

America's problem is regulation, not trade

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Even when Donald Trump seems to get something right, he's mostly wrong. At least when it comes to economics.

Many Americans are suffering financially. Yet 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 economic problem is domestic.

The Obama administration is busy writing new rules, irrespective of the impact on liberty or prosperity. Last year Uncle Sam spent \$62 billion to run the rest of our lives.

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 in his working paper entitled "Tip of the Costberg." He 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?

Of course, regulations theoretically are promulgated because they yield benefits. Not just benefits, but net benefits after considering costs. However, agencies have an incentive to inflate the value of what they are doing. That means exaggerating problems and "social costs," overstating alleged benefits, and discounting compliance costs.

Overall how much have we lost from excessive, unnecessary regulation? A lot, according to economists John W. Dawson and John J. 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, U.S. 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. Still, imagine a nearly four-fold increase in per capita income and wealth.

Increased regulation also contributes to increased inequality. In January 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."

Finally, there is the issue of transparency and predictability. Crews released a second study last year entitled "Mapping Washington's Lawlessness 2016." It reviewed what he termed "regulatory dark matter."

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 economy is no answer.

They should address federal, state, and local governments which are doing so much to prevent American companies from competing with foreign operations and rewarding Americans accordingly. These are the bad policies to blame for creating today's economic problems and imposing widespread financial hardship, thereby fueling the populist Trump bandwagon.

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