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**THE CASE FOR
ECONOMIZING
ON GOVERNMENT
CONTROLS**

by

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OF AMERICAN BUSINESS
WASHINGTON UNIVERSITY/ST. LOUIS**

The Case for Economizing on Government Controls

Murray L. Weidenbaum

It is always tempting to compare the ugly reality of what we oppose with the enchanting ideal of what we propose. This surely seems to be the case with the current wave of expanding government controls over the private sector.

Are some consumer products unsafe? Are some working conditions unhealthy? Are some physical environments deteriorating? Are some employers discriminating in their personnel practices? The standard answer seems to be clear: Just establish another corps of federal officialdom with power to right these wrongs.

Of course, one must possess the personality of a Scrooge to quarrel with the desirability of safer working conditions, better products for the consumer, combating discrimination in employment, or reducing environmental pollution. And, to be sure, the programs established to deal with these issues have at times yielded substantial benefits to the public.

But, unfortunately, any realistic evaluation of the actual practice of government regulation does not comfortably fit the notion of benign, beneficent, and wise men and women making altogether sensible decisions in the society's greater interests. I must report that, in my study of

The author is Professor of Economics, Washington University, St. Louis, Missouri. This article was presented at the Annual Meeting of the Association for Evolutionary Economics, San Francisco, California, 27-29 December 1974. It draws heavily on the author's study, Government-Mandated Price Increases (Washington, D.C.: American Enterprise Institute for Public Policy Research, in press). The author is indebted to Lee Benham and Edward Kalachek for helpful suggestions on an earlier draft.

the subject, I find instead waste, bias, stupidity, arrogance, concentration on trivia, conflicts among the regulators, and, worst of all, arbitrary and often uncontrolled power. Let me cite chapter and verse.

The Cost of Regulation

Purchasers of new cars produced in the United States in 1974 paid approximately \$3 billion extra for the equipment and modifications needed to meet federal requirements.¹ Mandatory auto buzzers and harnesses (the widely detested "interlock" system) will rapidly fade into history as examples of the highhandedness and wastefulness of government regulation. Over 40 percent of the owners of those expensive contraptions disconnected them or otherwise found ways of avoiding their use prior to their elimination by the Congress. Nevertheless, the phenomenon of government adding to the costs of private production of goods and services as a convenient way of achieving public objectives without spending much, if any, government money on them seems likely to continue.

Less dramatic but often equally expensive types of federal regulation remain with us. The agencies carrying them out are surely proliferating. In the past decade alone, we have seen the formation of the Consumer Product Safety Commission, the Occupational Safety and Health Commission, the Environmental Protection Agency, the Federal Energy Administration, the Cost Accounting Standards Board, the National Bureau of Fire Prevention, the Mining Enforcement and Safety Administration, the National Highway Traffic Safety Administration, the National Transportation Safety Board, the Federal Metal and Nonmetallic Mine Safety Board of Review, and the Occupational Safety and Health Administration, to cite some of the better known.

The administrative cost of this galaxy of enforcers (approximately \$2 billion a year to support a regulatory workforce in excess of 63,000) represents merely the tip of the iceberg. It is the costs imposed on the private sector that are quantitatively important, and the major costs show up in the added expenses of business firms which must comply with various directives. A substantial "inflationary multiplier" thus must be applied to the direct outlays for federal controls.

The process of federal regulation gives rise to a variety of added business costs. U.S. Steel estimates that its superintendents and foremen spent 4,000 man-hours in 1972 guiding inspectors through its coal mines. The need for government inspectors also has siphoned off experienced supervisory personnel. Consolidation Coal is said to have lost 600 foremen to the ranks of federal inspectors.

