

## IN MEMORIAM

# A Feel for Economics

## MURRAY WEIDENBAUM

### 1927–2014

✦ BY DAVID R. HENDERSON

I first met Murray Weidenbaum at the 1974 American Economics Association meetings in San Francisco. I was interviewing for a position as assistant professor, and Murray was part of the Washington University contingent that was on the buyers' side. At the time, I was earning my Ph.D. in economics at the University of California, Los Angeles, and was working on a dissertation on the economics of coal mine safety legislation. I did not wow most of the interviewers, but I still remember Murray's raised eyebrow when he found out two things about my dissertation: First, it was on regulation. Second, I had already learned enough to conclude, tentatively, that the regulations did not do much for safety but did raise costs, especially for small, non-union mines. I thought that the raised eyebrow, along with the little twinkle in his eye, was a sign that he liked what he had heard. As I got to know him in the early 1980s and the mid-1990s, I learned that my instincts about that twinkle were right.

#### 'FEEL' FOR ECONOMIC ISSUES

One of Murray's strengths was his "feel" for a popular issue. For instance, the high point in U.S. economists' criticism of government regulation was in the late 1970s. As early as the mid-1970s, he seemed to have sensed that the issue was a political winner and that some of the most destructive regulations were vulnerable.

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Murray was one of the leaders in criticizing regulation, especially by the U.S. federal government. His leadership caught the attention of some defenders of regulation. In an October 22, 1979 article in the *Village Voice* titled "The Counter-Intelligentsia: The 'Free-Enterprise' Think Tanks and the Holy War on Government," author Peter H. Stone singled out a study by Murray's relatively new Center for the Study of American Business (CSAB) at Washington University. The study, done in the late 1970s, argued that by 1979 the total annual cost of regulation would be about \$100 billion. Here is a quote from Stone's critique:

A Library of Congress review of his [Weidenbaum's] data pointed out that he got his \$100 billion total by taking a figure of \$4.8 billion for administration of regulation and multiplying by 20—but without explaining how he came up with the number 20.

I could not find the CSAB study. But I did find Murray's article "On Estimating Regulatory Costs" in the May/June 1978 issue of *Regulation* that appears to be based on it. I can say with certainty that he did base estimates of the cost of regulation on actual studies done by others. He noticed that the cost of regulation was approximately 20 times the budget of the regulatory agencies involved. Then he wrote,

[Robert] DeFina's and my method of estimating the direct and indirect compliance costs of federal regulation produces a figure of \$62 billion for 1976—which is about twenty times the administrative costs of \$3 billion for regulatory agencies that



year (see Table 2). The total cost of federal regulation in 1976 was thus roughly \$65 billion. This is equivalent to \$307 for every man, woman, and child in the United States or to 18 percent of the federal budget. While these estimates of regulatory costs must be regarded as tentative, I submit that any error is in the direction of understatement.

He added:

If the 1976 ratio of administrative costs to compliance costs should hold for 1979—and there may be reasons why it would not—compliance costs would be \$97.9 billion in that year. With administrative costs estimated at \$4.8 billion, the estimated total costs of federal regulation would exceed \$100 billion.

I trust that the reader sees the difference between that methodology and arbitrarily choosing the number 20.

Why do I say that Murray had a good “feel” for a popular issue? One reason is Stone’s *Village Voice* attack. You have to read the piece for yourself, but Stone’s tone suggests that there is something sinister in the fact that an increasing number of economists were pointing out the cost of regulation and that many of those economists were funded by foundations, much of whose assets came from wealthy business owners. The *Village Voice* was nervous.

In an editorial titled “Reply to the Voice” in the December 1979 issue of *Cato Policy Report*, I addressed Stone’s article. I wrote:

What about the firms that support this research via foundations? Mr. Stone gives the impression that they stand to gain from the foundations’ general free-market orientation. But again, the issue of whether their motives are narrowly self-interested or genuinely idealistic has no bearing on the worthiness of their cause. By way of analogy, Hugh Hefner may give financial support to defend

## IN MEMORIAM

freedom of the press and he may do this entirely to save the freedom of his own publication. But can we conclude on this basis that freedom of the press should not be defended?

