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### The Taxpayer and Government Regulation

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THE TAXPAYER AND GOVERNMENT REGULATION

By Robert DeFina and Murray L. Weidenbaum

March, 1978



CENTER FOR THE STUDY OF AMERICAN BUSINESS  
WASHINGTON UNIVERSITY ST. LOUIS, MISSOURI

## THE TAXPAYER AND GOVERNMENT REGULATION

By Robert DeFina and Murray L. Weidenbaum

Government regulation of business continues to be one of the growth areas of the American economy. Preliminary figures for the fiscal year 1979 show a total of \$4.8 billion in federal expenditures to operate 41 regulatory agencies. That dollar figure is more than double the amount budgeted as recently as fiscal 1974. Clearly, the cost of operating federal regulatory agencies is rising more rapidly than the federal budget as a whole, the population of the country, the gross national product, or any other applicable basis for comparison.

As shown in Table 1, the bulk of the regulatory budgets is devoted to the newer areas of social regulation, such as job safety, energy and the environment, and consumer safety and health. Examples of agencies involved in this newer type of regulation are the Environmental Protection Agency, the Occupational Health and Safety Administration, the Consumer Product Safety Commission, and the Department of Energy. Unlike the traditional regulating commissions which generally have jurisdiction over individual industries, these agencies cover virtually all companies, including many sectors of economic activity which are not generally thought of as being regulated by government.

The figures displayed in Table 1 reflect the fact that there has been, and continues to be, a steady growth in the pace of regulatory activities. From a total of \$2.2 billion in the fiscal year 1974, expenditures on federal regulatory activities have risen in each subsequent year, with the largest increases occurring in the fiscal years 1977 and 1978.

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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 Department of Economics at the University, and research assistant at the Center.

In each of these two years federal regulatory outlays rise by 22 percent, a rate far in excess of that necessary to keep pace with inflation and population growth. Earlier reports by the Center for the Study of American Business have shown that there is a large multiplier effect insofar as each of the federal regulatory agencies generates large costs in the private sector to comply with their directives and instructions. In the fiscal year 1976, for example, the estimated cost of complying with federal regulation came to over \$62 billion, or 20 times the \$3 billion budgeted for operating the regulatory agencies.

Tables 2 through 6 contain detail on each of the major sectors of federal regulation.

Table 1

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

<u>Area of Regulation</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>Annual Increase</u>	<u>1977</u>	<u>Annual Increase</u>	<u>1978</u>	<u>Annual Increase</u>	<u>1979</u>	<u>Annual Increase</u>	<u>Increase 1974-79</u>
Consumer Safety and Health	1,302	1,463	1,613	10%	1,985	23%	2,582	30%	2,671	3%	105%
Job Safety and Other Working Conditions	310	379	446	18	492	10	562	14	626	11	102
Environment and Energy	347	527	682	29	870	28	989	14	1,116	13	222
Financial Reporting, and Other Financial	36	45	53	18	58	9	70	21	69	-5	92
Industry-Specific Regulation	<u>245</u>	<u>269</u>	<u>270</u>	--	<u>309</u>	<u>14</u>	<u>340</u>	<u>10</u>	<u>341</u>	--	<u>39</u>
Total	2,240	2,683	3,064	14	3,714	21	4,543	22	4,823	6	115

Percent Distribution of Federal Regulatory Expenditures  
Fiscal Year 1979

Consumer Safety and Health	56%
Job Safety and Other Working Conditions	13
Environment and Energy	23
Financial Reporting and Other Financial	1
Industry-Specific Regulation	<u>7</u>
	100

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>1979</u>
<u>Department of Agriculture</u>						
Animal and Plant Health Inspection Service	314	345	377	337	220	219
Federal Grain Inspection Service	--	--	--	9	23	23
Food Safety and Quality Service	--	--	--	138	619	588
Subtotal	314	345	377	484	862	830
<u>Department of Health, Education, and Welfare</u>						
Food and Drug Administration	165	201	218	245	283	298
<u>Department of Housing and Urban Development</u>						
Interstate Land Sales and Other Regulatory Functions	1	2	*	2	1	*
<u>Department of Justice</u>						
Antitrust Division	14	18	21	26	35	45
Drug Enforcement Administration**	98	132	146	167	190	194
Subtotal	112	150	167	193	225	239
<u>Department of Transportation</u>						
National Highway Traffic Safety Administration	157	150	151	169	206	246
Federal Railroad Administration <sup>a</sup>	7	9	15	17	21	25

