one introduced. However, systematic knowledge on which countries have adopted these schemes and their specific designs remains lacking. Our study maps regulatory offsetting initiatives across OECD states and offers a first theoretical framework for understanding government adoption. While political and ideational factors influence the adoption of offsetting schemes, they do not explain their specific design. Offsetting schemes thus reflect the political tensions between advocates for an activist state and supporters of a more restrained government, with design being of secondary importance. These findings enhance our understanding of how governments and public administrations manage rule growth.

Evidence for practice

- It is crucial for the public administration community to familiarize itself with regulatory offsetting schemes as a tool for managing rule growth. This includes understanding the concept of regulatory offsetting schemes, its objectives, and its various design aspects such as the type of burden to be offset and the scope of application.
- The great variation in regulatory offsetting schemes around the globe and the analyses presented in this article suggest that offsetting schemes are *political* tools situated at the cleavage between those advocating for a more activist state and those aspiring for a more restrained government, hence affecting the workings of the public administration in potentially diverse ways.
- Administrators should thus remain flexible and adaptive in their approaches to regulatory offsetting schemes, considering the political context in which they have been adopted and engaging in rigorous evaluation of their effectiveness in achieving their intended goals.

INTRODUCTION

Social systems that operate at their capacity limit are often regulated by so-called “one-in-one-out” rules to prevent their overload. The gym of UC Berkeley, for example, uses the one-in-one-out rule to keep a sensible balance between the number of weight lifters and the weights available during peak times. Likewise, many social media influencers recommend their followers to apply the one-in-one-out rule to their consumption behavior to live a

clutter-free life. One-in-one-out rules are relevant for political science and public administration research because they are increasingly employed to prevent the overburdening of citizens, businesses, and the administration (Fernández-i-Marín et al., 2023, 2024a). “Regulatory offsetting schemes”, as they are often called, seek to compel governments to offset or compensate for the production of additional rules by simultaneously abolishing existing provisions and associated burdens. In this context, rules and regulations can be understood as all provisions made

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by the government or other public authorities to control how something is done or how people and businesses should behave (Van Witteloostuijn, 2003).

A growing body of research has identified the constant growth of rules and regulations as a ubiquitous feature of modern democracies. For example, the average number of environmental regulations in Organization for Economic Co-operation and Development (OECD) countries has quadrupled between the 1980s and the 2010s (Adam et al., 2019). By the same token, the average number of articles in EU legal acts grew more than twofold from 25 in the early 1990s to more than 75 in 2021 (Hurka, 2023; Hurka et al., 2022).

The production of evermore rules and regulations is not a problem per se but reflects governments' responsiveness to public demands and societal and technological progress. Through regulatory measures, governments have effectively tackled many challenges, from environmental conservation to consumer protection, public health and safety, and the ethical implications of emerging technologies (DeHart-Davis, 2009). However, new rules usually come with substantial additional burdens for citizens, businesses, and the administrative bodies in charge of executing and enforcing them. For citizens and businesses, administrative burdens imply high compliance costs that may hurt productivity and stifle innovation (Herd & Moynihan, 2019; Potoski & Prakash, 2005). For public authorities, the proliferation of regulations implies higher workloads and may force public servants to systematically prioritize implementing certain governmental measures over others (Kaplaner & Steinebach, 2023; Tummers et al., 2015). This, in turn, can have unforeseeable consequences for the functioning of public administration (Fernández-i-Marín et al., 2023, 2024a, 2024b).

In response to these challenges, governments are increasingly trying to control and slow down the growth of rules and regulations, and it is in this context that regulatory offsetting has gained traction during the last decade. The United Kingdom was the first OECD country to introduce regulatory offsetting as an official government policy in 2011. Other countries such as Canada, Germany, Spain, South Korea, and the United States followed in the years after.

While regulatory offsetting thus has become an important practice and activity in advanced democracies, it has largely remained below the radar of academic attention and scrutiny. There exists no comprehensive overview of all the regulatory offsetting schemes that have been adopted in advanced democracies to date and of how these schemes are specifically designed. Moreover, we do not know what actually drives governments to introduce regulatory offsetting schemes. At first glance, it seems counterintuitive for governments to adopt a scheme that effectively curtails their own discretion. However, offsetting schemes do not necessarily have to be "real" attempts to constrain rule growth; they may also

be primarily intended to send a political message. After all, offsetting schemes have often been discussed in the context of larger, politically-motivated deregulation debates. Based on this, the difference between countries adds to the intrigue.

Why do some countries opt for offsetting schemes while others do not? And why do some governments settle on rather "lax" offsetting schemes while others do substantially raise the hurdles for the introduction of new regulation?

This article seeks to address these research gaps. First, we offer a comprehensive mapping of regulatory offsetting schemes and their various design aspects across all OECD countries. Second, we theorize and empirically evaluate the circumstances under which governments choose to introduce regulatory offsetting schemes. And finally, we delve into the reasons behind the varying levels of ambitiousness observed in countries that have opted for such a scheme.

Our empirical analysis reveals that there are currently 18 countries among advanced democracies that have established a regulatory offsetting scheme. While all these schemes tend to reduce the level of rule growth, they substantially differ in their design and ambitiousness. In addition, our analysis reveals that political and ideational factors can account for the *adoption* of offsetting schemes. Our analysis reveals that governments are more likely to adopt an offsetting scheme the fewer left-wing parties are represented in the government. Likewise, the likelihood of governments implementing offsetting schemes increases when their trade partners also adopt such measures. These factors, however, cannot account for the *variation* in the schemes' design and ambitiousness. Taken together, these findings suggest that offsetting schemes are *not* an apolitical tool to manage the issue of rule growth. Rather than being an "impartial" instrument, offsetting schemes seem to be a political tool situated at the cleavage between those advocating for a more "activist" state and those aspiring for a more restrained government. In this context, the exact design elements, including their overall level of ambitiousness, seem to be of only secondary importance.

The article proceeds as follows: Section 1 conceptualizes regulatory offsetting schemes as an important new type of "meta-regulation" and collects the pre-existing knowledge on the topic. Section 2 presents a new database on all regulatory offsetting schemes hitherto adopted in OECD countries and categorizes them along several dimensions. Section 3 presents an event history analysis revealing the factors that can explain the adoption of offsetting schemes. Section 4 presents another analysis seeking to account for the ambitiousness (or strictness) of the adopted schemes. Section 5 concludes.

