...rder that the Supreme Court...

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Oct. '77 (?)

The price of regulation

The cost of government regulation ordinarily is computed in two ways — what it costs the government to enforce its rules, and what it costs the private sector to comply with them. A third price also is paid, says Murray L. Weidenbaum. This is the unreckonable cost of what we don't get.

Weidenbaum is director of the Center for the Study of American Business at Washington University in St. Louis. In a perceptive speech the other day to the Chemical Forum, here in Washington, he said some things about federal regulation that sorely need to be said.

One of these things is that federal regulation isn't all bad. As Weidenbaum pointed out, some important and positive benefits have resulted from various programs: less pollution, fewer product hazards, safer manufacturing plants, and new employment opportunities. But after full credit has been granted for these achievements, the cost of pervasive regulation remains intolerably high.

Perhaps the worst aspect of this high cost, in Weidenbaum's view, lies in the slowing down of innovation and scientific progress. Spending on research and development is stuck on a plateau. Over the past 10 years, private spending on research has been increasing at only 2 per cent a year. Fewer scientists and engineers were employed in industry in 1975 than were employed in 1968.

Weidenbaum has other evidence. Between 1963 and 1973, the number of patents issued to foreign nationals more than doubled, while the number of patents issued to U.S. nationals actually declined. Fewer graduate degrees are being sought in science and engineering. Within the private sector, money that once was earmarked for research now has to be spent on filling in federal forms.

In the stifling atmosphere of excessive regulation, everything slows down. The Food and Drug Administration provides an example.

"As a result in large part of the stringent drug approval regulations, the United States was the 30th country to approve the anti-asthma drug metaproterenol, the 32nd country to approve the anti-cancer drug adriamycin, the 51st country to approve the anti-tuberculosis drug rifampin, the 64th to approve the anti-allergenic drug cromolyn, and the 106th to approve the anti-bacterial drug co-trimaxazone."

Such prolonged delays impose obvious social costs: Persons who might have been healed were not healed. The delays impose economic costs also, not only in higher prices but also in diminished competition. Government regulations, Weidenbaum observed, "tend to hit the smaller companies disproportionately hard, in record-keeping, job safety, labor relations, environmental controls, and so on." Large industries may adjust to the regulatory burden; small companies, as in the foundry industry, tend to go under.

Weidenbaum proposes no drastic solutions. His sensible thought is to bring the techniques of benefit-cost analysis to the writing of regulations. In the field of occupational safety and health, for example, such analysis might demonstrate that the cost of enforcing some petty regulation would be far in excess of the benefits to be derived from it. In the area of drug regulation, the cost of banning saccharin, for example, ought to be more directly related to the large benefits and small risks of permitting its continued use.

Under a bill now pending in the Senate, every major regulatory program would have to be reviewed every eight years. Both the executive and the legislative branches would have an opportunity to make recommendations. Unless a regulatory agency could justify its own continued existence, the agency would be dissolved altogether.

The Missouri economist had one more thought: "A greater display of humility on the part of regulators would be most welcome. In my own experience, I have yet to come across the business executive who enjoys polluting the environment or producing unsafe products. What I have found is honest disagreement as to the most effective and sensible ways in which to proceed in attaining the nation's social objectives... Some restraint in the further expansion of government involvement might yield great rewards."