Table 2 (continued)

<u>Agency</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Coast Guard	210	162	192	261	281	294
Federal Aviation Administration	2	1	*	1	1	*
Federal Highway Administration	--	6	7	7	8	13
Subtotal	376	328	365	455	517	578
<u>Department of the Treasury</u>						
Bureau of Alcohol, Tobacco, and Firearms	79	95	103	117	127	134
Customs Service	228	299	334	436	510	534
Subtotal	307	394	437	553	637	668
<u>Consumer Product Safety Commission</u>	19	34	38	40	42	40
<u>National Transportation Safety Board</u>	8	9	11	13	15	15
<u>Consumer Protection Activities</u>	--	--	--	--	--	3 <sup>b</sup>
Total	1,302	1,463	1,613	1,985	2,582	2,671

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>1979</u>
<u>Department of the Interior</u>						
Office of Surface Mining, Reclamation and Enforcement <sup>c</sup>	--	--	--	--	16	1
Mining Enforcement and Safety Administration	<u>59</u>	<u>68</u>	<u>84</u>	<u>98</u>	<u>53</u>	<u>d</u>
Subtotal	59	68	84	98	69	1
<u>Department of Labor</u>						
Employment Standards Admini- stration <sup>e</sup>	56	72	84	60	67	77
Labor-Management Services Administration	24	27	37	47	55	58
Occupational Safety and Health Administration	69	90	109	127	129	150
Mine Safety and Health Administration	<u>d</u>	<u>d</u>	<u>d</u>	<u>d</u>	<u>55</u>	<u>124</u>
Subtotal	149	189	230	234	306	409
<u>Equal Employment Opportunity Commission</u>	42	56	59	72	88	108
<u>National Labor Relations Board</u>	55	61	67	81	92	100
<u>Occupational Safety and Health Review Commission</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>8</u>
Total	310	379	446	492	562	626



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>1979</u>
<u>Department of Energy</u> <sup>f</sup>	33	121	136	199	238	284
<u>Council on Environmental Quality</u>	2	3	3	4	3	3
<u>Environmental Protection Agency</u>	232	317	363	436	473	522
<u>Nuclear Regulatory Commission</u>	80	86	180	231	275	307
Total	347	527	682	870	989	1,116

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>1979</u>
<u>Cost Accounting Standards Board</u>	1	1	1	2	2	2
<u>Council on Wage and Price Stability</u>	--	*	1	2	2	2
<u>Securities and Exchange Commission</u>	35	44	51	54	66	65
Total	36	45	53	58	70	69

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>1979</u>
<u>Civil Aeronautics Board</u>	89	81	91	103	101	96
<u>Commodity Futures Trading Commission</u>	3 <sup>9</sup>	3 <sup>9</sup>	11	14	15	16
<u>Federal Communications Commission</u>	38	48	53	56	70	66
<u>Federal Maritime Commission</u>	6	7	8	8	10	10
<u>Federal Power Commission</u>	27	34	h	h	h	h
<u>Federal Trade Commission</u>	32	39	44	52	62	64
<u>International Trade Commission</u>	7	8	10	11	12	13
<u>Interstate Commerce Commission</u>	38	44	47	59	64	69
<u>Renegotiation Board</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>7</u>
Total	245	269	270	309	340	341

Notes:

- \* Less than \$1 million
- \*\* Activities extend beyond business regulation (breakdown not available).
  - (a) Railroad Safety only.
  - (b) Costs of proposed Consumer Representation less saving from consolidating Consumer Protection Activities.
  - (c) Regulation and Technology only.
  - (d) During FY 1978, MESA functions were transferred to the Mine Safety and Health Administration under the Department of Labor.
  - (e) Costs for improving and protecting wages and elimination of discrimination in employment only.
  - (f) Energy information, policy, and regulation.
  - (g) Expenditures for Commodity Exchange Authority.
  - (h) Federal Power Commission functions were transferred to the Department of Energy.

Source: Computed from details in the Budget of the United States Government, Fiscal Year 1979, Washington, Government Printing Office, 1978.

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