THE CONCEPT AND DESIGN OF REGULATORY OFFSETTING SCHEMES

In most OECD countries, there are mechanisms in place to oversee and optimize the quantity and quality of regulation. Referred to as “meta-regulations,” these institutional frameworks and processes seek to integrate regulatory review mechanisms into the standard procedures of governmental policy making (Lauber & Brooks, 2023; Radaelli, 2007; Rubin & Weinberg, 2016). In the literature, the most commonly assessed type of meta-regulation are Regulatory Impact Assessments (RIAs) (see, e.g., Radaelli & de Francesco, 2010; Staroňová, 2010). RIA schemes aim to evaluate the potential economic, social, and environmental impacts of new regulations before they are enacted. By analyzing their potential benefits and costs, RIAs intend to help policy makers to make more informed decisions.¹

While regulatory offsetting schemes are also a form of meta-regulation, they are distinct from RIAs in important respects. Unlike RIAs, which also delve into the qualitative aspects of regulations, offsetting schemes primarily focus on balancing the regulatory load (Pircher, 2023). Their primary objective is to ensure that any new regulation introducing a new burden should correspondingly relieve businesses, citizens, and/or public servants of a similar burden. The main goal of regulatory offsetting is thus *not* to enhance the overall decision-making quality or to improve the quality of regulations but to limit the regulatory burdens that governments can impose on businesses, citizens, and the administration (Simonelli & Iacob, 2021). If at all, the “quality aspect” of regulation comes in by forcing governments to evaluate the continued effectiveness of already-existing regulations, nudging them to prioritize more efficient and effective regulations over less efficient/effective ones in order to adhere to the designated “cap.”

While research on regulatory offsetting is still in its infancy, there are several reports from international organizations and public authorities that have delved into the topic (Gibson et al., 2023; Trnka & Thuerer, 2019). These studies examine the experiences with current regulatory schemes or discuss their applicability in and transferability to other contexts, mainly at the EU level (Pircher, 2023; Renda, 2019). By and large, these contributions allow to identify four “building blocks” (Trnka & Thuerer, 2019, p. 10) of regulatory offsetting schemes that can be used to systematically assess and categorize the design features of the offsetting schemes that exist in OECD democracies.

The first design feature discussed in existing studies is (1) *the type of burden to be offset*. Offsetting schemes may necessitate the compensation of all or only a fraction of the total burden associated with new rules and regulations. This can include *substantive burdens* caused by regulation, like the acquisition and installation of technological equipment to comply with new environmental

regulations, and *administrative burdens*, that is, the costs associated with paperwork and reporting. While administrative burdens are relatively straightforward to quantify, they often represent only a minor share of the total costs created by new rules and regulations. In this context, it also plays a role which exact entities are covered by the offsetting scheme. An offsetting policy may aim to reduce burdens imposed on businesses, public administrations, or citizens. The second factor is the (2) *scope of the application of regulatory offsetting*. Which exact regulations are subject to the offsetting mechanism, and are there any exclusions? A country might determine that only primary legislation is within the scheme’s purview, or it might broaden its scope to also encompass secondary legislation and ministerial decrees (Gibson et al., 2023; Trnka & Thuerer, 2019). In addition, there can also be exemptions for regulations originating from other government levels, such as the European Union, or for regulations resulting from agreements between employers, unions, and the government. The third critical design feature relates to the (3) *timing of regulatory offsetting*. The actual timing of the offset is relevant because it can be expected to influence the scheme’s effectiveness. If compensatory measures are required instantly following the adoption of a new regulation, it may ensure immediate relief and maintain a balance in the regulatory burden (Renda, 2022). Conversely, allowing regulatory burdens to be “banked” provides temporal flexibility, as governments can defer compensatory actions to a later date. However, temporal flexibility may also reduce the effectiveness of the offsetting scheme. The fourth feature is the (4) *responsibility for offsetting*. Is the ministry that introduces a regulatory burden also responsible for offsetting it, or can this responsibility be shared or shifted among different government entities and across policy sectors? The first option assigns clear responsibility for the offsetting. The second option weakens the discipline that offsetting schemes intend to impose while offering more discretion for governments to abolish rules where they deem this most reasonable (Cecot & Livermore, 2017, p. 15; Peacock, 2016; p. 6).

MAPPING REGULATORY OFFSETTING SCHEMES IN ADVANCED DEMOCRACIES

In the previous section, we briefly discussed the concept and design features of regulatory offsetting schemes. Based on this information, we collected information on all the regulatory offsetting schemes that are in place in OECD member and candidate states at the national level. We relied on the aforementioned published reports and additionally conducted our own exhaustive desk research, complemented by a thorough analysis of government documents and academic literature related to the topic of regulatory offsetting. When necessary, we directly reached out to the respective governments or representatives for clarification or additional information. Overall, we

identified 18 countries with a regulatory offsetting scheme in place. In our analysis, we have intentionally excluded countries where offsetting is recommended as a “best practice” in rule-making (see, e.g., Sweden) but is not embedded within a formal governmental program or enshrined in legislation. While the legal status may not necessarily determine the effectiveness of these schemes,

it is essential for us to introduce a certain “threshold” to separate countries where offsetting actually serves as an actual form of “meta-regulation” from those where the usage of offsetting schemes is simply advised.

Table 1 lists the identified offsetting regimes with their date of adoption and design characteristics. Three countries (Australia, the United Kingdom, and Denmark)

TABLE 1 Existing regulatory offsetting schemes in OECD member and candidate states.

