P.S. to the NEWS
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GOVERNMENT OVER-REGULATION

As we seek the culprits to blame for our current double-digit inflation, we should not overlook the tremendous, largely hidden cost of government regulation. This year's cost of government regulation is estimated to be $102.7 billion, or $500 for every man, woman and child in America.

The typical 1978 passenger automobile costs $666 extra for government-mandated safety and environmental-control equipment. This amounts to an additional $6.7 billion in higher auto prices paid by those who bought 10 million cars. The General Motors President says that federal environmental and safety rules will add an additional $945 to the price of a typical 1985 car.

At least 55 federal agencies, employing some 80,000 bureaucrats, are raining down a deluge of regulations governing nearly every aspect of our lives. The cost to our citizens is nearly $5 billion in taxes this year to operate the regulatory agencies, and 20 times that much, or $97 billion, for businesses to comply with those regulations.

It is easy to find the taxpayers' cost of the regulatory agencies. It's a difficult task to ferret out the costs to consumers, to workers, and to society as a whole, of the costs paid by business to comply with those regulations. Analyzing those costs has become the mission of Professor Murray L. Weidenbaum, Director of the Center for the Study of American Business at Washington University in St. Louis.

His new book called The Future of Business Regulation is an eye-opener. If read and acted on by enough people, it might do as much to stop unnecessary regulation of business as Ralph Nader's book, Unsafe At Any Speed, did to encourage it.

Government regulation has become so pervasive that it is no longer just a matter of dollars and cents. It poses the challenge of whether we as a nation have the good sense to stop the spread of a disease which will halt or reverse the fantastic progress of our private enterprise system by depriving it of its ability to increase productivity.

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The "first order effects" of government regulation, according to Professor Weidenbaum, are the direct costs paid by business to comply with the federal regulatory agencies' directives. The "second order effects" are the indirect costs incurred by companies as they change their ways of doing business in order to survive in the red-tape world of government regulations. Time and energy spent on paperwork and compliance cause a pervasive slowdown of productive effort.

The "third order effects" are the cumulative adverse results of hampering the industry's innovation and development, ability to finance growth, and capability to produce goods and services. Many chief executives report that more than a third of their time is now devoted to dealing with federal, state and local regulations, governmental policy matters, and the demands of civic and special-interest groups.

Many businesses have been diverted from their primary mission of producing more and better products at lower costs (and thereby providing better jobs for more workers), and have been forced to direct their attention to "social responsibilities" or "environmental concerns," as defined by power-wielding bureaucrats or aggressive special-interest groups.

When a company admits, as many do, that its fastest-growing department is its legal department, you know that that company cannot be increasing its productivity or lowering its prices. Yet that is the result of over-regulation by government.

Professor Weidenbaum does not demand an end to government regulation; obviously that is impossible and undesirable. Starting with an understanding of the hidden dosts of regulation through high taxes, high prices, loss of jobs, lowered productivity, and loss of capital formation, he recommends a set of rules to regulate the regulators.

The individual should have a maximum opportunity for personal choice. Whenever possible the government should provide information and incentives, rather than commands and directives. The vast power of government should not be aimed at trivia. Government decisions should be balanced against their long-term economic costs before enforcement starts.

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