

A Regulated Day in the Life

BY SUSAN E. DUDLEY

Mercatus Center

YOU PROBABLY KNOW HOW MUCH YOU PAY in taxes each year. According to the Tax Foundation, the average citizen spent over \$6,500 in federal income taxes in 2003. But do you know how much you pay for regulations imposed by the federal government? A Small Business Administration study estimates that the average household spends an additional \$8,000 per year in hidden regulatory costs.

You might be surprised to know just how many regulations you encounter in an average day, or how those regulations affect the choices you make.

Your regulated day starts when your clock radio goes off in the morning. The Federal Communications Commission regulates not only the airwaves used by your favorite radio station, but also the content of the programming. The radio is powered by electricity provided by a utility regulated by the Federal Energy Regulatory Commission and by state regulatory agencies.

The Consumer Product Safety Commission (CPSC) regulates the label on your mattress, and the price of your cotton sheets are higher than they otherwise would be because of the Department of Agriculture's subsidy and price support programs for U.S. cotton producers, as well as quotas and tariffs for imported goods.

Your toothpaste, soap, shampoo, and other products are regulated by the Food and Drug Administration. The quality of the water coming out of the shower is regulated by the Environmental Protection Agency. Though complying with EPA water quality standards can cost households over \$300 per year, you will not see that figure as a separate item on your water bill. Indeed, that cost may not appear on the water bill at all, but be embedded in your local taxes, which finance your municipal drinking water system. You may have to double-flush your low-flow toilet, mandated by the Department of Energy's appliance efficiency rules. When you go to replace your old washing machine in a couple of years, you will likely pay at least \$400 more for a new low-flow washing machine model, also mandated by the DOE.

As you go to prepare your breakfast, the information you get from the various food labels is regulated by the FDA, which must pre-approve language on labels, including information about the health benefits of foods. A couple years ago, the FDA threatened to seize the inventory of juice producer

Ocean Spray because it provided information and links on its Web site to health research regarding juice consumption. The threat is real; Tropicana had orange juice seized for similar reasons. And Campbell's learned the hard way that, although soup is good food, the company is not allowed to say so.

Your coffee, tea, and the sugar you might add to it are regulated by the FDA and USDA, as well as by the Commodity Futures Trading Commission, which regulates the hedging of coffee beans, sugar, and other commodities on futures markets. Until recently, the FDA retained a full-time "tea taster" to ensure imported tea conformed to standards of purity and wholesomeness.

The USDA's Agricultural Marketing Service artificially inflates the price of the milk you pour in your coffee, as well as cheese, butter, and other dairy products, through price supports and marketing orders. The USDA even regulates the size of the holes in the Swiss cheese you grate into your omelet. The eggs enjoy a government-sponsored marketing co-op, the Egg Board, that uses taxpayer-financed subsidies to encourage egg consumption, and your toast is more expensive because of various subsidy and acreage restriction programs in wheat farming.

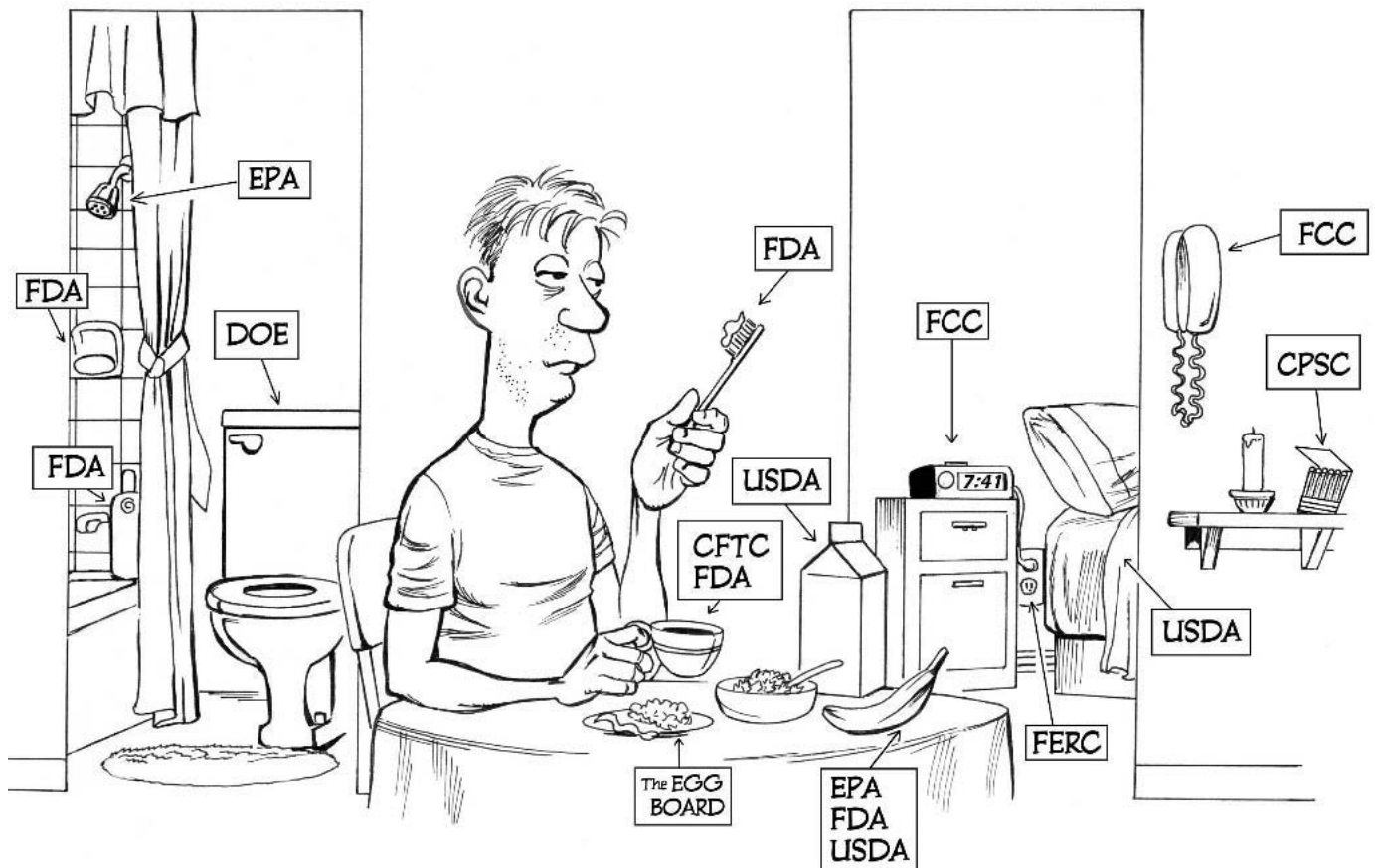
The fruit you serve for breakfast is regulated by the EPA, the FDA, and the USDA Animal and Plant Health Inspection Service. The USDA's Agricultural Marketing Service also has a hand in your fruit, setting grade standards and purchasing fruits and vegetables "to correct supply and demand imbalances" (and keep prices high).

