

# The American Spectator

## **Obama vs. Job Creation**

By [Doug Bandow](#) on 7.10.12 @ 10:59AM

*The Regulatory State keeps Americans unemployed.*

Everyone agrees that the U.S. economy needs a stimulus. Especially President Barack Obama, who hopes to get reelected in November. The economy is not doing well and the American people aren't inclined to give the president another chance.

All he can think of doing is increase government spending. The federal government has run up nearly \$4 trillion in deficits over the last three years alone, with another \$1.2 trillion in borrowing expected this year. But President Obama apparently believes that just a little more red ink will do the trick. Make it an even \$6 trillion and the economy will boom!

However, Americans would do far better if politicians across the political spectrum instead took an ax to America's regulatory state. Leviathan has arrived and is firmly ensconced in Washington. A plethora of unnecessary and costly regulations have resulted,

Clyde Wayne Crews of the Competitive Enterprise Institute has produced the latest edition of his "Ten Thousand Commandments: An Annual Snapshot of the Federal Regulatory State." It provides a sad tale of expensive meddling that is impoverishing all of us.

There are governments which devote a larger GDP to government. However, no nation has a bigger government than America. Observes Crews: "in absolute terms, the U.S. government is the largest government on the planet--whether one's metric is revenues, expenditures, deficits, or accumulated debt. Only seven other nations top \$1 trillion in annual government revenues, and none but the United States collects over \$2 trillion."

If Uncle Sam only was wasting money prodigiously he would fulfill the role of the traditional highwayman. A price of traveling the roads once was to occasionally be relieved of one's money. But the thieves would ride off and leave you otherwise unmolested. They wouldn't stick around and make your life miserable.

That, however, is what Washington does. Notes Crews: "Federal environmental, safety, and health, and economic regulations cost hundreds of billions -- perhaps trillions -- of dollars every year over and above the costs of official federal outlays that dominate the policy debate." It's as if the highwaymen insisted on accompanying you, telling you how to ride, eat, sleep, and act. You'd have to waste more money. And you'd lose your freedom.

That's the case today. Crews points to an estimate from the Small Business Administration that regulatory compliance costs about \$1.75 trillion annually. With spending of \$3.6 trillion last year, the "estimated regulatory 'hidden tax' stands at 48.7 percent of the level of federal spending itself," he writes. But another \$55 billion is spent by the government directly to regulate. That means the real price of regulation is \$1.8 trillion, or more than half of federal spending last year.

In some cases outlays and regulations are separate. The federal government's biggest single program, Social Security, results in little extra government regulation. The program's main job is write checks, which Uncle Sam does with wild abandon.

However, warns Crews, "Government spending's relationship to government regulation bears scrutiny by policy makers. Unchecked outlays and deficit spending that enlarges the scope of government can translate, in later years, into greater regulatory compliance costs as well."

A good example is Obamacare, a multi-trillion dollar program which creates a regulatory nightmare by basically turning health insurance over to the federal government. The companies which issue the policies still are nominally private, but Washington will largely determine what policies are available. In April the Obama administration transferred a half billion dollars to the IRS to help implement the law. By one count Obamacare will create at least 159 new agencies, but the Congressional Research Service declared: "The precise number of new entities that will ultimately be created pursuant to [the legislation] is currently unknowable."

Regulatory costs of \$1.8 trillion should cause sober reflection. As noted before, that's half of federal spending, and is far less visible than expenditures which have to be appropriated by Congress. The price of regulation is greater than combined annual corporate profits. Regulatory costs run almost ten times as much as total corporate income taxes and nearly twice as much as individual income tax collections. Regulation alone runs about 12 percent of GDP. Combine government spending and regulation, and 36 percent of the economy is under federal control.

Obviously, Barack Obama is not the first president to use his powers, fair or foul, to regulate the rest of us. But he has been among the busier chief executives. Last year federal agencies issued 3,807 final rules, a 6.5 percent increase over the year before. Proposed new rules rose almost 20 percent, to 2898 over the same period. Last year total Federal Register pages, which record rule-making in Washington, ran 81,247. That was just 158 pages below the historic record--set in 2010.

Uncle Sam continues to be busy. There currently are 4128 rules in the federal pipeline. Of these 212 are "economically significant, representing an economic impact of at least \$100 million. That's a one-third jump in just five years. The only higher number during the past decade was in 2010, of 224. Finalized "economically significant" rules are down just two over 2010, from 81 to 79, but are up almost 93 percent over five years ago.

Regulations increasingly have supplanted legislation as the means of codifying new "laws." Last year agencies promulgated 3807 rules while Congress only passed 81 bills. And most of the latter resulted in the issuance of far more rules.

Legislators like having someone else do their dirty work. Enacting broad laws while leaving agencies to fill in the details helps insulate politicians from the impact of their dirty work. When constituents get upset lawmakers just blame the bureaucrats and act as an ombudsman to work out the problem, if possible. Then they collect the citizen's vote in the next election.

The pressure on Congress to use regulation as a policy tool grows along with pressures to cut spending. Notes Crews: "Taxation and regulation can substitute for each other, and the pressure for deficit reduction can invite lawmakers to opt for off-budget regulations on the private sector rather than adding to already-unchecked deficit spending."

Just five agencies, Agriculture, Commerce, Environmental Protection Agency, Interior, and Treasury account for 42 percent of federal rules. The fact that all regulations cost money doesn't mean they necessarily cost more than the benefits they provide. Unfortunately, however, most do. Politics rules administrative agencies as well as houses of Congress. Any system which allows people to spend money and reengineer society at someone else's expense is not likely to promote the public interest.

No surprise, regulation as well as spending by government interferes with job creation. If you make it more expensive to create companies, hire people, and sell goods and services, there will be less economic activity and lower employment. Thus, Crews argues: "When it comes to stimulating a limping economy, both

reducing deficits and ensuring that regulations are bearable are critical for economic health. Better regulatory oversight and monitoring can help 'liberate to stimulate'."

A number of steps could be taken to help slow the regulatory onslaught. The most important would be to withdraw government entirely from certain areas. For instance, Obamacare should be repealed. Washington has no business mandating what must be in health insurance plans and who should buy them. Too much of what Uncle Sam does is social engineering inappropriate in a free society.

Most everyone promotes "cost-benefit" analyses, but, warns Crews, "A problem with cost-benefit analysis, however, apart from it not being done and enforced, is that it largely amounts to agency self-policing. Agencies that perform audits of their own rules rarely admit that a rule's benefits do not justify the costs involved." At the very least such analyses should be carried out by a separate, independent agency.

Moreover, Crews suggests aiming more deeply, at improper delegation by Congress, which "should answer for the compliance costs -- as well as benefits -- of federal regulations." Regulations could require congressional assent before they go into effect. Rules also should automatically sunset unless Congress votes otherwise. Many authorizations likely would be perfunctory, but such a process would make it easier for future presidents and Congresses to review past federal actions.

Federal regulation costs too much. In freedom as well as money. Consider the Supreme Court case earlier this year, *Sackett v. EPA*, in which the justices unanimously rebuffed the Environmental Protection Agency when it sought to prevent review of its actions until citizens had been hit with bankruptcy-inducing fines. Not just money was at issue. Also at stake was America's status as a free society.

Despite trillions in deficit spending and even more in loose monetary policy the American economy remains in the doldrums. Instead of trying more of the same, as proposed by the president, Congress should adopt a "deregulatory stimulus." Cut back old regulations and stop new ones. Then maybe America will finally get back to work.