S© to the NEWS

RELEASE: January 17

by PHYLLIS SCHLA.FLY
Box 618, Alton, Illinois 62002
Phone: 618-462-5415

REGULATORY AGENCIES

A recent article in COMMERCE magazine by two businessmen asks the question, "are regulatory agencies friend or foe?" While it might be assumed that a couple of businessmen would take the position that regulatory agencies are a foe of business, Jay VanAndel and Richard M. Devos, the top officers of AITTNay Corporation, make a good case that government regulatory agencies are a foe of the consumer, too.

Have you bought a new car lately? General Motors estimates that government paperwork alone adds $200 to the cost of every new automobile it manufactures. That doesn't even count the cost of the government-mandated safety and pollution devices.

Dr. Murray Weidenbaum, director of the Center for American Business at Washington University, says that we are experiencing a "second managerial revolution." The first was years ago when the decision-making power of corporations shifted from the shareholders to the professional managers.

The second revolution in business, according to Dr. Weidenbaum, is a shifting of the corporate decision-making power from the professional managers to government officials, inspectors and regulators. The trouble with this second shift is that it is unaccompanied by economic responsibility.

While corporate managers may not have their life savings invested in the equity of the corporation, they do have a significant stake in the fortunes of their company because of their salaries. However government officials, inspectors and regulators have no economic responsibility to corporate fortunes.

The new decision makers, therefore, have no concern about whether or not a given enterprise makes a profit or suffers a loss. They can make their decisions and issue their orders without a care as to whether investors lose their life

(more)

savings, companies fail, or hundreds of people are thrown out of work.

All their decision making, supervision, inspection and regulation add up to an increased cost of doing business that drains money away from capital investment and channels it into nonproductive form-filling-out. Perhaps this is one of the reasons w y the United States has slipped behind Sweden, Japan, Germany and other highly industrialized countries in productivity.

If increased productivity does not accompany higher wages, then we are simply inflating the dollar instead of increasing our standard of living. Other countries also outrank the United States in new capital investment and return on invested capital.

A good example of how the consumer ends up behind the eight ball when Federal regulators get into the act is the sad story of Tris. Under the authority of the Flammable Fabrics Act, the Department of Commerce in 1971 and again in 1974 decreed stringent standards to guard against the flammability of children's nighties.

The industry warned against potential health hazards involved in imposing such regulations before thoroughly-tested flame retardants were available. But the regulations went into effect anyway, and Tris became the most widely used chemical.

In 1977 the Consumer Product Safety Commission discovered that Tris might cause cancer. So it banned the sale of all children's wearing apparel containing Tris and ordered the producers to "repurchase" all clothing containing Tris from retailers and consumers.

Fortunately this order was mitigated by the courts. If it had remained in force, it would have bankrupted dozens of the some 100 companies that make children's sleepwear and thrown tens of thousands out of work.

The high American standard of living depends on private investment in capital formation. If business is forced to spend its cash to comply with arbitrary, contradictory, and unnecessary government regulations, workers and consumers will be the principal victims.

(end)