Deregulate to Stimulate

By Wayne Crews

When it comes to our economy, how did we get into this mess and how do we get back to sustained growth? The need to deregulate the nation's productive sector shouts at us, but Congress doesn't seem to hear it.

Government spending is out of control, but when we fail to confront regulation, we are missing most of the story behind the expanding state. Even before the financial crisis and the subsequent huge bailouts and stimulus bills to supposedly address that crisis, government was already expanding to gargantuan levels.

Today, America's government is the largest that has ever existed. President George W. Bush's $3.1 trillion budget was the first ever to reach that level. His administration also produced the first-ever $2 trillion budget. President Obama has shown little inclination to reverse this trend.

Regulations on the private sector continue to mount alongside this spending spree. CEI's annual *Ten Thousand Commandments* report cites regulatory costs of well over $1 trillion—a hidden tax one-third the size of the federal budget!

Yet regulatory costs draw much less public rebuke than taxes, because they are often concealed in the prices of goods. Thus, when politicians find it difficult to raise taxes to pay for their policy goals, they regulate. This is justified under the notion that government must help society manage risks. Yet the state does not provide the answer to every societal risk.

Instead, we must turn to the marketplace's disciplining role in consumer protection, which boosts safety as a competitive feature. We must improve competitive markets' ability to impose discipline in the form of reputation and disclosure.

Consider further that some of our most economically distressed industries have long been overwhelmingly directed by Washington regulators, not market forces. I do not know of a time over the past 100 years when the government did not regulate money, credit, and interest rates in America—yet markets always take the brunt of the blame for financial crises, as the new Dodd-Frank financial reform bill indicates. Markets can deal with firms too big to fail—what we cannot afford is a government too big to succeed!

Until now, most regulatory reform efforts have amounted to going after Moby Dick with a rowboat and tartar sauce. What we need now is sweeping liberalization, to remove the impediments that hobble wealth creation and enterprise on unprecedented scales. We need rational alternatives to interventionism and to the regulatory nanny state. In short, we need to liberate to stimulate.

The issue is not whether industry has to be regulated, or "planned." Rather, it is over who will do that planning, as the legenday Nobel Prize-winning economist F.A. Hayek put it so well. Consciously maintaining a sensible wall of separation between state and economy must guide the agenda to restore America's competitiveness and economic health.

The United States—now only 235 years old—became richer than the rest of the world in a historical blink of an eye. We need to keep in mind how that remarkable achievement occurred, and how it can be sustained as other nations embrace institutions of liberty and create increasingly competitive markets.

We need to hold the federal regulatory state's 60 agencies, thousands of annual rules, and *Federal Register* pages to at least the same standards of disclosure and accountability that apply to the fiscal budget.

Congress should implement a moratorium on non-essential new rulemaking.

It should implement a bipartisan regulatory reduction commission and task it to review the regulatory state as a whole and enact a comprehensive package of cuts.

In addition, Congress should strengthen permanent and automatic rule sunsetting reviews. All rules should have an expiration date like a carton of milk.

Congress must end regulation without representation by requiring fast-track Congressional approval for controversial major business regulations.

Finally, Congress should create a Regulatory Report Card—possibly modeled on *Ten Thousand Commandments*—to accompany the federal budget, in order to shed light on the currently hidden tax of regulation.

Our economic downturns are not attributable to market failure but to the the failure to have markets. The bold political action and genuine leadership needed in today's crisis is different from what has been seen in Washington to date. Indeed, the political price can be too high for election-bound lawmakers or career bureaucrats. Yet we must make every effort.

As Hayek pointed out, the politicians blamed during an inevitably bumpy transition to something closer to healthy free enterprise will be the ones who stop the flow of government benefits to the politically connected, bring down inflation, and unwind market-distorting regulations—not the ones who started those costly interventions decades earlier.

Real stimulus—involving comprehensive liberalization of a fettered economy—requires politically difficult changes in what people expect from government. Leadership requires taking on that challenge.

Capitalism is one of the greatest democratizing innovations in human history, a way for individuals unknown to one another to work together to create unprecedented wealth. We need to defend it as the precious value it is. In that spirit, the Competitive Enterprise Institute is proud to lead this fight for capitalism's future.