	Date	Type of burden	Entities	Rule	Scope	Major exemptions	Timing	Burden shifting
1. Australia	2014–2016	Admin. and sub. burden	Businesses, citizens and administration	One-in-two-out	Primary and secondary leg.	None	Subsequent	No
2. Austria	2017	Admin. and sub. burden	Businesses and citizens	One-in-one-out	Primary and secondary leg.	EU legislation	Immediate	Yes
3. Canada	2012	Admin. burden	Businesses	One-in-one-out	Secondary leg.	None	Subsequent	No
4. Denmark	2015–2019	Admin. and sub. burden	Businesses	One-in-one-out	Primary and secondary leg.	Rules made by independent agencies	Immediate	No
5. Finland	2017	Admin. and sub. burden	Businesses	One-in-one-out	Primary leg.	Rules made in tripartite agreements	Subsequent	No
6. France	2013	Admin. and sub. burden	Businesses, citizens and administration	One-in-one-out	Primary and secondary leg.	None	Immediate	No
	2017	Admin. and sub. burden	Businesses, citizens and administration	One-in-two-out	Primary and secondary leg.	None	Immediate	No
7. Germany	2015	Admin. and sub. burden	Businesses	One-in-one-out	Primary and secondary leg.	EU legislation	Subsequent	Yes
8. Hungary	2019	Admin. and sub. burden	Businesses, citizens and administration	One-in-one-out	Primary and secondary leg.	None	Immediate	Yes
9. Israel	2021	Admin. and sub. burden	Businesses	One-in-one-out	Primary and secondary leg.	None	Subsequent	No
10. Italy	2011	Admin. burden	Businesses, citizens and administration	One-in-one-out	Primary and secondary leg.	Rules made by independent agencies	Immediate	No
11. South Korea	2016	Admin. and sub. burden	Businesses and citizens	One-in-one-out	Secondary leg.	None	Subsequent	No
12. Latvia	2019	Admin. and sub. burden	Businesses	One-in-one-out	Primary and secondary leg.	EU legislation	Immediate	No
13. Lithuania	2014	Admin. burden	Businesses	One-in-one-out	Primary and secondary leg.	EU legislation	Subsequent	No
14. Mexico	2017	Admin. burden	Businesses and citizens	One-in-one-out	Secondary leg.	None	Immediate	No
15. Slovak Republic	2022	Admin. and sub. burden	Businesses	One-in-two-out	Secondary leg.	EU legislation	Immediate	No
16. Spain	2013	Admin. burden	Businesses	One-in-one-out	Secondary leg.	EU legislation	Subsequent	Yes
17. United Kingdom	2011	Admin. and sub. burden	Businesses	One-in-one-out	Primary and secondary leg.	EU legislation	Immediate	Yes
	2013	Admin. and sub. burden	Businesses	One-in-two-out	Primary and secondary leg.	EU legislation	Immediate	Yes
	2015–2017	Admin. and sub. burden	Businesses	One-in-three-out	Primary and secondary leg.	EU legislation	Immediate	Yes
18. United States	2017	Admin. and sub. burden	Businesses and citizens	One-in-two-out	Secondary leg.	None	Subsequent	No

Note: Based on: Trnka and Thuerer (2019), Renda (2019), and own research.

have abolished their regulatory offsetting scheme in the meantime. The table reveals that the adoption of offsetting schemes is strongly concentrated in Europe. However, implementation can also be seen beyond the continent, with schemes in Australia, Canada, Israel, and Mexico.

As Table 1 further suggests, there are important differences between the identified offsetting schemes. First, the schemes' scope ranges from those that only target the offsetting of administrative burdens to those that also include the offsetting of substantive burdens. Notably featured in the group solely targeting administrative burdens are Canada, Italy, Mexico, and Spain. It is also remarkable to observe that no country in our database has implemented an offsetting scheme that exclusively addresses substantive burdens. We also observe considerable variation with respect to the entities covered by offsetting schemes. While some schemes account for the burden imposed on all businesses, citizens, and the administration (e.g. Australia, France, Hungary, or Italy), others are narrower in scope, targeting only burdens for businesses and citizens (e.g. Austria, South Korea, or the United States), or solely businesses (e.g. Denmark, Lithuania, or Spain). Remarkably, and in alignment with previous insights, no offsetting scheme exclusively focuses on citizens or the administration. This indicates that offsetting schemes are primarily (but not exclusively) designed to mitigate regulatory burdens for businesses.

Second, the identified schemes vary in their ambitiousness in that some require offsetting several existing rules to introduce a new one (one-in-two-out or one-in-three-out rules) while most adhere to the one-in-one-out rule. In this context, in particular, the United Kingdom's approach to regulatory offsetting has evolved significantly over a short period. Initially, the United Kingdom adopted a simple one-in-one-out rule in 2012. This was subsequently intensified to a one-in-two-out rule in 2013 and later to an even more stringent one-in-three-out rule in 2015. Likewise, France went from an initial one-in-one-out rule adopted in 2013 to a one-in-two-out rule introduced in 2017.

Third, the schemes' scope ranges from those that only include primary legislation to those that also target secondary legislation. Most of the countries in our sample have offsetting schemes in place that target both primary and secondary legislation, some countries' schemes exclusively target secondary legislation (e.g., Canada, South Korea, or the United States), and only one country's scheme solely targets primary legislation (e.g., Finland). Fourth, about half of the offsetting schemes we identified contain no exceptions for specific types of legislation, while the other half either excludes EU legislation (e.g., Germany), rules made by independent agencies (e.g., Italy), or rules made in tripartite agreements (Finland) from the need to offset.

Fifth, the identified schemes vary in their temporal flexibility, with 12 schemes requiring immediate offsetting

(e.g., Austria, France, or Mexico) and 9 schemes allowing for the "banking" of regulatory burdens (e.g., Israel, Lithuania, or Spain).² Finally, there is a difference between schemes that assign responsibility for offsetting to the agency or entity where a new regulation is added and schemes that allow for regulatory offsets to be traded between agencies. While the majority (14) of the identified offsetting schemes, including those in countries such as Australia, Denmark, or France, provide no possibility for the offsetting burden to be "shifted" between different ministries, a considerable minority (9) of schemes, including those in, for example, Hungary or the United Kingdom, permit the inter-agency trading of regulatory offsets.

EXPLAINING THE ADOPTION OF REGULATORY OFFSETTING SCHEMES

The previous section revealed that while many OECD countries have adopted an offsetting scheme since 2011, there are also many countries *without* such a scheme in place. In this section, we theorize factors that can help to explain why countries decide to adopt an offsetting scheme. Our selection of factors is based on the assumption that regulatory offsetting schemes may be adopted for *political* reasons, for *functional* reasons, and/or for *ideational* reasons. The adoption of an offsetting scheme is, in essence, a far-reaching regulatory reform, and these reforms have traditionally been explained by looking at political, functional, and ideational factors (Knill & Tosun, 2020). We thus deem it reasonable for an exploratory analysis to select factors that have been used to explain other regulatory reforms. Moreover, our selection of explanatory factors is based on the well-established insight that politicians and parties may adopt policies for both substantive reason (i.e., they want a policy to address a particular problem) and for more symbolic reasons (i.e., they are less interested in the policy's actual effects and more in the political message it sends) (see e.g. Hacker & Pierson, 2014; Strøm, 1990). To encapsulate these ideas in a theoretically parsimonious way, we focus on three concrete factors: (i) the political position of the government, (ii) the existence of economic crisis conditions, and (iii) diffusion effects. In the following, we discuss these factors in detail and formulate expectations on how they should influence the adoption of regulatory offsetting schemes.

