POLICY REPORT

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The High Cost of Government Regulation

by Yale Brozen

Productivity growth in the United States since 1973 has dropped to one-third the previous, postwar growth rate. Among leading industrial nations, only England has done as poorly as the United States. Regulation is a major factor in that sad record. We are suffering from both a rapid expansion in the *scope* of government regulation and increased regulation within *each* of the regulated fields. Regulation, particularly in health, safety, and environment, accounts for almost half of the decline in productivity growth and for about one percentage point in the rate of rising costs.[1]

The Proper Scope and Stringency of Regulation

There are three general principles defining the proper scope of regulation. First, where the costs of an action or lack of action fall on the decision maker, *no* regulation is needed. This is the case in which economists say that "all costs are internalized." If the buyer of an automobile does not order and use injury-minimizing devices, it is he who suffers from that decision when he has an accident in which his injuries are greater than they would have been had be bought and used protective hardware. There is no need for regulating the design of automobiles to require air bags or seat belts, since only the automobile user suffers any costs from their absence. (This sort of regulation is analogous to requiring people to wear heavy down parkas outdoors when the temperature is below 32 degrees.) Similarly, employers bear the cost of accidents in their plants, and there is no need to regulate plant safety.

The second principle is a corollary of the first. If costs are *not* internalized—that is, if some of the costs of an activity are paid by others who do not benefit from the activity—then regulation is needed. Automobile emissions affect people who get no benefit from the transportation services provided by the emitting automobiles. In theory, at least, there are two ways of getting pollution reduced to the right amount.[2] Either the citizenry could offer payments to automobile users to reduce their contribution to pollution, or automobile users could offer payments to the citizenry for the right to pollute. The result either way is that automobile users face pecuniary consequences when they pollute. But the costs we impose on others cannot always be "internalized" this way. A system of payment such as the one just suggested would be very cumbersome. Regulation is a more efficient approach in this case, although a tax on emissions varied according to the ambient conditions in the region in which the auto is used would be far more efficient.

> **"Regulation, particularly in health, safety, and environment, accounts for almost half of the decline in productivity growth and for about one percentage point in the rate of rising costs."**

The third principle is that when we do regulate, we should recognize that as the stringency of regulation increases, we will incur progressively greater costs and gain progressively lower benefits. We *can* get more of a good thing than it is worth having. It was worth cutting down on auto emission—up to a point. It has been estimated that the first $4 billion of annual outlay on auto emission control produced about $5 billion of benefits. But we will be requiring automobile users to spend $11 billion annually for emission controls (in capital costs for hardware, maintenance costs, and extra fuel consumption) by 1985. For the additional $7 billion of expenditure, we will be getting, at the most, less than an additional billion dollars in benefits.[3] That is a waste of capital and an inefficient use of our resources.

Incidentally, to say that there is a cost of $7 billion for $1 billion of benefits is not to put a price on health. This is not a callous calculation of the sort Scrooge would make. It simply says that we could get $7 billion worth of improved health by spending that $7 billion on health in more effective ways. As it stands, we are giving up $7 billion of things we value (including things that make us healthier) if we insist on going to the 1985 standards for auto emissions nationwide to get $1 billion worth of benefits. That is a very bad bargain!

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EDITORIAL

The Chains of Bureaucracy

by Richard E. Wagner

Does not the growing interest in deregulation indicate that we are coming to recognize just how ensnarled in paper our economy has become? The annual cost of pushing paper between business and government—including the efforts to create, digest, and act upon this paper—is estimated to be about $50 billion. Keynesian economists used to gloat over how prosperity could be promoted by putting people to work digging holes in the ground and then filling them up. Probably only the most fervent of Keynesians ever truly believed that wealth could spring from such inherently nonproductive acts. But crippling regulation, the scope and intensity of which Professor Yale Brozen demonstrates in this issue of *Policy Report*, and the amount of paperwork it entails have much the same economic effect as digging holes. Average income per worker is about $20,000; thus the $50 billion devoted to regulatory paperwork is economically equivalent to taking 2.5 million people *out* of the labor force.