A direct private cost resulting from the expansion of government controls is the growing paperwork burden imposed on business firms: the expensive and time-consuming process of submitting reports, making applications, filling out questionnaires, replying to orders and directives, and appealing in the courts from other rulings and regulatory opinions. As of 30 June 1974 there were 5,146 different types of approved public use forms, in addition to tax and banking forms. Individuals and business firms spend over 130 million man-hours a year filling out all the necessary federal reports.²

The lack of understanding between regulators and those they regulate is vividly conveyed in the interchange reported by a small manufacturer who attended a federal meeting on the paperwork burden. When he was advised not to worry about the matter personally but have his staff complete the forms, he replied: "When I attend this meeting the staff is right here with me. It's me."

A small, 5,000 watt radio station in New Hampshire reported that it spent \$26.23 just to mail to the Federal Communications Commission its application for renewing its license. An Oregon company, operating three small television stations, reported that its license renewal application weighed 45 pounds. At the other end of the spectrum, one large corporation, with about 40,000 employees, uses 125 file drawers of back-up material just to meet the federal reporting requirements in the personnel area. The personnel manager contends that one-third of his staff could be eliminated if there were no federal, state, or local reporting requirements.

The U.S. Office of Management and Budget estimates that the reporting burden imposed on U.S. business by the federal government increased by 50 percent between December 1967 and June 1974. Major new programs were the principal source of the increase—occupational safety and health activities, Medicare and Medicaid, environmental protection regulations, and equal employment opportunity compliance.

There are many other hidden costs that arise as a result of federal regulatory legislation. The Jones Act, requiring cargo shipments from one U.S. port to another to be made by U.S. vessels, adds 8 to 10 cents per million cubic feet to the cost of transporting liquified natural gas between Alaska and the West Coast. Attempts to avoid this "tax" result in the roundabout and more expensive process whereby Alaska exports the gas to other countries, and the mainland United States imports it from the South Pacific and Russia.³

Another hidden cost is the reduced rate of innovation that may occur as the result of government controls. The longer it takes for some change to be approved by a federal regulatory agency—a new or im-

proved product, a more efficient production process, and so forth—the less likely the change will be made. Professor William Wardell of the University of Rochester School of Medicine and Dentistry has concluded that as a result of more liberal policy in the United Kingdom toward the introduction of new drugs, Britain experienced clearly discernible gains by introducing useful new drugs, either sooner than the United States or exclusively.⁴ Professor Sam Peltzman of the University of Chicago estimates that the 1962 amendments to the Food and Drug Act delayed the introduction of effective drugs by about four years and added \$200–\$300 million a year to consumer costs.⁵

The private costs of government regulation arise in good measure from the attitudes of the regulators. To quote a member of the Consumer Product Safety Commission: “When it involves a product that is unsafe, I don’t care how much it costs the company to correct the problem,” and no one can fault the commission for not putting its money (and yours and mine) where its big mouth is. In one recent case where an offending company had not posted a label on its product bearing the correct officialese (“cannot be made non poisonous”), it was forced to destroy the contents. If you do not care about costs, apparently you do not think about such economical solutions as pasting a new label on the can.

In contrast to the great attention given to the benefits that are expected to flow from each and every new regulation, the costs usually are ignored. Let “them” pay for it; “they” can afford it; that seems to be the public attitude. The economic model underlying this approach is quite unusual. Government mandated costs of private production are assumed neither to be shifted forward to consumers nor backward to the factors of production. The costs presumably simply come out of profits, but without interfering with the needed flows of saving and investment—the proverbial “free lunch.”

Trivia and Nonsense

An expected result of the lack of attention to the costs of regulation is the opportunity for bureaucrats to engage in all sorts of exercises in trivia and, on occasion, sheer nonsense. What size to establish for toilet partitions? How big is a hole? (It depends upon where it is.) When is a roof a floor? What colors should various parts of a building be painted? How frequently are spittoons to be cleaned? There actually are people willing to take our tax dollars to establish and administer regulations dealing with just these burning issues. And these are not historic relics, but directives promulgated during the 1970s.

