

The Experts Polled

Gary Hart—Democratic Senator From Colorado



The regulation of American business is becoming excessive. Many regulations are inefficient, costly to implement, and often stifle innovation. The challenge is

to maintain the benefits regulations were intended to achieve while cutting down on their cost.

One way to cut the cost of regulation is to simplify compliance. For example, a company in Colorado wishing to make synthetic oil from oil shale must first obtain 18 permits from the federal government and 20 from state and local agencies. In addition, the same company needs 27 more permits to begin a housing project adjacent to its mining operation. Surely the public could be served just as well, if not better, if some of these 65 requirements were combined.

Second, we need to revise the regulatory process itself. Regulations have been designed to induce actions which may not be profitable for individual firms but which are desirable from society's perspective. Environmental regulations are an example. Neither the cost of destroying the environment nor the profit from cleaning it up appear on the balance sheet of any corporation, so we have devised regulations to protect public health and safety.

We need to provide economic incentives for cleaning up the environment, and to replace the volume of regulations with a simpler pollution fee.

Under such a system, polluters would pay a fee for every unit of untreated pollution discharged into the environment. Regulators would no longer dictate to each firm how much pollution to abate or how to achieve the standard. Instead, fees would be set high enough to provide efficient economic incentives so that most firms would comply.

For genuine public health hazards, involving, for example, toxic chemicals and heavy metals, economic incentives are not the answer; outright prohibition still is. But a system of economic incentives and disincentives to combat pollution deserves to be tried as a serious alternative to the burden of regulation.

A. W. Clausen President, Bank of America



It is safe to say that we are overregulated when we begin to suffer from the following paradox: Our economic and social regulation seriously impedes our economic and social progress. This paradox is at work now.

In fiscal year 1979, the federal government has budgeted \$4.8 billion for 41 regulatory agencies. The overriding concern, however, is not that \$4.8 billion but the cost to business of complying with these federal regulations. A study by Murray Weidenbaum, a former Undersecretary of the Treasury who now heads Washington University's Center for the Study of American Business, found that compliance costs are generally 20 times greater than the government's regulatory budget.

Clearly, the appropriate level of regulation for our society can best be determined through cooperative effort among government, business, and the public. To get that effort off to the right start, representatives of each sector must dispense with the traditional rhetoric that tends to polarize viewpoints on the issue, and proposed regulations and regulatory structures must begin with a "zero-base budget" approach.

Ralph Nader Consumer Advocate



Regulation does not present a threat to the American economy; not regulating does. Health and safety standards are the best economic investment that we can make in this country. Every life and every limb we save, every disease that we prevent, represents not only a human achievement but also a reduction in the gigantically inflationary cost of medical and hospital care. The cost of neglecting health and safety requirements can be calculated in loss of worker productivity, and in such insurance costs as workmen's compensation.

The claim that regulation is costing business upwards of \$100 billion is sheer nonsense. Not only are the fig-

ures as phony as a three-dollar bill, but they include none of the returns, such as public-health benefits.

Businessmen also complain that regulation stifles innovation. The exact opposite is true. EPA and OSHA regulations have stimulated tremendous innovation in health and safety products. In the September 14, 1978, issue of the *Journal of Commerce*, Eugene Melnitchenko, a vice-president at US Trust, Inc., observed that OSHA regulations had served as a great boon to chemical specialty companies, who are thriving in the detoxification business.

In fact, regulation provides the largest source of new jobs in industry today. Regulation has created perhaps a million jobs, and eliminated no more than 15 to 20,000.

Herbert Schmertz Vice-President, Public Affairs Mobil Oil Corporation



As an energy company, Mobil has experienced the never-never land of Catch-22 created by excessive government regulation. Consider these examples:

- In resolving electricity-generation needs, the nuclear option stands out as the best and most logical. Nuclear power is totally predictable; one can know exactly how much power will be available from a given facility at a given date. Its safety record is excellent, and there's little environmental disruption. But in spite of these virtues, conflicting and sometimes retroactive regulations have reduced orders for new installations from 44 in 1973 to only three in 1977. I know of none in 1978.