Actually, the paperwork revolution is worse than digging holes. The holes would have been dug in vacant fields, but the modern equivalent would place them in public places to await passersby. That is, the paperwork associated with excessive regulation is counterproductive, not just nonproductive, because it retards the productive efforts of other people. Occupational Safety and Health Act regulations do not merely engage people in shuffling paper; they also lead to overall reductions in safety and productivity. Food and Drug Administration requirements for new drugs do not merely tie up people who could do other things; they also increase illness and death. Several authorities have placed this second cost of regulation at about $100 billion to $150 billion annually, which in effect removes an additional 5 million to 7.5 million people from the labor force because of their ensnarlment in paper.

The increasing support for deregulation is a welcome development. In light of the strong evidence about the heavy burden of regulation, one might wonder why the opposition to regulation is not more intense. Regulation is, of course, rationalized as government's attempt to provide us with "protection." We are, however, never offered a choice of whether or not to buy such "protection." We are never offered a choice between working in a plant subject to OSHA "protection" in which we receive lower wages and pay higher prices for products, or working in a nonregulated plant in which wages are higher and the prices of products are lower. Instead, this government "protection" is forced upon us; moreover, its cost is embedded in the prices and wages offered in the market economy. OSHA's "protection" is not offered to us to accept or reject, nor is it even presented as part of our tax bills, but is concealed in higher prices and lower wages.

A half-century ago in an examination of socialism, economists came to realize that effective economic conduct depends upon the existence of information about price. Consequently, the advocates of socialism sought to combine socialism with markets, thereby generating what was called "market socialism." When government "protection" is embedded in prices and wages, there is no opportunity for the development of information about the cost and value of such "protection." There is not even any information about taxes. Government regulation is a disguised form of budgeting, for it represents the use of hidden forms of taxation to modify the allocation of resources. General Motors, for instance, reported that for 1977 it spent $1.6 billion in complying with federal regulations. The government could have paid General Motors $1.6 billion to *purchase* this compliance. If this principle were extended throughout the economy, hidden taxes would be converted into open taxes. For the present level of "protection" to be provided through the government's budget, income taxes would have to nearly double. Had such programs been financed in this forthright and open manner, there can be little doubt that we would be laboring under less of a regulatory burden today. Effective economic conduct requires such openness. With fewer of us ensnarled in paper, all of us would be able to have higher material standards of living. Because the cost of regulation has been embedded in prices and wages, we have been coming with only painful slowness to recognize what has happened: Prometheus has been bound in chains of paper, only no restorative aid has been given and no moral purpose has been served. ■

Richard E. Wagner is Professor of Economics at Virginia Polytechnic Institute and State University, and is Editor of *Policy Report*.

Government Regulation (Cont. from p. 1)

Counterproductive Regulation

For a great many types of regulation, it is not a question of getting too much of a good thing. From many of our regulatory activities, we are getting *no* benefits. That happens to be the case with auto safety regulation. It surprised me to learn from a carefully done study that the multi-billion-dollar expenditure required by auto safety regulation (approximately $28 billion to date) has produced no improvement in safety.[4] I expected at least part of the cost to be recovered.

In some cases, in fact, we are getting less of what is desired than we would if we eliminated the regulations. The Food and Drug Administration's regulation of drug safety and efficacy is a case in point. The 1962 amendments to the Food, Drug, and Cosmetics Act required the FDA to pass on the efficacy of all new ethical pharmaceuticals before allowing them on the market. Also, the amendments gave the FDA additional powers to regulate drug research. As a consequence, the cost of getting a new chemical on the market is four times greater than it would otherwise be—rising to $54 million.[5] This has cut the annual number of new drug introductions by two-thirds.[6] The result is, paradoxical as it may seem, that the drugs on the market are more dangerous than they would be if we had never responded to the thalidomide tragedy in Europe by amending U.S. drug laws in 1962. Because it has become so difficult and costly to get FDA approval of new drugs, we have not introduced new, safe drugs to replace some of our old, dangerous drugs, although some of those new drugs have been available abroad for years. We have had to go on using dangerous drugs for many illnesses because we lack safe replacements. The productivity of pharmaceutical research and development departments has been cut by 75 percent as a result of FDA regulation. No offsetting benefits exist to justify accepting this decline.

> **"For a great many types of regulation, it is not a question of getting too much of a good thing. From many of our regulatory agencies, we are getting *no* benefits."**

In the case of one new safe drug that was a replacement for an old dangerous drug, a pharmacologist has estimated that just the additional delay in getting the drug on the market as a result of the FDA's powers under the 1962 amendments caused 3,000 needless deaths.[7] If a three-year *delay* for one drug caused that many deaths, think of the number of deaths caused by the fact that a dozen drugs a year are never invented because so much of our research resources are consumed trying to clear the FDA regulatory requirements for efficacy.