Picture the plight of the small businessman who tries to deal with the Occupational Safety and Health Administration (OSHA) rules without paying for expensive outside assistance. I have tried to by requesting copies of the introductory materials provided by the agency. Some examples stagger the mind. Let us begin with a supposedly simple matter, the definition of an *exit*. My dictionary says that *exit* is “a passage or way out.” For OSHA enforcers, defining *exit* is a challenge to their bureaucratic instincts, and they are not found wanting. To OSHA, an *exit* is “that portion of a means of egress which is separated from all other spaces of the building or structure by construction or equipment as required in this subpart to provide a protected way of travel to the exit discharge.” Obviously, I had to define “a means of egress” as well as an “exit discharge.” Leaving seems to be easier than entering, at least the Kingdom of OSHA. *Exit discharge* is defined merely as “that portion of a means of egress between the termination of an exit and a public way.” But now let us tackle “means of egress.” Brace yourself. OSHA defines this as “a continuous and unobstructed way of exit travel from any point in a building or structure to a public way and consists of three separate and distinct parts: the way of exit access, the exit, and the way of exit discharge. A means of egress comprises the verticle and horizontal ways of travel and shall include intervening room spaces, doorways, hallways, corridors, passageways, balconies, ramps, stairs, enclosures, exits, escalators, horizontal exits, courts, and yards.” The careful reader will note that, unlike the dictionary, OSHA is unable to provide a definition of *exit* which does not contain the word *exit*. And *exit* is a comparatively easy one. Try ladder, where the reader literally has to cope with three renditions of the same tedious set of definitions plus one trigonometric function.

The puzzlement over OSHA regulations extends to the chairman of the Occupational Safety and Health Review Commission, the independent agency created to hear appeals from rulings by OSHA inspectors. In response to a question about one vague standard: “What do you think it tells us to do?” he lamented: “I have no idea—and I don’t think OSHA could tell you either, before an inspection, citation, complaint, hearing and post-hearing brief. I submit that there isn’t a person on earth who can be certain he is in full compliance with the requirements of this standard at any particular point of time.”

The operation of the Occupational Safety and Health Act provides a pertinent example of how government regulation can lose sight of the basic objective. A company, particularly a smaller one without its own specialized safety personnel, which invites OSHA to come to the plant

to tell the management which practices need to be revised to meet the agency's standards, instantly lays itself open to citations for infractions of the OSHA rules and regulations. The law makes no provision for so-called courtesy inspections.

In order to circumvent the problem, one regional office of OSHA suggests that companies take photographs of their premises and send them to OSHA for off-site review. After all, if the inspectors do not actually "see" the violations, they cannot issue citations for them. The more naïve among us may believe that the basic purpose of the law is not to punish businessmen or to seek out the most costly and cumbersome method of meeting the statutory requirements, but to achieve a higher level of job safety. One can also hope that OSHA is undergoing a form of "on-the-job training" for new regulating agencies and that future rules and their interpretations will be less onerous. It is unfortunate, however, that business and consumers must serve as involuntary guinea pigs in the process.

OSHA, to be sure, does not have a monopoly on regulatory foolishness. An examination of the proposed Uniform Guidelines on Employee Selection Procedures is revealing. The guidelines were drafted by the U.S. Equal Employment Opportunity Coordinating Council in order to assure that selection procedures, in both the public and the private sectors, do not discriminate against any group on the basis of race, color, religion, sex, or national origin. The objective surely is a worthy one. Yet the proposed guidelines have been challenged by such professional organizations as the American Society for Personnel Administration and Division 14 of the American Psychological Association.

A mere reading of the proposed regulations reveals the basis for concern. Smaller employers would have great difficulty in understanding the regulations, while large and small companies alike would find compliance difficult and expensive. The Coordinating Council does try to ease the burden on employers, but the result surely challenges the understanding of the typical executive:

If a criterion-related or construct validation study is technically feasible in all other respects, but it is not technically feasible to conduct a differential prediction study when required by subparagraph 14a(5) below and the test user has conducted a validation study for the job in question which otherwise meets the requirements of paragraph 14a below, the test user may continue to use the procedure operationally until such time as a differential prediction study is feasible and has been conducted within a reasonable time after it has become feasible.