Political considerations: the position of the government

Conservative government critique of a "big" and "bloated" state has a long tradition. Conservative political actors frequently criticize the state for overreaching, for intruding into private matters, and for stifling innovation and initiative by burdening business actors and citizens with evermore regulations (e.g., Rothbard, 1977; Seldon, 2002). For

conservative actors on a mission to curtail the reach of the state, regulatory offsetting schemes present several advantages. For one, offsetting schemes constitute an easy-to-understand way (“one-in-one-out”) for conservative politicians to signal to their supporters that they are serious about limiting the reach of the state. At the same time, offsetting schemes can be presented as “sensible” and not all-too-radical instruments to slow down state growth and induce politicians to govern responsibly: Offsetting schemes do not completely restrict the state’s ability to act, but merely force the governing actors to analyze more precisely which areas and objects should be regulated and how. Moreover, offsetting has the welcome side effect of prompting decision-makers to “clean house,” that is, to identify those regulations that have lost their purpose/are counterproductive and may hence be abolished to make space for new (and supposedly better) regulation. And in fact, there are historical instances where conservative governments pushed for adopting offsetting regimes as part of a greater deregulation agenda. For example, in the key policy document disseminated leading up to the 2010 UK election that announced the introduction of an offsetting scheme for the first time, the Conservatives stated that “[t]he view from the centre-right is sharply different” and that “once we are properly protected from unscrupulous people and hidden dangers (...) [e]verything else should, wherever possible, be a question of individual choice rather than collective control” (Conservatives, 2010, p. 5).

Left-leaning political actors, by contrast, typically favor more rules than their right-leaning counterparts. This aligns with the well-established notion in the literature that left-wing parties advocate for a more expansive and influential government. Historically, they have championed a comprehensive welfare state, supported government oversight of markets (Jakobsen & Mortensen, 2015), and focused on social protection and human capital creation (Bremer & McDaniel, 2020; Häusermann et al., 2022). As the realization of these political goals comes naturally through adopting new rules and regulations (Orren & Skowronek, 2017), left-leaning parties should generally be more disinclined to adopt regulatory schemes that limit their political room for maneuver. These considerations are summarized in the following hypothesis:

H1. Left-leaning governments are less likely to adopt regulatory offsetting schemes compared with right-leaning governments.

Functional pressures: economic crises

In his seminal piece on “Politics in Hard Times”, Gourevitch (1986) argues that economic crises bring to light underlying structural weaknesses in a country’s economy and can thus compel the government to implement significant policy changes. Gourevitch emphasizes that during economic downturns, when the stakes are high and

the need for action is urgent, governments are more likely to consider changes that would perhaps be too controversial or difficult to enact during periods of economic prosperity. Moreover, many studies in political science and political economy suggest that economic crises push governments to reduce expenditures (e.g., Blyth, 2013). During times of crisis, governments are under intense surveillance from capital markets whether they are intent to preserve or restore their creditworthiness by presenting balanced budgets (Hinterleitner et al., 2016). In this context, regulatory offsetting schemes may be a tool that promises to slow down public budget growth.

Previous studies in the area of EU environmental policy have shown that companies responded to the economic downturn that ensued after the 2007 financial crisis by calling for a regulatory “moratorium.” The Commission, in turn, reacted to these claims with an “exceptionally long four-year period of almost complete regulatory inactivity” (Steinebach & Knill, 2017, p. 429) and “waning [regulatory] ambitions” (Burns et al., 2020, p. 1). Similarly, the ongoing discussion on the economic downturn in Germany points out regulatory growth and the resulting burdens as a significant obstacle to the faltering economy. In their 2022 annual report, the German Regulatory Scrutiny Board emphasized the importance of reducing unnecessary bureaucracy for businesses, stating that “[c]ompanies must be relieved of unnecessary bureaucratic burden to survive the crisis” (Normenkontrollrat, 2022, p. 4).

For these reasons, it appears reasonable to expect that economic crises heighten the functional pressure to address the issue of regulatory and administrative burdens. In this context, one-in-one-out clauses serve as a practical and straightforward tool for governments to reduce burdens and, in this way, balance the budget and stimulate the economy. These considerations are summarized in the following hypotheses:

H2. Offsetting schemes are more likely to be adopted during economic crises than under more benevolent economic conditions.

The role of ideas: diffusion effects

Regulatory offsetting as a form of meta-regulation has originated in the United Kingdom, which in 2011 was the first country to adopt an offsetting scheme. As previous research on policy diffusion has shown, knowledge on specific rules, their design, and effects can travel easily between jurisdictions. The reason is that governments do not always act independently when seeking to address a particular political challenge or problem but get inspired by other governments and their attempts at problem-solving (Marsh & Sharman, 2009; Meseguer, 2005). This is all the more so in situations where a particular regulatory solution is not the “only game in town” but governments

can choose from a variety of solutions to address a problem. For example, when in 2018 the Swiss government weighed the pros and cons of introducing a regulatory offsetting scheme, it explicitly referred to the offsetting schemes previously introduced in the United Kingdom, Canada, France, and Germany, and benchmarked an offsetting regime's likely effects against those of comparable solutions such as budget restrictions or sunset clauses that limit the duration of certain rules (Swiss Federal Council, 2018, pp. 26–43).³ Diffusion processes are particularly likely to occur between neighboring countries that are closely connected through trade and political ties (Maggetti & Gilardi, 2016). Based on these insights, we formulate the following hypothesis:

H3. Countries are more inclined to adopt a regulatory offsetting scheme if peer countries, with whom they have close connections, also implement such measures.

RESEARCH DESIGN

To test these factors' influences on the adoption of regulatory offsetting schemes, we conducted an event history analysis. This form of analysis allows us to identify each explanatory variable's likelihood of triggering an "adoption event," that is, the introduction of a regulatory offsetting scheme. The explanatory model consists of different levels and components. The outcome to explain is the adoption (1) or not (0) of a regulatory offsetting scheme for a given unit of analysis (*c*) during a given time period (*t*). Units of analysis are countries and time periods are years. Our investigation period starts in 2000 and ends in 2022. Our country sample includes *all* OECD member and candidate countries.

Measuring the influence of party ideology

We assess the government's party ideology based on the percentage of cabinet posts held by social democratic and other left parties relative to the total cabinet posts in government. This assessment is nuanced by accounting for the duration of their tenure in office within a given year, accommodating for instances where government changes occur partway through the year (e.g., if a government changes after several months). The data come from the Comparative Political Data Set (CPDS) from Armingeon et al. (2023).

Measuring the existence of economic crises

In economic literature, economic crises are specified as an abrupt and severe deterioration of key macroeconomic

indicators. Based on this understanding, it can be argued that recessions, commonly defined as two successive quarterly declines in the gross domestic product (GDP), should not be viewed solely as crises but rather as inherent and relatively normal parts of the business cycle. We thus assess only every *full* year with negative growth rates in real GDP as a period of economic crisis. The data for this variable come from the OECD (2023). Based on this conceptualization, we represent crisis years using a dummy variable. In addition, we also include a one-year period following crises, acknowledging that observable changes in policy outputs may occur with a slight delay due to institutional frictions and formal procedures (Baumgartner et al., 2009).