The ironical footnote to the new efficacy requirement is that the incidence of ineffective drugs has not been reduced a particle.[8] Of course, why anyone would expect it to be reduced is a mystery in itself. After all, ineffective drugs are costly to produce and market, and they don't sell well enough to be profitable. There never was an incentive to market ineffective drugs, and the only reason any appeared is that they were mistakes. The FDA draws the same mistaken conclusions from research data that manufacturers do when manufacturers make a mistake. No one intentionally markets an ineffective drug. There were few marketed before efficacy regulation began and the incidence has remained unchanged since regulation began in 1962. It is time to repeal the 1962 amendments.

The Occupational Safety and Health Act is largely redundant and, perhaps, counterproductive. The evidence of its counterproductivity is not as clear as in the case of the 1962 drug amendments simply because no careful study has been done.[9] A few data strongly suggest what the relative weights of costs and benefits might be. The number of lost work man-days per year due to injuries has increased from 53.3 per 100 workers in 1973 to 54.6 in 1974 to 56.2 in 1975 to 60.5 in 1976 to 61.6 in 1977. OSHA does not seem to have done much for safety at work. Of course, there was little reason to expect an improvement in safety. Employers were already motivated to do well. Let me explain.

First, let us recognize that there is a

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Government Regulation (Cont. from p. 3)

cost to providing safety. To provide a totally safe set of working circumstances would require infinite cost, which would mean that no potential employer could ever hire anyone if this were what the law required. If a totally safe job is impossible to provide, just how safe should the workplace be?

Recognizing that the greater the amount of safety, the more costly it is to provide a job and produce the goods people desire—hence fewer jobs and less goods—where does the socially responsible employer compromise between more safety and more jobs and goods?

Some argue that we need OSHA because the profit-seeking employer will avoid all outlays for safety in his desire to maximize profits. They believe that the employer will increase his profits by using less costly, less safe machinery, unless restrained by a sense of responsibility or by OSHA. In the absence of OSHA, wouldn't profits be made at the expense of a high injury rate for employees?

To put the answer in its most ludicrous form, let us take the complaint by Eula Bingham, the head of the Occupational Safety and Health Administration, about the recent Supreme Court ruling that an employer can, if he wishes, refuse entry to an OSHA inspector who does not have a search warrant. She said that in the case of a gas leak, a whole factory could blow up in the time that it took OSHA to get a warrant. "It seems never to have occurred to her that factory owners don't want their plants blown up, or their workers either, and are likely to find and eliminate such dangers before OSHA's inspectors can."[10]

Perhaps we can safely leave it to employers to try to avoid gas leaks in the interest of preserving their property. But can we safely leave it to employers to avoid other kinds of injuries to their employees?

Before answering this question, let us recognize that there are gains to be had from engaging in risky behavior. I drove to Rockford recently from Chicago at 55 miles an hour. My risk of injury or death would have been less if I had driven at 40 miles an hour, or still less if I had cut my speed to 20 miles per hour. But driving at 55, I save time. I was willing to take the extra risk in order to get that return.

We can improve safety but the question is, "How much safety are we willing to pay for?" I don't drive at 90 because the extra time saved is not worth the extra risk. And I don't drive at 20 because the extra safety is not worth the price in time.

> **"The record of mandatory standards, such as those imposed by OSHA and the Coal Mine Safety Act, demonstrates no detectable improvement in safety."**

Similarly, employers can offer safer workplaces if their employees are willing to work at a less productive pace and accept the lower wage rate that would result from the reduced productivity. What employers find is that workers prefer higher wage rates to reduced risk (up to a point).[11] Put another way, employers offering riskier jobs find that, to attract workers, they have to pay higher wage rates for any given skill than do employers offering less risky positions. When the wage is high enough, employees prefer risky jobs to those less risky. What we find is that an employer offering jobs where the fatality rate is three per thousand per year must pay about $500,000 more wages annually to a thousand workers to attract a work force than if he installs programs that reduce the fatality rate to two per thousand per year.[12] If the fatality rate can be reduced to two per thousand workers at an annual cost of $400,000, the employer will spend that amount since he will save $500,000 in wage costs. He is motivated to improve the safety of his plant by the profit motive. This provides employees with what they prefer—lower risk at a sacrifice in wages which is worth it to them.