A selection procedure has criterion-related validity, for the purpose of these guidelines, when the relationship between performance on the procedure and performance on at least one relevant criterion measure is statistically significant at the .05 level of significance. . . . If the relationship between a selection procedure and a criterion measure is significant but nonlinear, the score distribution should be studied to determine if there are sections of the regression curve with zero or near zero slope where scores do not reliably predict different levels of job performance.

Should these guidelines be enforced, the result is likely to be not fairer testing, but a shift from what would become more costly and cumbersome procedures to the simpler but far more bias-prone subjective interview.

Bias and Double Standards

The image of the all-wise and judicious government administration of controls is severely tested when we see how bias can be introduced into the process in the most innocent manner. The responsibility for doing the basic research underlying new job safety and health regulations has been assigned to the National Institute of Occupational Safety and Health (NIOSH) in the Department of Health, Education, and Welfare. In early 1974, NIOSH signed an agreement with the Amalgamated Clothing Workers union under which an official federal study of safety and health hazards in the clothing industry is to be conducted by a union employee and paid for by the union. In reporting this strange arrangement, OSHA noted that the union will help obtain the cooperation of plant managers.⁶ It is interesting to contemplate the reaction of management to an investigation of its premises by its union in behalf of the government!

The double standard at times followed by federal regulators can be another cause for concern over the extent of the power entrusted to them. The Environmental Protection Agency (EPA) is now studying the possible pollution which may result from the catalytic converters it has mandated for 1975 automobiles. Both private and government researchers have shown that the new "antipollution" equipment may produce harmful amounts of sulphuric acid mists, which can irritate the lungs. The catalytic converters also emit platinum, which, in the words of the director of EPA's fuel and additive research program, is "really adding a new thing to our environment." Apparently, there is no significant amount of platinum in our air or water at the present time.

Just think of the government and public outrage which would have

resulted if a private business firm had taken such action without submitting a detailed environmental impact statement.

Which Good Is Better?

Perhaps it is inevitable, but the proliferation of government controls has led to conflicts among controls and controllers. In some cases, the rules of a given agency work at cross purposes with each other. For example, OSHA mandates back-up alarms on vehicles at construction sites. Simultaneously, the agency requires employees to wear earplugs to protect them against noise, which can make it extremely difficult to hear the alarms. More serious and more frequent are the contradictions between the rulings of two or more government agencies where the regulated have little recourse.

The simple task of washing children's pajamas in New York State exemplifies how two sets of laws can pit one worthy objective against another, in this case ecology versus safety. Because of a ban on phosphates in detergents, the mother who launders her child's sleepwear in an ecologically sound way may risk washing away its required fire-resistant properties. In 1973, in an effort to halt water pollution, New York State banned the sale of detergents containing phosphates. Less than two months later, a federal regulation took effect requiring all children's sleepwear in sizes 0 to 6X to be flame-retardant. New York housewives now face a dilemma, because phosphates are the strongest protector of fire-retardancy. Phosphates hold soil and minerals in solution, preventing the formation of a mask on the fabric that would inactivate flame-resistancy. Soap and, to a lesser degree, many nonphosphate detergents redeposit those harmful items during the wash cycle. What does a conscientious mother do in a phosphate-banned area to avoid dressing her child in nightclothes that could burn up. Smuggle in the forbidden detergent? Commit an illegal act of laundry?

The controversy over restrooms furnishes another example of the conflict among different regulations and also demonstrates that common sense at times may be in short supply. The Labor Department, in administering its weighty responsibilities under the Occupational Safety and Health Act, has provided private industry with detailed instructions concerning the size, shape, dimensions, and number of toilet seats. On the basis of a long accepted biological argument, some type of lounge area is required to be adjacent to women's restrooms. However, the Equal Employment Opportunity Commission has entered this vital area of government-business relations. The commission requires that male toilet and lounge facilities, although separate, must be equal to those

provided for women. Hence, either equivalent lounges must be built adjacent to the men's toilets, or the women's lounges must be dismantled, OSHA and state laws to the contrary notwithstanding. To those who may insist that nature did not create men and women with identical physical characteristics and needs, we can only reply that regulation, like justice, must be blind.