All economic crises under scrutiny also affect other key macroeconomic indicators such as unemployment levels, inflation rates, and public deficits. These crises primarily occurred during two significant periods of widespread upheaval: the crisis of the late 2000s and early 2010s that occurred in the aftermath of the financial crisis, and the economic downturn triggered by the COVID-19 pandemic. In addition, several countries also experienced economic downturns in the mid-2010s.

Measuring diffusion effects

There are multiple ways of testing diffusion effects across countries (Marsh & Sharman, 2009). Core to all these methods is the understanding that mutual connections between countries—be they diplomatic, economic, or cultural—facilitate the spread of ideas among them (Shipan & Volden, 2008). Some scholars focus on whether countries share membership in international organizations. This approach is not entirely applicable to our case as all the countries in question are members of at least the OECD. From this perspective, we deem trade relationships as an alternative proxy for strong interactions and linkages between countries that go beyond institutional membership. When countries trade extensively with each other, they often share economic interests, which may lead to the convergence of policies to facilitate trade, reduce barriers, and standardize regulations (Steinebach et al., 2021). Yet, trade is not just the exchange of goods and services, it also facilitates the flow of information. Through trade relationships, countries may learn from each other's experiences with different policies, and they might consider adopting the policies of their trading partners (Gilardi, 2016; Simmons & Elkins, 2004). We assess the policy diffusion effect among closely connected trade partners by calculating the proportion of a country's goods exports to all other countries globally and then multiplying this by a dummy variable that denotes whether each of the recipient countries has implemented a regulatory offsetting scheme or not. An illustration of the trade ties between countries is presented in Figure 7

of the Online Appendix. Simply put, this metric indicates the extent to which a country has ties with other countries that have implemented an offsetting scheme.

Controls

We incorporate three additional control variables into our analysis. First, countries with higher consensus requirements for policy making might have an overall smaller necessity for adopting one-in-one-out schemes, as consensus requirements may act as a natural barrier against the adoption of legislation (Tsebelis, 2002). To encapsulate this dimension, we account for the number of veto players, referencing data provided by Henisz (2002). Second, we control for EU membership. The European Union has been a prolific producer of public policies. Recent evidence indicates that the disparity between policies slated for implementation and the available capacities is substantially larger in EU countries (Fernández-i-Marín et al., 2024a). This discrepancy may, in turn, increase the propensity for these countries to adopt an offsetting scheme to reduce this gap. Lastly, research indicates that countries with varying levels of prosperity may have distinct expectations regarding the role and responsibilities of the state (Akitoby et al., 2006). This might affect the decision for or against the adoption of a regulatory offsetting scheme. We thus also control for countries' per capita GDP and the level of debt.

EMPIRICAL ANALYSIS I: EXPLAINING THE ADOPTION OF REGULATORY OFFSETTING SCHEMES

We assess the factors driving the adoption of offsetting schemes based on an event history analysis model. Under this framework, every country without an existing scheme is considered “at risk” of adoption (denoted as a value of zero). Once a country adopts such a scheme, it is labeled as an “adopter” in the respective year (symbolized by a value of one) before being subsequently removed from the sample. We introduce a flexible baseline hazard in the form of a Kalman filter for the temporal dynamic, where each year's hazard is constrained to the previous year's hazard (with an added margin of error). We employ Bayesian inference with weakly informative priors for the estimation of parameters of interest, and a strongly informed prior that assumes a low baseline hazard, which aids in model convergence and enables the generation of reliable estimators. Using Bayesian inference, we can also accommodate missing data using a variation of multiple imputations with conservative time-depending values for the missing explanatory variables. We standardize all our continuous variables to half a standard deviation, so that we can compare their relative importance as well as continuous variables with binary ones (Gelman, 2008). The model description reads as follows:

$Y_{t,c} \sim$	$\mathcal{B}(\pi_{t,c})$	Main data component
$\pi_{t,c} =$	$\text{logit}\alpha_t + (\theta_v X_{t,c,v})$	Main linear model
$\alpha_1 \sim$	$\mathcal{U}(-20, 20)$	Rare event prior
$\alpha_{2:t} \sim$	$\mathcal{N}(\alpha_{t-1}, 0.01)$	Kalman filter
$\theta_v \sim$	$\mathcal{T}(0, 2.5, 1)$	Gelman's prior for explanatory variables

Where:

- t : Time
- c : Country
- $y_{t,c}$: Binary variable that captures whether in a specific country (c) and year (t) there has been an adoption of an offsetting scheme (1) or not (0).
- α_t : Annual baseline hazard.
- θ_v : Effects of covariates (v)

Figure 1 presents the results of our main model. A first important insight is that the government's ideological position seems to matter for whether a country adopts a regulatory offsetting scheme. An increasing share of left-leaning parties in government is negatively associated with the dependent variable, meaning that left-leaning parties appear less likely to adopt an offsetting regime than right-leaning parties. This supports our first hypothesis (H1). Figure 1 further suggests that diffusion effects are also relevant. In line with our third hypothesis H3, countries closely connected to other countries where offsetting regimes are in place seem more likely to adopt such a regime than countries without such ties. Contrary to our theoretical expectations, crisis conditions seem to play no role when it comes to the adoption of offsetting schemes. Economic crises are not clearly positively associated with the adoption of a regulatory offsetting regime. We thus find no support for our second hypothesis H2.

We find that government ideology can explain the differences in adoption patterns of regulatory offsetting schemes, while the occurrence of crises cannot. However, can we safely conclude that crises have no influence on the creation of offsetting schemes? Several publications have demonstrated that crises, even if they do not have a direct effect, can transform the political orientation of governments (Armingeon et al., 2016). Consequently, in the Appendix, we have conducted an analysis of the interaction between crises and government party ideology to further explore this relationship. This additional analysis reveals that crises do not appear to have an indirect effect either (see Figure 6 in the Online Appendix).