The Japanese car you drive is more expensive than it would otherwise be because of import restrictions on cars and steel issued by regulators at the International Trade Commission. The import restrictions are necessary to keep prices as high as U.S. vehicles, which must meet costly U.S. labor standards. If you have children, they must ride in the back seat because passenger airbags required by the National Highway Traffic Safety Administration have killed children and small adults riding in the front. If you always buckle your seatbelt, you are not made much safer by the airbags, which NHTSA design standards ensure will protect adults who do not buckle. The price of your next car will be higher because of new standards that require advanced airbags with sensors in passenger seats that detect the size of the person and whether a seat belt is in use, and adjust airbag inflation accordingly. What new risks the new regulation will introduce are unknown.

Your car is also subject to NHTSA's fuel economy standards and the EPA's emission standards. If you do not belong to a carpool, you may have to take a roundabout way to your office because the most direct route is reserved for "high-occupancy vehicles" during the morning rush hour. Courtesy of the EPA's air quality state implementation plans, states must set aside roads for carpools or forfeit federal highway funds.

At work, Department of Labor regulations may keep your workplace safer, but they also limit the arrangements you can negotiate with your employer. The one-size-fits-all employee benefits standards prevent you from negotiating ben-

Susan E. Dudley is the director of the Regulatory Studies Program at the Mercatus Center at George Mason University. She can be contacted by e-mail at sdudley@gmu.edu. This story is based on the Mercatus publication, "A Day in the Life of a Regulated American Family."



efit packages that best suit employee needs, so you are unwittingly forced to accept lower wages in exchange for benefits you do not prefer. Regulations guarantee you a minimum wage for your work, but discourage employers from hiring low-productivity workers.

You stop to shop on your way home. Products you buy are more expensive than they would otherwise be because of regulations covering wages, the environment, etc. Those rules may keep some unsafe products off the market, but they also prevent valuable and potentially life-saving new products from becoming available to Americans.

You pop a frozen pizza in the oven for dinner while you snack on some potato chips made with the fat-free oil substitute Olestra. You wonder when Olestra will be available for other uses, including as a cooking oil for home use. Unfortunately, it took the FDA 10 years to approve Olestra in snack foods, and despite the overwhelming evidence of its safety and health benefits, it is not likely that other uses will be approved in the near future. You have not made the connection between your dramatic drop in cholesterol levels and consumption of the Olestra chips, and manufacturers do not dare inform consumers of that positive health benefit lest FDA decide to regulate the chips as a drug.

The pizza is ready. You may be comforted to know that the USDA's Food Safety Inspection Service monitors the composition of meat pizzas. According to its regulations, to carry the label "meat pizza," the pizza must be a bread-based product with tomato sauce, cheese, and meat toppings containing cooked meat made from not less than 15 percent of raw meat. The content of cheese pizza, on the

other hand, is regulated by the FDA.

You light the candles (turning the matchbook over to strike the match, courtesy of CPSC regulations) and open a bottle of red wine. It bears FDA-required labels that inform you that the Surgeon General says women should not drink during pregnancy, consumption of alcoholic beverages impairs a person's ability to drive a car or operate machinery and may cause health problems, and that wine contains sulfites. The FDA does not, however, allow winemakers to mention on the label (or in advertising) that moderate wine consumption may have health benefits in that it has been linked to reduced incidence of heart disease.

After dinner, you make a phone call at rates influenced by FCC rules, get the children into their CPSC-approved sleepwear, tuck them in bed, and turn out the lights.

As you spend a little time before bed working on tax forms, you might remember hearing that the federal tax code comprises four huge volumes that are each thicker than the Bible. Most Americans are not aware, however, that the *Code of Federal Regulations* is much larger — taking up over 25 feet of shelf space — nor that those regulations impose a hidden tax on almost every aspect of their lives.

Like the programs supported by taxes, regulations may provide benefits as well as costs. However, the costs and benefits of regulation are not subject to the same debate and scrutiny that taxes and associated direct government spending are. As a result, most Americans go through their days unaware of the extent to which government regulators are spending their money for them, and limiting their freedom to make their own choices. **R**