Now suppose that with an additional annual expenditure of $1 million, the employer can further reduce the fatality rate to one per thousand workers. If the saving in wage *and* accident costs is less that $1 million, the employer will not make the expenditure. He would make it if his 1,000 employees would take a $1 million reduction in wages. They are willing to take a $500,000 reduction, but not a $1 million reduction. Should OSHA force him to make the outlay?

Unless we want to take the paternalistic or elitist attitude that we should force people to do what we regard as good for them regardless of what they want, then the action of the profit-maximizing employer is what his employees prefer. In this case, they would rather have the higher wage that can and will be paid than a reduction in the fatality risk to one per thousand.[13] If OSHA forces the expenditure of the extra million dollars on safety, workers will get risk reduction of a specific type worth only $500,000 to them. As buyers, they will be getting $1 million less product, or $1 million less risk reduction in the alternative uses to which these resources could be applied. They will suffer a net loss of $500,000 in their welfare as they view their own preferences. In effect, we will have told workers what they are allowed to buy with their incomes or in what areas risks are to be minimized.

If we force employers to use resources to buy mandatory safety for their employees, the net result may be less safety rather than more. First, let us recognize that mandatory standards have forced employers to make outlays that buy less safety than those outlays would have bought if businesses were free to choose the safety programs they prefer. Second, the lower wage rates resulting from mandated uses of capital means employees may not have the means to buy safety equipment for their homes. Since the evidence available "suggests that the hours spent at work are safer than the hours spent at home,"[14] it would seem that more may be done for safety by improving off-work safety than by further reducing risks on the job. By taking a riskier job at the higher wage paid for riskier jobs, employees can then afford smoke alarms, nonslip tread and handrails for stairways, fire extinguishers, safer tools for use in their gardens, etc., which will do more for their safety than additional expenditures by their employers. Add to this the fact that the record of mandatory standards, such as those imposed by OSHA and the Coal Mine Safety Act, demonstrates no detectable improvement in safety,[15] despite the large expenditure caused by these activities.[16] Evidently employers find it profitable to provide as much safety as any socially responsible government would force them to provide. OSHA, by all evidence, is causing large costs with no benefits—and even with negative benefits.

Automobile Design Regulations

I could go on with an endless list of unnecessary regulations—unnecessary in the sense that either costs are already all internalized and no regulation is needed or in the sense of going far beyond the point of diminishing returns. I must mention one more set of regulations—a set that suffers from both defects.

The requirement that auto manufacturers downsize their cars in order to attain a fleet average of 27.5 miles per gallon fails to recognize that auto buyers are already motivated to buy fuel-economizing cars to the extent that it is worthwhile to do so. Second, it fails to recognize that the mandatory expenditure of billions to satisfy this arbitrary goal is draining capital from uses where it could do more to economize energy than it can do by saving gasoline. A few more dry process kilns for producing phosphates or cement would save more energy and would be a more productive use of capital than the same funds spent on downsizing, but the fertilizer and cement industry rate of conversion to the dry process is being slowed by the scarcity of capital aggravated by investment being diverted to increasing fleet mileage. Third, it fails to recognize that the lightweight materials that have to be used to reduce the weights of automobiles will be more petroleum- and energy-intensive than the heavy materials for which these substitute, thus offsetting the gasoline saving. Fourth, it fails to recognize that getting rid of uneconomic regulations such as the five mile an hour bumper, which increases accident repair costs, and the mandated safety equipment, which (Cont. on p. 7)

INFLATION MONITOR

A regular feature of *Policy Report*, the "Inflation Monitor" reports on the effects of inflation as a monetary phenomenon and demonstrates its distorting influence on the structure of relative prices in the economy.