Regarding controls, the analysis suggests that economic prosperity and EU membership are positively associated with the dependent variable, increasing the chance for offsetting adoption. Political constraints (veto points) do not appear to result in significant differences. As we already check for the influence of trade ties, the identified association between EU membership and adoption indeed suggests that EU member states are under greater pressure to adopt an offsetting scheme because they are exposed to additional policy production pressures from the European Union. However, it is important

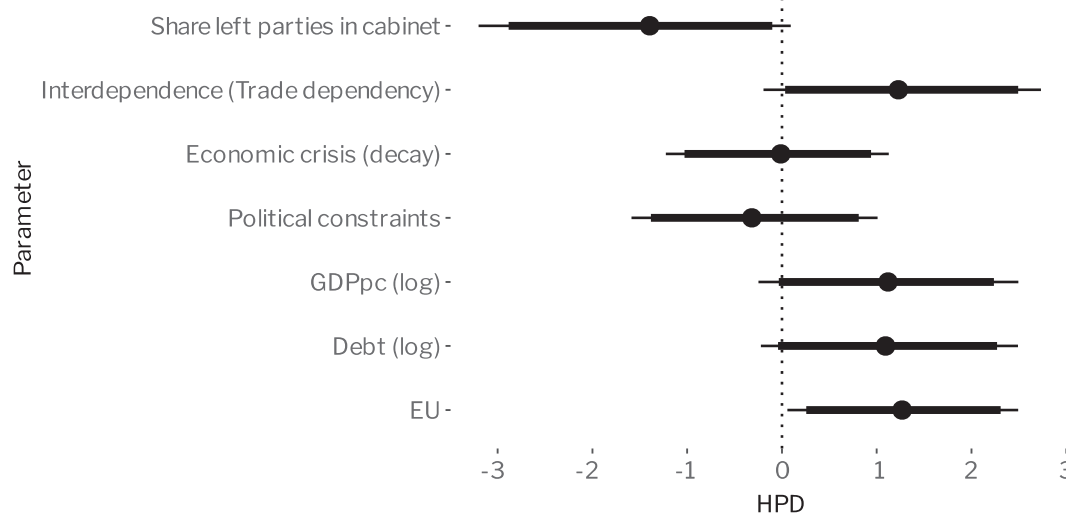


FIGURE 1 Determinants of the adoption of existing regulatory offsetting schemes. 95% highest posterior densities (HPD) of the effects of the covariates on the likelihood of regulatory offsetting schemes' adoption.

TABLE 2 Odds ratios of expected effect sizes.

Covariate	Odds ratio (OR)	Expected effect size
Share left parties in cabinet	0.25	↓ 75%
Interdependence (trade)	3.42	↑ 240%
Economic crises	0.99	↓ 1.3%
Political constraints	0.73	↓ 27%
GDP pc	3.06	↑ 210%
Debt	2.98	↑ 200%
EU	3.55	↑ 260%

to note that this pressure may weaken gradually after 2021, when the European Union has begun to roll out its own offsetting program, as a European offsetting regime could reduce the need for member states to run their own regimes at the domestic level.

In the next step of the analysis, we further unpack the identified relationships by analyzing the respective effect sizes. Table 2 reports the odds ratios (ORs) for the different variables under scrutiny. ORs indicate the magnitude of the difference of being in one state (“at risk”) compared with another (“adopter”). In case of our dichotomous variables (EU), the OR simply reflects the difference between the two levels. In the case of the continuous variables, the OR represents the effect of moving from the 25th percentile to the 75th percentile of the respective variable. When the OR equals “one,” there is no real difference. If the OR is larger than one, the likelihood of adopting a regulatory offsetting scheme increases; if the value is smaller than one, the opposite is true. An OR of 2, for instance, implies a 100 percent higher chance that a country adopts a regulatory offsetting scheme. An OR of

0.5, by contrast, means a 100 percent lower chance that countries opt for regulatory offsetting.

As Table 2 indicates, an increasing share of left-wing parties in government decreases the chance for adopting regulatory offsetting schemes by 75 percent. Close trade partners opting for regulatory offsetting schemes makes adopting regulatory offsetting schemes about 240 percent more likely. Membership in the European Union, higher GDP levels, and higher debt levels likewise considerably enhance the likelihood that a country opts for regulatory offsetting. More specifically, EU membership augments the odds of adoption by approximately 260 percent, a higher GDP per capita boosts the chances by around 210 percent, and a higher debt level by 200 percent.

EMPIRICAL ANALYSIS II: EXPLAINING THE AMBITIOUSNESS OF REGULATORY OFFSETTING SCHEMES

So far, our analysis has sought to explain the adoption of regulatory offsetting schemes. As our descriptive evidence suggests (see again Table 1 above), there is also great variation between the offsetting schemes adopted in the 18 countries. In the second step of our analysis, we thus seek to explain the variation in the design and ambitiousness of the adopted offsetting schemes.

One key finding of the previous analysis is that right-leaning political parties are more likely to adopt offsetting regimes than left-leaning ones. For right-leaning parties, offsetting schemes may constitute an honest attempt to slow down state growth, but they may also just be a “political signal” to their voters and business groups that they take the issue of increased regulatory burdens seriously. If an offsetting scheme constitutes a substantive

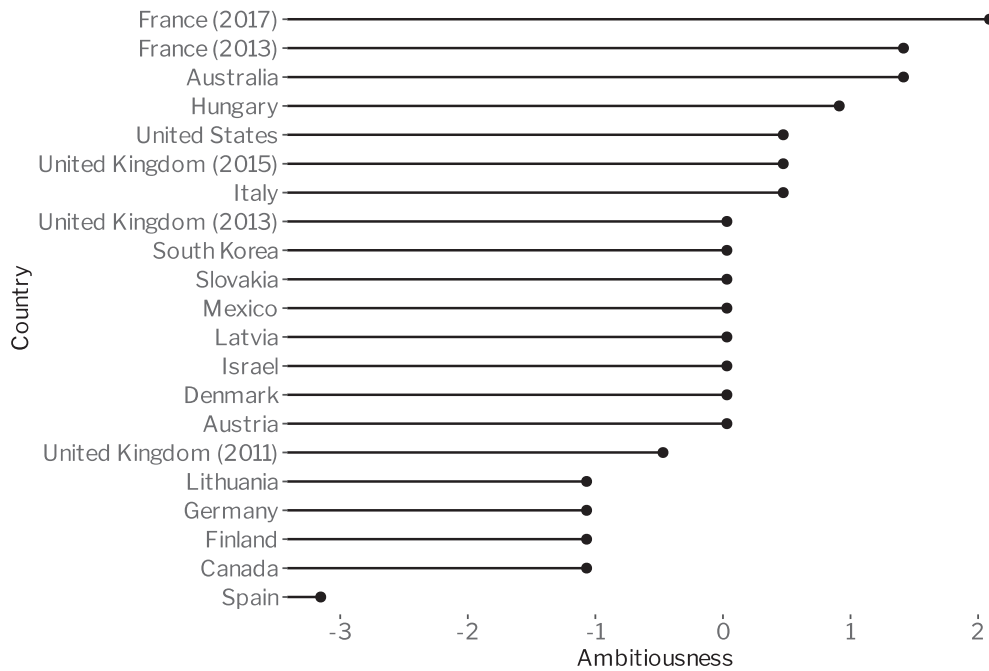


FIGURE 2 Ambitiousness of regulatory offsetting schemes across countries.

effort to reduce regulatory burdens, we should see that party differences also explain ambitiousness, with right-leaning parties adopting more ambitious regimes than left-leaning ones. If an offsetting scheme is rather a political tool, we should see that while right-leaning parties are more likely to adopt it, there should be no systematic differences in ambitiousness across party types. To test for these competing expectations, we repeat our previous adoption analysis with the same independent variables but now take the ambitiousness of offsetting regimes as our dependent variable.

