Obama's Hidden $236 Billion Tax Hike

By: Daniel J. Mitchell – January 16, 2013

Obama imposed a big tax hike last year.

But I'm not talking about the fiscal cliff and the President's class-warfare trophy of higher tax rates on those evil rich people. That happened this year.

Instead, I'm referring to the increase in the regulatory burden.

Here are some excerpts from a report in The Hill.

The Obama administration issued $236 billion worth of new regulations last year… The analysis from the American Action Forum, led by former Congressional Budget Office Director Douglas Holtz-Eakin, found that the administration added $216 billion in rules and more than $20 billion in regulatory proposals in 2012. Complying with those rules will require an additional 87 million hours of paperwork, the report said. The group put the total price tag from regulations during Obama's first term at more than $518 billion. …The Environmental Protection Agency racked up the most in regulatory costs last year, according to the report, issuing $172 billion worth of rules. Regulations from the healthcare reform law tacked an additional $20.1 billion in costs onto the economy.

This isn't pocket change. Indeed, $236 billion is almost four times as much money – measured annually – as Obama's tax hike. And the vast majority of that burden will be borne by ordinary citizens, not just the so-called rich.

But the article includes a very important caveat.

Though the study lists the costs of regulations, it does not calculate any benefits that might have resulted from them.

That's an important point, which is why it would be nice if the government engaged in some honest cost-benefit analysis. Some regulations impose modest costs and generate meaningful benefits. Mandating that cars include seat belts would be a good example.

But other regulations impose costs far in excess of potential benefits, such as all the red tape accompanying Obamacare, the regulatory tsunami of Dodd-Frank, and the never-ending plethora of EPA rules.

Many people complain about the high cost of regulation. Heck, I'm one of them. I've shared some very disturbing numbers about the burden of red tape.
•Americans spend 8.8 billion hours every year filling out government forms.
•The economy-wide cost of regulation is now $1.75 trillion.
•For every bureaucrat at a regulatory agency, 100 jobs are destroyed in the economy's productive sector.

But maybe it's time to step back and look at the bigger picture. More specifically, we should ask whether there is an alternative to government regulation. John Stossel says yes, arguing that private markets are remarkably effective in protecting consumers without the involvement of government.

He starts his column by noting that the regulatory nightmare is getting worse.

The bureaucrats never stop. There are now more than 170,000 pages of federal regulations.

But then he explains that private rules are just like regulation, but without a role for clumsy and ineffective government.

It is scary to think about a world without regulation. Intuition leads us to think that without government we'd be victims of fraud… But our intuition is wrong. Consider this: An entire sector of the economy operates almost entirely without government controls. Complete strangers exchange big money there every day. It's the Internet. It does have regulation, just not government regulation.

He mentions the innovative private regulation of companies such as PayPal and eBay.

PayPal invented a new form of regulation. "They developed a private fraud detection system, where they used computers to say, 'This might be fraudulent,' and then it would send it to a human to investigate that." That dramatically reduced fraud, and PayPal thrived. EBay's business model is also threatened by fraud. How can a buyer trust that, say, a seller will actually deliver a $25 pack of baseball cards and that the cards will be what he claims they are? In theory, you could sue; but in practice, our legal system is too slow and costly for that. So eBay came up with self-regulation: The buyers rate the sellers.

And he also explains how stock markets originally relied on private forms of regulation.

Did you know that stock markets began without government regulation? …the first stock exchanges developed in London in the 1700s: "Government refused to enforce all but the most simple contracts. Nevertheless, brokers figured out how to do short sales, futures contracts, options contracts — even though none was enforceable by law." They came up with private enforcement. "They traded in coffeehouses. And after a while, they decided: 'Let's enforce rules within this coffeehouse. If you default, you're going to get kicked out of the coffeehouse, and we're going to call you a lame duck.'"

Unfortunately, the trend is for more government, even though much of red tape produced by Washington doesn't pass the cost-benefit test.

Years of consumer reporting have taught me that such private regulation is better for consumers than the piles of rules produced by our bloated government. Worse, government's micromanagement stifles innovation. Companies now invest in lawyers and "compliance officers," rather than engineers and creators.

John's column is music to my ears. I wrote an entire article for Townhall based on the premise that "the profit motive creates mutually reinforcing oversight" to protect the interests of consumers.

In other words, private companies don't maximize profits by poisoning, killing, mistreating, and abusing their customers. And even if they thought that was a means of getting rich, other private companies such as banks and insurance companies would have a profit-maximizing incentive to stop bad behavior.

That doesn't mean there's no role for government. Even a libertarian system, for instance, would have a legal system enabling people to get compensation when they suffer losses because of negligence.

The question before us, though, is whether the pendulum has swung too far in favor of command-and-control regulation from Washington.

To answer, let's close this post with some examples of regulatory idiocy from government bureaucracies.

- Putting a store out of business for selling toy guns.
- Regulations making it difficult for trucking firms to weed out drunk drivers.
- Year-long sting operations by federal milk police.
- Rules harassing coffee shops with bikini-clad sales staff.
- OSHA requirements for expensive safety harnesses for people working 11 feet off the ground.
- Rules from the EEOC for "pee-shy" employees.
- The IRS making banks put foreign tax law above US tax law.

Does anyone think the private sector would impose rules like this?

Remember, if government is the answer, you've asked a very strange question.