	PERCENTAGE CHANGE (ANNUAL RATE)			
	Latest 1 month	**Latest 3 months**	**Latest 6 months**	**Latest 12 months**
M-1	–3.0	–2.3	3.2	6.0
M-2	6.5	4.1	7.1	7.7
M-3	1.5	5.0	8.3	8.4
PRICE OF GOLD	134.5	–0.4	38.2	31.1
CPI-URBAN WAGE EARNERS	10.6	8.0	8.1	9.4
COMMODITIES, LESS FOOD	11.9	10.8	9.4	7.9
FOOD	18.5	13.6	10.0	12.8
SERVICES	6.6	6.1	8.0	9.4
FINISHED GOODS	17.2	11.2	9.6	9.8
CONSUMER GOODS, FOOD	21.5	17.2	12.3	13.3
CONSUMER GOODS, NON-FOOD	14.5	11.1	8.9	9.0
CAPITAL EQUIPMENT	11.6	10.6	8.5	8.4
PRODUCER PRICES, BY STAGE OF PROCESSING				
COMMODITIES				
Crude materials, non-food	19.8	20.0	15.5	16.4
Intermediate materials, less food	14.4	10.8	10.8	8.7
Capital equipment	11.6	10.6	9.4	8.4
Consumer finished goods, less food	14.5	11.0	8.9	9.0
FOOD				
Farm products	33.0	18.6	13.5	20.4
Consumer foods	21.5	14.2	13.3	12.9

All figures are taken from the *Chartbook on Prices, Wages, and Productivity* (U.S. Department of Labor), *Monetary Trends* (Federal Reserve Bank of St. Louis), and the *Wall Street Journal*.

✓ Washington Update

✓ Congress dealt the Carter Administration's energy conservation and rationing program a stunning setback in April and May. Only one Administration proposal—mandatory thermostat setting—was passed. In the House it was rushed through on a voice vote after the resounding and humiliating defeat for the Administration's gasoline rationing plan.

✓ The Administration's hospital cost containment program is in trouble in the House Ways and Means Committee. Although not yet dead, it is dying.

✓ Despite the overwhelming defeat for his gasoline rationing plan in the House on May 10, the President still has the power to ration gasoline or any other material he considers "scarce, critical, and essential." The authority was granted by the Defense Production Act of 1950 during the Korean War and has been on the books ever since. The Congress will vote on an extension and amendment enlarging the powers of the President under that Act this summer.

✓ Mail coming into Congressional offices reflects a growing demand for lower taxes and less government and no inflation. The clamor for relief is starting to drown out the pleas of the special interest tax-consumers. The result seems to be that Congress is in a transition period. Whether it completes the transition or reverts to its old ways will be decided in the next few months, perhaps by international, not domestic, developments.

✓ The Congress will not balance the budget in fiscal year 1980, but it is required by law to do so in fiscal year 1981. If four more states call for a constitutional convention to draft a balanced budget amendment to the U.S. Constitution, the battle lines will be drawn, not over a balanced budget, but over the validity of the state petitions. They are far from identical, and some specifically stipulate that their call for a constitutional convention is contingent on inaction in Congress on the issue. Budgetary problems will first become constitutional problems.

✓ The movement to revive the draft goose-stepped forward when the Military Personnel Subcommittee of the House Armed Services Committee voted to implement registration in 1981 and to require reports from the President on induction of both men and women, and registration by computer.

✓ The 1980 census is already under way. Address checkers have been dispatched to verify addresses to which the census forms are to be mailed. Despite indications that there will be more resistance to questioning than there was in 1970, the Bureau is proceeding with plans to require answers to extensive lists of questions.

✓ The Treasury is conducting surveys of foreign investment in the United States and American investment abroad. The latter has not been done since World War II—1943 to be exact.

✓ The Treasury is also proceeding with sales of securities denominated in Swiss francs and deutschmarks in Europe. It has reduced its monthly gold auctions by half. In past speculation with franc and deutschmark securities, the Treasury (meaning the taxpayers) has taken a beating, losing several hundred million dollars. The Exchange Stabilization Fund, through which the Treasury conducts the bond sales, is now $300 million in the red.

✓ The Department of Education, as expected, cleared the Senate despite the attempted roadblock by Senator Helms (R-N.C.). It has been reported favorably from Committee in the House on a very narrow vote, and education lobbyists have been swarming over the south side of Capitol Hill.

✓ Six Nobel Prize winning physicists startled the House Committee on Science and Technology by testifying that nuclear plants are the safest known source of electricity. One Committee member, enraged by the testimony, accused some of the scientists of working for the government on the Manhattan Project during World War II.

✓ Pressure is mounting in Congress for a change in our policy toward Rhodesia. Several members on both sides of the Hill have introduced resolutions calling for recognition of the Muzorewa government and a lifting of the economic sanctions, but the Administration has turned a deaf ear, so far.

