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THE RISING COST OF GOVERNMENT REGULATION

BY

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THE RISING COST OF GOVERNMENT REGULATION

By Murray L. Weidenbaum and Robert DeFina

The direct cost of federal government regulation of business hit a high of \$2.9 billion in the fiscal year 1976. On the basis of appropriations already enacted, these costs are estimated to reach \$3.5 billion in the current fiscal year, a 21 percent increase. The budget for fiscal 1978 recently transmitted by the outgoing Ford Administration would bring the annual total federal regulatory cost to approximately \$3.8 billion next year, an 85 percent rise over the 1974 level.

As shown in Table 1, the budgets of the regulatory agencies continue on a steadily upward growth trend. Any additions that will be proposed by the Carter Administration -- such as a new consumer advocacy agency or a strip mining control law -- would push these numbers higher still, if not offset by reductions in other areas.

The most expensive sectors of federal regulatory activity are not the traditional economic regulating commissions which typically focus on an individual industry. Rather, the largest budgets have been assigned to a broad category of social activities including environment, energy, and consumer safety and health; the major agencies in this latter group include the Environmental Protection Agency, the National Highway Traffic Safety Administration, the Food and Drug Administration, and the Animal and Plant Health Inspection Service. The jurisdiction of these agencies generally extends to the great bulk of the private sector, including manufacturing and service industries which are not generally thought of as "regulated." Tables 2 through 6 contain detail on each of the major sectors of federal regulation.

Note: Mr. Weidenbaum is Director of the Center for the Study of American Business at Washington University, St. Louis. Mr. DeFina is a graduate student in the University's Department of Economics.

Table 1

Expenditures on Federal Regulatory Activities
(Fiscal Years, Dollars in Millions)

<u>Area of Regulation</u>	<u>1974</u>	<u>1975</u>	<u>Annual Increase</u>	<u>1976</u>	<u>Annual Increase</u>	<u>1977</u>	<u>Annual Increase</u>	<u>1978</u>	<u>Annual Increase</u>	<u>Increase 1974-78</u>
Consumer Safety and Health	1,094	1,299	19%	1,419	9%	1,621	14	1,755	8%	60%
Job Safety and Other Working Conditions	310	379	22	446	18	536	20	564	5	82
Environment and Energy	265	438	65	499	14	708	42	756	7	185
Financial Reporting, and Other Financial	36	45	25	53	18	62	17	62	0	72
Industry-Specific Regulation	<u>325</u>	<u>355</u>	<u>9</u>	<u>486</u>	<u>37</u>	<u>591</u>	<u>22</u>	<u>627</u>	<u>6</u>	<u>93</u>
Total	2,030	2,516	24	2,903	15	3,518	21	3,764	7	85

Percent Distribution of Federal Regulatory Expenditures
Fiscal year 1978

Consumer Safety and Health	46%
Job Safety and Other Working Conditions	15
Environment and Energy	20
Financial Reporting and Other Financial	2
Industry-Specific Regulation	<u>17</u>
	<u>100</u>

Source for Tables 1-6: Computed from details in the Budget of the United States Government, Fiscal Year 1978, Washington, Government Printing Office, 1977.

Table 2

Expenditures on Federal Regulatory Activities, Consumer Safety and Health
(Fiscal Years, Millions of Dollars)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Department of Agriculture</u>					
Animal and Plant Health Inspection Service	314	345	377	429	437
Packers and Stockyards Administration	<u>4</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>
Subtotal	318	350	382	435	443
<u>Department of Health, Educa- tion, and Welfare</u>					
Food and Drug Administra- tion	165	201	218	240	277
<u>Department of Housing and Urban Development</u>					
Office for Consumer Affairs and Regulatory Functions	1	2	**	2	5
<u>Department of Justice</u>					
Antitrust Division	14	18	21	27	29
Drug Enforcement Admin- istration*	<u>98</u>	<u>132</u>	<u>146</u>	<u>176</u>	<u>184</u>
Subtotal	112	150	167	203	213
<u>Department of Transportation</u>					
National Highway Traffic Safety Administration	157	150	151	182	224
Federal Railroad Admin- istration	<u>7</u>	<u>9</u>	<u>15</u>	<u>19</u>	<u>21</u>
Subtotal	164	159	166	201	245

Table 2 (continued)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Department of the Treasury</u>					
Bureau of Alcohol, Tobacco, and Firearms	79	95	103	122	135
Customs Service*	<u>228</u>	<u>299</u>	<u>334</u>	<u>358</u>	<u>383</u>
Subtotal	307	394	437	480	518
<u>Consumer Product Safety Commission</u>	19	34	38	46	39
<u>National Transportation Safety Board</u>	<u>8</u>	<u>9</u>	<u>11</u>	<u>14</u>	<u>15</u>
Total	1,094	1,299	1,419	1,621	1,755

* Activities extend beyond business regulation (breakdown not available).

** Less than \$1 million.

Table 3

Expenditures on Federal Regulatory Activities,
Job Safety and Other Working Conditions
(Fiscal Years, Millions of Dollars)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Department of the Interior</u>					
Mining Enforcement and Safety Administration	59	68	84	102	105
<u>Department of Labor</u>					
Employment Standards Administration	56	72	84	99	106
Labor-Management Services Administration	24	27	37	49	54
Occupational Safety and Health Administration	<u>69</u>	<u>90</u>	<u>109</u>	<u>129</u>	<u>132</u>
Subtotal	149	189	230	277	292
<u>Equal Employment Opportunity Commission</u>	42	56	59	68	72
<u>National Labor Relations Board</u>	55	61	67	82	88
<u>Occupational Safety and Health Review Commission</u>	5	5	6	7	7
<u>Federal Metal and Nonmetallic Mine Safety Board of Review</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>--</u>	<u>--</u>
Total	310	379	446	536	564

* Less than \$1 million.

Table 4

Expenditures on Federal Regulatory Activities, Environment and Energy
(Fiscal Years, Millions of Dollars)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Environmental Protection Agency</u>	232	317	363	471	487
<u>Federal Energy Administration</u>	33	121	136	237	269
Total	265	438	499	708	756

Table 5

Expenditures on Federal Regulatory Activities, Financial Reporting,
and Other Financial
(Fiscal Years, Millions of Dollars)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Cost Accounting Standards Board</u>	1	1	1	2	2
<u>Council on Wage and Price Stability</u>	-	*	1	2	2
<u>Securities and Exchange Commission</u>	35	44	51	58	58
Total	36	45	53	62	62

* Less than \$1 million.

Table 6

Expenditures on Federal Regulatory Activities, Industry-Specific Regulation
(Fiscal Years, Millions of Dollars)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
<u>Civil Aeronautics Board</u>	89	81	91	99	93
<u>Commodity Futures Trading Commission</u>	3*	3*	11	14	13
<u>Federal Communications Commission</u>	38	48	53	57	60
<u>Federal Maritime Commission</u>	6	7	8	9	9
<u>Federal Power Commission</u>	27	34	36	43	43
<u>Federal Trade Commission</u>	32	39	44	54	58
<u>International Trade Commission</u>	7	8	10	12	12
<u>Interstate Commerce Commission</u>	38	44	47	61	62
<u>Nuclear Regulatory Commission</u>	80	86	180	236	271
<u>Renegotiation Board</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>
Total	325	355	486	591	627

* Expenditures for Commodity Exchange Authority.