Arbitrary Power

The instances of waste and foolishness on the part of government regulators may pale into insignificance when compared to the raw arbitrary power that can be, and at times is, exerted by federal regulators. To cite a member of the Consumer Product Safety Commission: "Any time that consumer safety is threatened, we're going to go for the company's throat."

That this statement is not merely an overblown metaphor can be seen by examining the case of Marlin Toy Products, Inc., of Horicon, Wisconsin.⁷ The firm's two main products, Flutter Ball and Birdie Ball, were plastic toys for children, identical except that one contained a butterfly and the other a bird. The toys originally held plastic pellets that rattled. This led the Food and Drug Administration in 1972 to place the products on its ban list; if the toys cracked, the pellets could be swallowed by a child. The company recalled the toys and redesigned its product line to eliminate the pellets and thus be removed from the ban list. Now enter the newly formed Consumer Product Safety Commission (CPSC) in 1973, which had assumed responsibility in this area. Because of an "editorial error," it puts Marlin products on its new ban list, although there is no longer any reason to ban them. Apparently, the commission incorporated an out-of-date FDA list. The error was called to the commission's attention, but it replied that it was not about to recall 250,000 lists "just to take one or two toys off." Marlin Toy Products reports that it was forced out of the toy business and had to lay off 75 percent of its employees due to the federal error. It is ironic to note that the commission, which specializes in ordering companies to recall their products if some defective ones may have been produced, refuses to recall its own product when there is a defect in every single one.

A more humorous instance of the CPSC's failure to abide by its own standards involves the toy safety buttons which the commission intended to distribute in fall 1974 in an effort to make consumers more safety conscious. Only after producing 80,000 buttons did the commission learn that its product was dangerous to children because of the lead paint and the possibility of breaking off and swallowing pieces of the

button. Unlike the procedures that it expects of the companies it regulates, the commission presumably ran its tests after, rather than before, production. Fortunately, the commission realized its error prior to making public distribution of the buttons. Hence, only a waste of resources and tax dollars was involved.

It would be easier to excuse the commission for its blunders were it not for the arbitrary nature with which it exercises its power. Literally, a producer can be guilty unless he or she proves his or her innocence. The CPSC has ruled that "articles not meeting the requirements of the regulation are to be considered as banned even though they have not yet been reviewed,"⁸ that is, even if CPSC has not seen them or is unaware of their existence.

There are limits to the extent to which the commission uses its vast powers, but one recent call was almost too close for comfort. The Consumer Product Safety Commission actually considered, but ruled against, banning a book as a hazardous product. The concern was over scientific textbooks that allegedly fail to warn young readers of the inherent dangers in some experiments. In its ruling, the commission did warn publishers to be aware of this potential problem.

It also appears that federal regulators literally do not have to obey the law. One such case involves the Kennecott Copper Corporation and the Environmental Protection Agency. The source of the company's complaint is the lack of an EPA approved plan for the state of Nevada to meet federal clean air standards. A tentative plan was submitted in January 1972, but more than two years later the federal agency had neither approved it nor offered an alternative, as required by the Clean Air Act. The act stipulates EPA must act within six months. Kennecott is going ahead on its own with a \$24 million project to clean up emissions from its Nevada smelter, hoping that ultimately it will receive the agency's approval. Kennecott has notified EPA that it plans to sue the agency for failure to obey the Clean Air Act of 1970. Such notification is required before the suit can be instituted.

The literature does not give much attention to the role of the government official as inspector. Yet this uninvited visitor tends to make his or her appearance with considerable frequency, and often without prior notice. The Supreme Court recently ruled that air pollution inspectors do not need search warrants to enter the property of suspected polluters as long as they do not enter areas closed to the public. The unannounced and warrantless inspections were held not to be in violation of constitutional protection against unreasonable search and seizure.

