

The Cost of Regulation

Contributed by Wes Riddle
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Regulations exist to ensure that what people do is done a certain way. We don't want people to erect fences, unless they are so high and made of such and such. We don't want folks to be able to add on to their houses, unless the additions blend nicely and meet certain safety standards—for people and for wildlife. We sure don't want someone to invent a craze or gadget that might catch on, unless we determine in advance how the paperwork should be filed, how much it ought to be taxed, who will inspect the item or activity. We don't even want a few folks to work at all, unless we establish licensing requirements first or mandate membership in some organization.

Regulation in general costs individuals and businesses a lot of money to comply. Costs are passed on to consumers, or else taken in the shorts. Of more concern, according to ABC News reporter John Stossel, is the sheer distraction of creative power. The proverbial bar is raised by regulations, i.e., the threshold for achievement goes harder if not exactly higher. Creative impulses can in fact be thwarted, because regulations distract focus, diffuse effort, discourage risk-taking, frustrate intent, and spend a lot of (life)-time. Thus, things that could be simply aren't, because the regulatory environment keeps them from being realized—a new engine or energy source perhaps, new medicine, maybe just a better mousetrap. The reason is that an inducement one place is a disincentive someplace else. Regulatory roadblocks and obstacles, including scrutiny, result in a comparative incentive to do something else or to go somewhere else. The implied message is certainly not one for the budding hero. Rather, regulations choke the best and instruct men and women of initiative to take the easier road, the one most traveled. Regulations don't only depress the economy, they also depress the spirit.

The difference between something regulated and unregulated is in the measure of freedom. Stossel shrewdly observes that,

Visitors to Moscow before the fall of communism noticed a dead-eyed look in the people. What was that about? I don't think it was about fear of the KGB. Most Muscovites didn't have intervention by the secret police in their daily lives. I think it was the look that people get when they live in an all-bureaucratic state. If you go to Washington, . . . you'll see the same thing [in government agencies].

In order to get a new drug approved today, it costs \$500 million and takes ten years. Thousands die waiting on the approved release of drugs that could be available now. Millions die for want of medicines that won't be invented soon enough. The simple alternative in the area of medicine, as elsewhere, would be for the government to serve as an information agency and not as a nanny placement service. Did any of you hire the fed to be your babysitter? Sometimes I wonder who/what the government thinks it is! (It ain't us for sure). Even if we allowed for some (albeit inefficient) government research, information alone would do more to help free people protect themselves than twenty-one warning labels on a stepladder. Indeed, that's where we as a people may have gone wrong: we value other things now more than freedom it seems. "Give me absolute safety or give me death!"

The Clinton years accelerated a trend from the sixties, when he added 500,000 new pages to the Federal Register—a spider web of new little rules for everyone to obey. Notwithstanding the information age growth during the nineties, the US grew into an economic powerhouse in years when the government didn't account for as much of the Gross Domestic Product (GDP). For most of American history, government's share of GDP was five percent or less, but today it's forty percent. Some regulations are necessary, and I don't mean to categorically denounce them all—indeed, some environmental regulations even lack alternative market incentives. But let's get off this regulation kick that stifles innovation. Today Los Angeles has the same economic output as all of Russia. Dallas, Texas outranks the whole country of Thailand, in terms of economic output. That should illustrate plain-as-day this important inverse relationship: between the healthier, wealthier societies of the world and those that are corrupt, bureaucratic, and politically controlled. Freedom should never take a back seat to "the good of the people" divined by government. Tell our babysitter she can go home now; we've suddenly grown up.

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