As discussed, the ambitiousness of regulatory offsetting schemes depends on several factors. These are (1) the nature of the burden to be offset; (2) the scope of the application of regulatory offsetting; (3) the proportion of regulatory components that have to be abolished relative to those that can be introduced; (4) the extent and reach of the regulatory offsetting's application; (5) the timing with which the regulatory offsetting is implemented; and (5) the possibility of shifting burdens between different regulatory agencies. We merged the information gained along these different components into a single score of regulatory offsetting ambitiousness using a measurement model relying on item response theory. Simply put, this approach examines whether a certain scheme possesses a specific design feature and how rare this is. For example, if all other EU countries do not offset EU-induced provisions, but only one country does, that country would be deemed particularly ambitious (for a more detailed explanation of the measurement model, please consult the Online Appendix). Following this approach, we can score and rank all countries under analysis with a

regulatory offsetting scheme in place. The results are presented in Figure 2.⁴

After the revision of its offsetting scheme in 2017, France is at the top of this ranking. The French offsetting scheme covers administrative and substantive burdens and mandated to remove two rules for the adoption of any new rule (two-in-one-out). The scheme's coverage extended to both primary and secondary legislation. Moreover, it was notably rigorous, allowing no major exemptions, and prohibiting the exchange of offsetting between agencies. Additionally, offsetting must occur immediately and cannot be deferred to a later date. At the opposite end of our ranking is Spain. Unlike the comprehensive scheme employed by Australia, Spain's offsetting scheme is much more constrained. It focuses solely on reducing administrative rather than substantive burdens, and adheres to a simple one-in-one-out rule. The scope of Spain's offsetting scheme is limited to secondary legislation, indicating its narrower legislative application. In addition, Spain's scheme allows for major exemptions such as EU legislation, and it incorporates a provision for subsequent offsetting, just like the Australian scheme. An additional detail that diminishes the ambitiousness of the Spanish offsetting scheme is its allowance for the trading of offsetting credits across various ministries. This creates a system in which ministries can exchange their regulatory offsets with each other rather than mandating each to individually identify and eliminate specific regulatory burdens.

To explain these differences, we plot the variation observed against the two variables that emerged as significant predictors of offsetting adoption in our previous

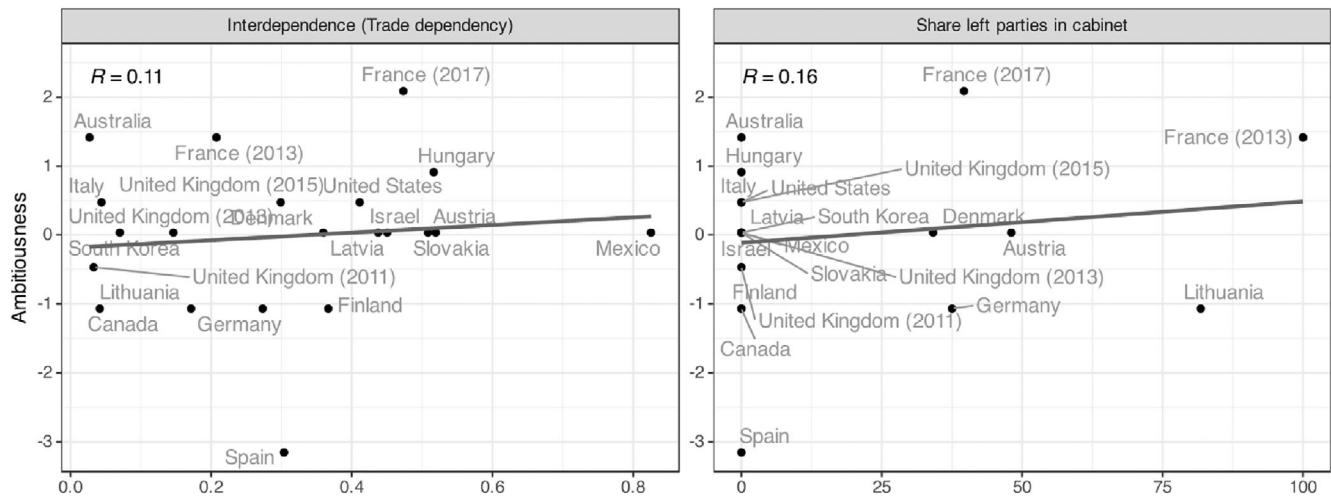


FIGURE 3 Relationship between trade dependencies and the share of left parties and the ambitiousness of regulatory offsetting schemes. Trade interdependence (left-side) is measured on a scale from 0 to 1. The share of left parties in government (right-side) is indicated by the percentage (0%–100%) of cabinet posts held by social democratic and other left parties relative to the total cabinet posts in government.

analysis. Figure 3 graphically illustrates this relationship. We utilize independent variable data from the date of adoption. Contrary to our previous analysis, we have also contemplated alterations in the ambition of existing schemes, such as those witnessed in France in 2013 and 2017, as well as the United Kingdom in 2013 and 2015. In essence, the primary insight derived from this illustration is that the disposition of the government and trade interdependencies (diffusion effects) do *not* yield a significant effect as before. In the Online Appendix, we run a full model with control variables that shows the same results.

In light of our initial expectations, a lack of correlations suggests that the ambitiousness of offsetting schemes does indeed “politically” carry less weight in terms of importance than the adoption of (or commitment to) offsetting schemes. In other words: while the idea of adopting offsetting schemes may generally hold more appeal for right-wing parties, the specific design intricacies of these schemes seem to be more of an “afterthought” that shows little discrepancy based on the political leaning. This observation reaffirms our initial expectation that offsetting schemes are more of a political or ideological “statement” rather than a functional tool designed to effect substantial differences.

