The Detroit News

# Don’t blame trade for bad economy, blame Washington

Doug Bandow

April 19, 2016

Many Americans are suffering financially, but the problem is not trade. Americans have grown wealthy as a trading nation. In contrast, regulation has done much to harm U.S. competitiveness.

The Obama administration is busy writing new rules to turn America into its vision of a good society, irrespective of the impact on liberty or prosperity. Observed Patrick McLaughlin and Oliver Sherouse of the Mercatus Center at George Mason University: “Over the last 20 years the regulatory budget has more than doubled in real terms while the number of total restrictions has grown by about 220,000 — a 25 percent increase.”

The busiest bureaucracies measured in terms of pages of rules produced are the EPA, IRS, Coast Guard, Occupational Safety and Health Administration, and Federal Communications Commission. These five collectively accounted “for more than 314,000 restrictions, nearly a third of the overall total,” wrote McLaughlin and Sherouse.

The problem is not only the expense of enforcement. Far greater is the cost of the impact on the economy.

Last year Clyde Wayne Crews of the Competitive Enterprise Institute assessed the impact of regulation and figured the total price of regulation to be $1.88 trillion.

At $399 billion economic regulation had the biggest impact, closely followed by environmental controls, which cost $386 billion. Tax compliance finished third at $316 billion, followed by health care at “only” $190 billion.

However, these figures almost certainly are too low. Crews argued: “Too often, regulatory impacts don’t get measured. But further, the disruption of market processes and the derailment of wealth, safety and health creating processes themselves are for the most part wholly neglected.”

Regulatory costs play out in many ways. One aspect is what an individual or company spends to comply with government dictates. Far harder to measure is what does not occur as a result of arbitrary and expensive rules. What products are not launched, what enterprises are not started, what jobs are not created?

Overall how much have we lost from excessive, unnecessary regulation? A lot, according to economists John Dawson and John Seater.

They considered the cumulative impact of losing a couple percent of economic growth year in and year out from 1949 through 2005: “That reduction in the growth rate has led to an accumulated reduction in GDP of about $38.8 trillion as of the end of 2011. That is, GDP at the end of 2011 would have been $53.9 trillion instead of $15.1 trillion if regulation had remained at its 1949 level.”

Grant all the difficulties with this sort of analysis. Imagine a nearly four-fold increase in per capita income and wealth.

Increased regulation also contributes to increased inequality. McLaughlin and Laura Stanley of Mercatus concluded that such rules “skew income toward politically connected producers and away from individual who lack the resources necessary to navigate the legal and regulatory framework.”

The regulatory process is essentially lawless, beyond the normal accountability of a democratic system. As Crews explained: “Congress passes and the president signs a few dozen laws every year. Meanwhile, federal departments and agencies issue well over 3,000 rules and regulations of varying significance. A weekday never passes without new regulation. Beyond those rules, however, we lack a clear grasp on the amount and cost of the thousands of executive branch and federal agency proclamations and issuances, including memos, guidance documents, bulletins, circulars, and announcements with practical regulatory effect.”

Americans are suffering. But closing off the global economy is no answer to them.

*Doug Bandow, author of “Foreign Follies: America’s New Global Empire,” is a senior fellow at the Cato Institute.*