The OSHA inspectors can go further. They have so-called no-knock power to enter the premises of virtually any business in the United

States without a warrant or even prior announcement. Jail terms are provided in the law for anyone tipping off an OSHA "raid."

Nor are such arbitrary actions limited to the legislative and executive branches. One recent judicial decision on environmental regulation surely must leave the business community shaking its head in wonderment. A federal district judge in Texas ordered the private developer of a community project near San Antonio to pay the attorney's fees for four citizens groups, even though the private developer was not even a party to the suit (it was filed against the federal government, which had accepted the developer's environmental impact statement) and the citizen groups had lost the case. The court proclaimed the interesting doctrine that, since private citizens carry much of the burden of seeing that federal environmental policy is carried out, awarding them their costs—even if they lose—will help ensure that information concerning projects and their impact on the environment will become public (*Sierra Club v. Lynn*, West. Dist. Tex.).

The Possible Shape of Things to Come

We can obtain some understanding of the future consequences of the path on which the nation has embarked by examining that sector of U.S. industry which already has gone down the road of government control to the greatest degree. Over a period of three decades, the major defense contractors have grown accustomed to the federal government making the basic decisions about which products are to be produced, how the firm is to go about producing them, and how capital is to be provided. In the process, the federal government has assumed a major portion of the risk and the role of the entrepreneur.

One senior Pentagon official described with considerable enthusiasm his visit to a large defense contractor and its role with the military service regulating its operations: "I was impressed with the complete interrelationship of the Service/contractor organizations. They are virtually co-located. . . . The Service is aware of and, in fact, participates in practically every major contractor decision."⁹ It may not be altogether coincidental that the two largest and most government-dependent of the defense contractors—Lockheed and General Dynamics—are precisely the firms whose products have come under greatest attack for cost overruns and other basic shortcomings. More C5As and TFXs (to cite two of their better-known products) would seem to be rather poor precedents for future public policy.

This article is not intended to be a simpleminded attack on all forms of government control over industry. A society, acting through govern-

ment, can and should act to protect consumers against rapacious sellers, individual workers against unscrupulous employers, and future generations against those who would waste the nation's resources. But, as in most areas of life, the sensible questions are not matters of either/or, but rather of more or less. Thus, we enthusiastically can advocate stringent controls to avoid infant crib deaths without simultaneously supporting a plethora of detailed federal rules and regulations dealing with the color of exit lights and the maintenance of cuspidors.

A New Departure

We need a fundamental rethinking of the attitude that government increasingly should involve itself in what traditionally has been internal business decision making. Viewing the process of determining national priorities as a two-step affair is one possibility. The first step should continue, as at present, to focus on determining how much of our resources should be devoted to defense, welfare, education, and so forth, at least to the extent that these basic issues are now decided by design at all.

This determination should be accompanied by a tentative allocation of responsibilities among the major sectors of the economy. Such indicative planning would recognize that the constant and increasing nibbling away at business prerogatives and entrepreneurial capacity has a very substantial cost: reduced effectiveness in achieving basic national objectives, notably (to use the language of the Employment Act) "maximum employment, production, and purchasing power."

At a time when cost-benefit analysis has become fashionable, we should not be oblivious to the very real effects of converting ostensibly private organizations into involuntary agents of the federal establishment. Rather, the nation should determine which of its objectives can be achieved more effectively in the private sector and attempt to create an environment which is more conducive to the attainment of those objectives.

It is reasonable to anticipate that primarily social objectives, such as improved police services, would continue to be the primary province of government. But primarily economic objectives, notably training, motivating, and usefully employing the bulk of the nation's work force, would be viewed as mainly the responsibility of the private sector, and especially of business firms.