As offsetting regimes are predominantly chosen (adopted) by certain types of governments, one could alternatively explain the lack of correlations with the fact that the range of trade dependencies and party positions is naturally restricted, thereby limiting their explanatory potential. The distribution of the two independent variables along the X-axis provides some support for this. Most governments that have opted for an offsetting scheme tend to have a lower representation of left-wing parties (21.5 percent) than the full sample (31.7 percent). However, one can also observe that there are (still) several

left-wing governments, that is, one in Lithuania and one in France (2013), whose ambition in terms of regulatory offsetting is not substantially lower than those of more right-wing governments. For instance, although France and the United Kingdom significantly differ regarding the number of left-leaning parties in government, they exhibit similar ambitiousness levels. Even more tellingly, the country with the least ambitious offsetting regime is Spain, which in 2013 was governed by a right-wing government. The seemingly indifferent approach to the specifics of these schemes by both left- and right-wing parties supports the notion that the primary value of offsetting schemes may lie in their symbolic representation of action rather than their practical execution or potential impact.

A final observation we want to make is that for the very few cases in which an offsetting regime was abolished again in the meantime, party orientation is not neatly associated with abolishment. While Denmark’s offsetting scheme was abolished by an incoming social-democratic government, the offsetting schemes in Australia and the United Kingdom were terminated by right-leaning governments. Although Theresa May’s UK government followed a less severe austerity policy than the previous Cameron government (and hence adopted a more social-democratic stance on fiscal policy), one cannot really say that while it is right-leaning governments that tend to adopt offsetting regimes, it is left-leaning ones that tend to abolish them. This finding aligns well with previous research on welfare state retrenchment, which suggests that welfare state expansion and retrenchment are governed by different political logics (Pierson, 1996).

A potential concern with the analysis underpinning Figure 3 is that countries that have revised their offsetting schemes over time may be counted multiple times, even

though they are not independent observations. To address this issue, we have tested different specifications by averaging the values for countries with multiple observations. As shown in Figure 4 in the Online Appendix, the results remain unchanged. Additionally, one might argue that the definition of what constitutes an “ambitious” offsetting scheme is subject to change over time. When a country first adopts an offsetting scheme, it is intrinsically the most ambitious at that particular moment, even if by today’s standards the scheme might be considered basic. As time progresses and other countries implement more sophisticated schemes, the initial country may lag in the rankings. Therefore, our results could be influenced by the fact that we only measure ambition retrospectively. To counter this issue, we have repeated our item response analysis, this time incorporating the year of adoption as a distinct factor to assess ambition. The findings, as depicted in Figure 5 in the Online Appendix, indicate that this modification also does not alter our results.

CONCLUSION

Regulatory offsetting is an increasingly common practice in advanced democracies intended to temper rule growth dynamics, which threaten to overburden businesses and public administrations. This article provides a first analysis of this phenomenon. Based on a comprehensive database containing all regulatory offsetting schemes adopted in OECD member and candidate countries and these schemes’ characteristics, the article reveals the great variability in the design of offsetting schemes around the globe. Moreover, the article highlights the factors that may explain the adoption and the design of regulatory offsetting schemes. Specifically, governments are more inclined to adopt such schemes when fewer left-wing parties are part of the governing coalition and when their trade partners have also implemented similar measures. However, these factors do not explain the variability in the design and level of ambition of the schemes. Consequently, our findings suggest that offsetting schemes are inherently political tools, reflecting the ideological divide between proponents of an activist state and advocates of a more restrained government.

In this article, our focus resides exclusively on the design features of offsetting schemes as delineated in official documents. However, this only provides a limited understanding of how these schemes are applied on a daily basis. Recent academic literature suggests that in practice, rule offsetting can potentially be misused; instead of eliminating redundant or burdensome regulations, it could be manipulated as a strategic tool by business groups to further their own interests or by political parties to repeal rules instituted by their predecessors (Pircher, 2023). Based on our findings, one could expect that governments are more likely to “tolerate” such practices when they have no substantial interest in the actual effects of an offsetting scheme. Likewise, one could

assume that the factors explaining the adoption of an offsetting scheme also influence its practical application, with “political” offsetting regimes being less strictly applied than “substantial” ones. In this case, our results would suggest that regulatory offsetting schemes are indeed ill suited to contribute to more sustainable patterns of rule growth in advanced democracies, and governments accordingly have to look for other strategies to reduce regulatory burdens for administrations, citizens, and businesses (Fernández-i-Marín et al., 2024a). While the fact that some countries have already abolished their offsetting scheme again may indeed suggest that governments are losing faith in this type of meta-regulation, the observation that many other countries, including the EU level, continue to promote it suggests otherwise. Consequently, more research needs to be conducted to determine the actual effectiveness of offsetting schemes and to find out whether variations in the offsetting design also translate to divergent outcomes, that is, whether they result in a more pronounced or diminished reduction in regulatory burdens.

Our systematic mapping of existing schemes and their design aspects can serve as a starting point for future in-depth evaluations of the effectiveness of regulatory offsetting schemes. In this context, a promising direction for future research may be to “relax” the criteria under which offsetting schemes are included in the analysis. In our current analysis, we have deliberately excluded countries where offsetting is recommended as a “best practice” in rule-making but is not entrenched within a formal governmental program or codified in legislation. Subsequent studies might consider the “degree of formalization” as an additional design feature that varies between countries and thus warrants explanation.

ACKNOWLEDGMENTS

We gratefully acknowledge Småforsk support for this project from the University of Oslo’s Political Science Department. We thank Erika Ferriz Sandvold and Kristian Lefdal for excellent research assistance and Flavia Fossati, Anders Sundell, and the three anonymous reviewers for very useful comments and suggestions. Open access funding provided by Universite de Lausanne.

ENDNOTES

- ¹ There have been criticisms that RIA procedures only show limited success in encouraging the development of evidence-based policies (Carroll, 2010). Moreover, policy-makers can easily be manipulated by influential interest groups to dilute or even derail stringent regulations, especially in the area of environmental protection (Steinebach & Knill, 2017).
- ² It is important to note that the offsetting schemes containing banking provisions are rather vague when it comes to defining the exact time frame during which regulatory burdens can be offset.
- ³ In the end, the Swiss government decided against adopting a regulatory offsetting scheme.
- ⁴ In Section A.2 of the Online Appendix, we offer a straightforward calculation that relies purely on conceptual considerations. Broadly, our ranking remains consistent.

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How to cite this article: Steinebach, Yves, Markus Hinterleitner, and Xavier Fernández-i-Marín. 2024. "Regulatory Offsetting in Advanced Democracies." *Public Administration Review* 1–14. <https://doi.org/10.1111/puar.13887>