✓ The Federal Election Commission, not yet having completed the audits of the 1976 campaigns, is floundering in its attempt to get its house in order. Employee turnover is running about 25 percent annually, and the Commission has no CPAs on its auditing staff. It recently lost a case against the Socialist Workers Party, which won an exemption from the law's disclosure requirements until 1984. The Commission faces a serious challenge in New York, where it sued a local Tax Reform Immediately committee for violations of the law, and now faces a countersuit that raises constitutional questions not reached by the 1975 *Buckley* v. *Valeo* case. Meanwhile, Congress is marking up H.R. 1, taxpayer financing for congressional elections. If that passes and the snafu at the FEC continues, look for administration of the election laws to be turned over to the Internal Revenue Service, the only really efficient government agency. Should that happen, the issue of free speech and free press will become major problems that will have to be resolved. ■

Government Regulation (Cont. from p. 5)

provides no safety, could save energy. This path to saving energy has no cost—it would actually save cost with no loss in benefits—whereas the mandated path to fuel saving has large costs. Also, getting rid of standards for emission regulation could save about 5 percent of the petroleum required to produce gasoline with a negligible loss in benefits and a further large saving in capital. The petroleum refining companies would not have to use the available capital to add the extra refining facilities necessary to produce lead-free gasoline. They would then have the capital to install the desulphurization units that would enable us to use the abundant high sulphur crudes in place of the scarce low sulphur crudes. That would end the threat of a petroleum shortage.

Conclusion

If we abolish some of our old line agencies engaging in economic regulation, such as the ICC, the CAB, and the FMC, transfer all antipollution responsibilities from the EPA to the Department of Justice, and abolish the NHTSA,[17] OSHA, Mine Safety Bureau of the Department of Interior, CPSC, SEC, and the various state hospital certification agencies,[18] and repeal the powers given to the FDA by the 1962 amendments, reasonable estimates suggest that consumer benefits would amount to over $50 billion. In addition, productivity would rise more rapidly and add $20 billion a year increments to total output which, in five years, would increase annual national income by $100 billion. Elimination of these regulations would free capital to produce more of the benefits intended and leave more to increase productivity and moderate rising prices in many areas. ■

FOOTNOTES

[1] "New Light on Regulatory Costs," *The Morgan Guaranty Survey*, April 1979, p. 12. In this paper, I am dealing only with new areas of noneconomic regulation such as environmental and safety regulation. There are abundant studies showing the excessiveness of economic regulation in such fields as railroads, trucking, airlines, communications, natural gas, electric utilities, etc., using costs and prices.

[2] For a discussion of alternative methods of achieving the "right" amount of pollution, see Charles Upton, *The Economics of Pollution* (Chicago: Graduate School of Business, University of Chicago, Selected Papers No. 36).

[3] Lester Lave and Eugene Seskin, *Air Pollution and Human Health* (Baltimore: Johns Hopkins University Press, 1977), pp. 231-33.

[4] Sam Peltzman, *Regulation of Auto Safety* (Washington: American Enterprise Institute, 1975).

[5] Ronald W. Hansen, "The Pharmaceutical Development Process: Estimates of Current Development Costs and the Effects of Regulatory Changes" (unpublished, Center for Research in Government Policy, University of Rochester, August 1977).

[6] Sam Peltzman, *Regulation of Pharmaceutical Innovation: The 1962 Amendments* (Washington, D.C.: American Enterprise Institute, 1974).

[7] William W. Wardell, "Therapeutic Implications of the Drug Lag," *Clinical Pharmacology and Therapeutics* 15 (January 1974): 83.

[8] Peltzman, *Regulation of Pharmaceutical Innovation*.

[9] For evidence of OSHA's counterproductivity in one industry, see John G. Fulmer, Jr., "The Effect of OSHA Regulations on Injury Rates in Textile Mills," *Review of Industrial Management and Textile Science*, vol. 18, Spring 1979.

[10] "The OSHA Ruling," *Wall Street Journal*, May 26, 1978.

[11] Robert Smith, *The Occupational Safety and Health Act: Its Goals and Its Achievements* (Washington, D.C.: American Enterprise Institute, 1976).

[12] Martin Bailey, *Measuring the Benefits of Life-Saving* (Washington, D.C.: American Enterprise Institute, forthcoming). The death rate figures used here are simply illustrative. The actual death rate is approximately 0.06 per thousand workers on the job. That is far lower than the accident death rate in off-job activities.