The new model of national decision making hardly calls for an abdication of government concern with the various problems discussed here. Rather, it would require a redirection of the methods selected to achieve those ends. In the environmental area, for example, the current depen-

dence on direct controls would be reduced in favor of the more indirect but powerful incentives available through the price system. Specifically, imaginative use of "sumptuary" excise taxation, such as we have grown accustomed to in the cases of tobacco products and alcoholic beverages, can be used to alter basic production and consumption patterns. The desired results would not be accomplished by fiat, but by making the high-pollutant product or service more expensive relative to the low-pollutant product or service. The basic guiding principle would be that people and organizations do not pollute because they enjoy messing up the environment; they pollute because it is easier or cheaper to do so. In lieu of a corps of regulators, we would use the price system to make polluting harder and more expensive. A similar opportunity for sumptuary taxation in lieu of government controls is now presenting itself with reference to energy.

In the job safety area, the law seems to have lost sight of the basic objective: a healthier working environment. As we have seen, the current emphasis is on punishing violators. In the more positive spirit suggested here, the basic thrust of occupational safety and health legislation would be changed from prescribing and proscribing specific practices to focusing on desired reductions in the accident and health hazard rates in a given factory or industry. It is doubtful that there is an invariant way of achieving that desirable result. Changes in equipment, variations in working practices, training of employees, and leadership on the part of management all may be practical alternatives. Presumably we should opt for the mix of methods which entails the least cost, and those combinations probably would vary from plant to plant and over time.

Perhaps one of the least understood forms of government control is over the direction of the flow of saving and investment. This is accomplished through the use of the government's credit power, involving "off-budget" agencies such as the Export-Import Bank, loan guarantees such as those given the Lockheed Aircraft Corporation, and establishment of a galaxy of government-sponsored borrowers and lenders (usually referred to by their nicknames, "Fanny Mae," "Ginny Mae," "Sally Mae," "Fanny Rae," and "Freddy Mac"). None of these federal instrumentalities do much to add to the available pool of investment funds. Rather, they bid funds away from unprotected and truly private borrowers. In every period of tight credit, there is a predictable clamor to set up still more federal credit agencies to "protect" borrowers not now under the federal umbrella. Clearly, a more positive and fruitful approach would be to create an economic environment which provides more incentive to save and thus results in a larger pool of investment funds becoming available to the society as a whole.

The moral of the tale should be clear by now: Because of the very substantial costs and other adverse side effects to which they give rise, the existing array of government controls over business should be given a new and hard look by society. Substantial attention should be paid to the possibility of cutting back or eliminating those controls that generate excessive costs and other disadvantages. Rather than blithely continuing to proliferate the usage of government controls over business, alternative means of achieving important rational objectives should be explored and developed.

Notes

1. For supporting detail, see M. L. Weidenbaum, *Government-Mandated Price Increases* (Washington, D.C.: American Enterprise Institute for Public Policy Research, in press).
2. *Statement of Robert H. Marik, Associate Director for Management and Operations, Office of Management and Budget before the House Committee on Government Operations, 93rd Cong., 2d sess., 12 September 1974, p. 5.*
3. U.S. Senate, Committee on Finance, *Fiscal Policy and the Energy Crisis* (Washington, D.C.: Government Printing Office, 1973), p. 35.
4. William M. Wardell, "Therapeutic Implications of the Drug Lag," *Clinical Pharmacology and Therapeutics* 15 (January 1974): 73.
5. Sam Peltzman, "An Evaluation of Consumer Protection Legislation: The 1962 Drug Amendments," *Journal of Political Economy* 81 (September/October 1973): 1090.
6. "Unique Agreement Signed for Study of Clothing Industry," *Job Safety and Health* 12 (March 1974): 31.
7. "CPSC Mistake Leaves Company Clinging for Its Life," *Nation's Business*, 4 November 1974, p. 54.
8. U.S. Consumer Product Safety Commission, *Banned Products*, 1 October 1973, p. 47.
9. Barry J. Shillito, "How to Implement Our Sound Weapons System Acquisition Policies," *Defense Management Journal* (Fall 1971): 26.