## INTEGRITY

From July to December 1994, I was the John M. Olin Fellow at CSAB and I interacted with Murray regularly. In our conversations, I became impressed with his integrity. The examples of it I saw were mainly on what most people would regard as “small” issues. One in particular was Murray’s commitment to not miss class. He was often invited to speak or testify in Washington. Fortunately, TWA (now a part of American Airlines) flights allowed him to teach, then fly to Washington and have dinner, then speak or testify the next day, and then fly home. He told me that over those many years, he had never missed a class because of his trips to Washington. That impressed me and, on the margin, affected my own behavior. One time, when asked to appear on John Stossel’s show on the Fox Business Channel, the only way I could make it and still teach my Tuesday and Thursday classes was to take a red-eye from Monterey to New York via Los Angeles Tuesday night, tape the show on Wednesday, and then hustle back Wednesday to teach on Thursday. Had I not been impressed by Murray’s example, I probably would have blown off Tuesday’s class.

His integrity carried over to the larger issues. Murray was excited about Ronald Reagan’s election to the U.S. presidency in 1980 and quickly accepted Reagan’s offer to chair the Council of Economic Advisers. Murray, like Reagan, was worried about the growth of federal government spending and the size of the budget deficit. Murray’s academic reputation was based on his work in defense economics. As far as I could tell, he was neither a hawk nor a dove, but he wanted for the Department of Defense what he wanted for government spending in general—not to waste money. When he saw Reagan saying no to some proposed domestic spending cuts and yes to many wasteful increases in military spending, Murray advocated tax increases to finance the spending. At a Cabinet Council meeting, Reagan complained that his own advisers were advocating tax increases. As Murray recounted to me in 1994, he replied to Reagan, “We’re advocating tax increases because we’re not willing to cut spending.” I wish he had said, “We’re advocating tax increases because *you’re* not willing to cut spending.” But he at least had the guts to call Reagan on his wishful thinking.

Murray did not last long as chair: he announced his resignation (or, more correctly, a St. Louis radio interviewer announced it for him) in July 1982, only 18 months after he took the position. He officially left in late August.

## THE ULTIMATE ECONOMIST

Murray was the ultimate economist, as two stories about him bear out:

Although he was Jewish, his family celebrated Christmas, and he and his wife encouraged their son and two daughters to believe in Santa Claus. In time, his older daughter reached the age when she began to doubt Santa Claus’s existence and suspected that her parents were the real source of Christmas gifts. But on Christmas morning, she opened a gift and found an expensive item that she had wanted. “There must be a Santa Claus,” she said, excitedly. “Dad’s too cheap to spend that much money.” Murray delighted in telling that story.

The second story is about traveling light. While working at CSAB, I was getting ready to go to a conference. One thing that always happened at conferences, before the Internet achieved its prominence, was that one returned home with copies of various papers. If you collected enough such papers, it was hard to take just a carry-on, and you had to check a bag. What to do?

I told Murray that my packing for the conference included old underwear that I didn’t mind losing. On the trip, I would throw away the underwear instead of bringing it home, creating space for papers in my carry-on. As far as I knew, I was the only person who did this—until Murray told me (eyes twinkling) that he often did that very thing.

The only elected office Murray ever held was as student body president at City College of New York. He ran on a platform of “Wine, Women, and Weidenbaum.” In a tribute on the website of the Weidenbaum Center on the Economy, Government, and Public Policy (CSAB’s current name), Murray confessed: “Even though I was elected, I got teased that I only delivered on Weidenbaum. They didn’t get the wine or the women.”

Murray advised more people than just President Reagan. In fact, he gave me good advice about my career. But a further exposition would focus too much on me and too little on him. So that’s a story for another day. Suffice it to say that I will miss that nice, gentle man.





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