

## **The Best Thing Bush Is Doing for Business**

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The \$1.3 trillion tax cut passed by Congress at the urging of President George W. Bush is a step in the right direction, but it may turn out to be less important than his approach to federal regulatory activities. The early indications are that federal regulations of business and consumers will grow much more slowly under Bush than during the Presidencies of his father and Bill Clinton. If that trend continues, it will have the effect of cutting costs and improving economic efficiency.

Politicians often prefer regulations to taxes because the cost of many rules is hidden from the view of voters and analysts. This explains the limited appreciation of the economic drag from laws such as the Americans with Disabilities Act, passed a decade ago, the numerous environmental regulations supported by former Vice-President Al Gore, or the fuel efficiency standards for automobiles, passed during the height of the energy crisis in the late 1970s.

**HUGE COSTS.** However, my colleague Casey Mulligan and I have documented the importance of federal regulatory activities, applying several measures of their scope and impact. These include the number of pages in the annual Federal Register of laws and in the U.S. Code of Regulations, and the number of Federal District Court civil cases involving regulation. We also include estimates by economist Thomas Hopkins of the cost imposed on business in the period 1977-2000. According to his study, in recent years federal regulations of business activities, including environment and safety, cost business almost \$700 billion annually in compliance costs.

Although each measure is imperfect, they all indicate that federal regulations grew rapidly during most of the past 50 years, but also that these rules expanded at different rates even when the same party controlled the Presidency. Regulatory activities rose slowly, and may even have decreased, during the two terms of President Reagan, who criticized the influence bureaucrats exerted over business. Yet they increased rapidly while Richard Nixon, another ``conservative" Republican, was President. Regulations expanded at a fast pace when Bush succeeded Reagan, and may have risen even faster under Clinton. This was partly because the large budget deficits during the late 1980s and most of the '90s encouraged Congress and these Presidents to mandate spending by private companies as a replacement for public spending.

During the 2000 campaign, then-Governor Bush complained about excessive regulation as well as high tax rates. That opposition was reflected in his major appointments and nominations, including former senator Spencer Abraham as Energy Secretary, Michael K. Powell as head of the Federal Communications Commission, Timothy J. Muris as antitrust chief of the Federal Trade Commission, and John Graham as the senior White House official reviewing proposed rules. As a result, federal environmental regulation, antitrust enforcement, and regulation of industries such as telecommunications are likely to be less aggressive.

For example, Bush inherited rising gas and oil prices, extensive regulations governing the construction of new coal and nuclear power plants, inefficient state caps on the pricing of electricity to businesses and consumers, and excessive restrictions on oil and gas exploration on federal-owned property. Vice-President Dick Cheney has indicated that the Administration wants to permit more exploration for energy on federal lands, reduce regulations on new construction of energy plants, give market forces greater freedom to determine electricity prices, and oppose the Kyoto Agreement that would greatly restrict American output of greenhouse gases.

In regulating business practices, both the FTC and Justice Dept. will generally take a laissez-faire view of mergers among companies not mainly competing with each other. They probably also will oppose the breakup of Microsoft Corp. and will support a settlement of that case more favorable to Microsoft than the one proposed by Judge Thomas Penfield Jackson.

The Bush team will tend to shun cases that allege predatory pricing by companies, since they are too hard to prove. It is revealing that they have not appealed the district court decision to allow American Airlines to cut prices on some routes after competitors entered, even though American raised these prices after they exited.

The FCC under Powell will remove some regulations imposed on the telecommunications industry during the past couple of decades. The agency will probably allow local phone operators to enter the long-distance phone market more easily and allow telecommunications companies to merge without prolonged delays during FCC reviews of the antitrust implications.

Federal regulatory activities may have greater impact on the economy than do taxes and spending. I believe that consumers will benefit greatly if the Bush Administration, like Ronald Reagan's, sharply slows the rate of growth of federal regulation of business.