[13] Competition among firms will prevent employers from paying the full $1 million as wages. Competition for employees in terms of wages and safety will force the payment of an extra $500,000 to workers, and competition for markets will eliminate any profit from not spending the $1 million on safety. In addition to benefiting from the higher wages resulting from avoidance of excessive expenditures on safety, workers as buyers will benefit from the lower prices of products.

[14] Walter Oi, "Safety at Any Price?" *Regulation*, November/December 1977, p. 17.

[15] David Henderson, *The Coal Mine Safety Act* (Washington, D.C.: American Enterprise Institute, forthcoming).

[16] Murry Weidenbaum, "On Estimating Regulatory Costs," *Regulation*, May/June 1978, p. 17, finds that the annual cost of OSHA and the Coal Mine Safety Act in 1976 was $4.5 billion.

[17] Peltzman, *Regulation of Auto Safety*; Walter Guzzardi, Jr., "The Mindless Pursuit of Safety," *Fortune*, April 9, 1979.

[18] D. S. Salkever and T. W. Bice, *Hospital Certificate-of-Need Controls* (Washington, D.C.: American Enterprise Institute, 1979).

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"To be governed . . ."

The easy way out?

"When I complained to Governor [Jerry] Brown that it took 68 separate permits from a myriad of jurisdictions to be allowed to farm edible fish in public streams, he replied, 'Sure, that's why space colonies: no permits.'"

—Architect Sim Van der Ryn in *Pacific Sun*, Mar. 16–22, 1979

That's what we were afraid of

"The Urban League and others speaking for the black community have charged that the [Census Bureau's] monthly unemployment statistics, particularly for blacks, are grossly understated.

"Other critics, including Sar Levitan, the chairman of the National Commission on Employment and Unemployment Statistics, have said there are reasons to believe the statistics for joblessness for black teen-agers are inflated. . . .

"[But an] official in the Bureau of Labor Statistics, Norman Bowers, said, 'We think this is a fabulous survey. It may have flaws, but it is clearly the best employment survey in the world.'"

—*New York Times*, Mar. 10, 1979

With the Golden Horde a close second

"Once again this spring, individual Americans are filing returns covering the greatest flow ever of taxes into federal coffers—some 200 billion dollars, up from 180 billion a year ago.

"Altogether, more than 130 million people, about three-fifths of the nation, will sign returns. Hundreds of thousands of corporations will feed Washington an additional 70 billion dollars in income taxes.

"Thus, the federal income tax at age 65 has become the most prolific money raiser the world has ever known."

—*U.S. News & World Report*, Mar. 26, 1979

But they rarely look deeply

"The Justice Department estimates that as much as 10% of the tax dollar is wasted or stolen, Congress was told Thursday [March 15]. . . .

"Fraud and abuse in handling federal programs and money are so widespread they can be found 'wherever we look deeply,' said [Dep. Atty. Gen. Benjamin R.] Civiletti, the nation's No. 2 law enforcement officer."

—*Los Angeles Times*, Mar. 16, 1979

Great moments in economics

"One can readily see that the tenant does not operate in a free market with respect to housing. Everywhere the tenant goes he is faced with a landlord demanding X dollars in rent or eviction."

—Letter to the Editor in *Los Angeles Times*, Apr. 1, 1979

How the other half lives

"The nation's capital may be a taxpayer's nightmare, but it has become a businessman's dream—a lush, money-green Shangri-la where the economy seems to defy the laws of nature. It only goes up.

"'Things keep getting better in Washington; it is definitely a boom town,' says Doug Poretz, who does statistical analyses for the Washington Board of Trade. 'They even get better in Washington if they get worse everywhere else.' . . .

"Poretz's figures show that dips in the economy, such as in 1970–71 when the gross national product fell 0.4 percent, result in increases in what he calls 'the gross Washington product' by 3 percent."

—*San Francisco Examiner*, Mar. 18, 1979

This gets you a Nobel Prize?

"Nor will historical experience with the political economy of social choice bear out the diagnosis that democracy by its nature must produce overlarge public spending. The economic principles of collective decision making and of competitive game theory demonstrate that there is as much an inherent tendency for governments to spend *too little* as too much."

—Paul A. Samuelson in *Newsweek*, Apr. 9, 1979

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