- EPA and other government regulators are making it extremely difficult to construct a new refinery or even expand an existing one. The permit-gathering process can easily take between 18 and 36 months, involving federal, state, and local agencies.

How to untangle the morass? First, the president should appoint a commission of citizens from outside government to review all federal regulations five years old or older. Second, legislation should be enacted to schedule the demise of all regulations and regulatory agencies whose charters have not been periodically renewed by Congress.



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Third, clear and unbiased "economic impact statements" should be required to spell out the effects on the economy of all new major regulations and legislation. Fourth, new standards of professional competence should be set for service on regulatory commissions. People with firsthand knowledge and experience of the industries involved should not be barred from service precisely because of these qualifications.

Edward M. Kennedy—Democratic Senator From Massachusetts



It is vital that Congress conduct a careful review of federal regulatory policy, guided by the principle that in a free society government regulation should be

kept to a minimum; but it must also recognize that regulation may be necessary, particularly in matters affecting the health and safety of the American people. Congress has already begun the task, and the results to date are heartening. Last year we passed a bill to lift many of the antiquated and anti-competitive regulations governing the airline industry. Next year a top priority of Congress will be to extend this philosophy to the trucking industry.

For the past few years the Senate Health Subcommittee, which I chair, has been conducting hearings on the Food and Drug Act. This effort has produced legislation, to be considered in the next Congress, that would streamline the process by which drugs are reviewed and provide greater flexibility for the FDA to approve certain new, experimental drugs for use in controlled circumstances. At the same time it will extend the power of the agency to monitor the use of these drugs after they are on the market, to insure that there is no long-term adverse impact that could not be foreseen when the drug was approved.

Douglas Costle

Administrator of the Environmental Protection Agency



Regulators are not blithe spirits dashing off guidelines for the sheer joy of it. By and large, the rules we write stem from congressional mandates designed to safeguard legitimate economic and social values. But there is no excuse for the abuses that evolve from management failure or from the duplication, in-

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efficiency, and inconsistency too often associated with government.

To end these administrative problems, and the inflation that they cause, President Carter has established a Regulatory Council, made up of the top-line managers of the Executive Branch agencies having regulatory authority. The council, which I chair, will develop for public scrutiny and debate a comprehensive calendar of all planned government regulations, including our best estimates of their benefits and costs. In the process, we can identify and eliminate redundant rules and unnecessary requirements and red tape. We can also obtain a better understanding of the combined economic effects of several regulations on a specific industry or consumer group.

But we cannot afford to begin this task in an atmosphere of polarization and rhetoric. We need a serious debate in this country that recognizes the strengths of economic freedom and the need for governmental involvement.

**Lloyd McBride—President,
United Steelworkers of America**



Trubler

The steel industry estimates that it will have to spend over \$4 billion between now and 1985 on pollution control. Yet that is roughly one-tenth of what the industry figures it must spend on plant modernization and capacity expansion during those same years to continue growing and remain profitable.

Moreover, we should not lose sight of the fact that we are facing a mammoth health, social, and economic problem. A recent government study connects as many as 20 percent of all cancer deaths to occupational exposures.

But we need not rely on such cost-benefit justifications for protecting workplace and public health. Congress has rightly established as public policy the need to work toward removal, or at least minimization, of these hazards wherever possible from the plant environment, the surrounding air, the waterways, and other media. Congress has not required that action await cost-benefit analyses. Such a computation would not only waste time and money, but would yield inconclusive figures.

All this is not to say that regulations should not be cost-effective and feasible. Having defined the safe health level related to a particular pollutant, we must then find the best means of attaining it. Despite popular misconceptions, OSHA's health standards do

reflect these criteria. EPA is bending over backwards to tailor its enforcement strategies to individual industries.

Jack Kemp—Republican Congressman From New York



The reason we have so much regulation these days is that the whole national "economic pie" has been shrinking. When this happens the bigger guys try to protect their share of the pie by pushing regulations in the name of helping the little guys, knowing that regulations always have the effect of squeezing and ultimately eliminating the competition.

The big oil companies can afford to hire the lawyers and accountants necessary to deal with complex energy regulations. The big retail chains have to pay high wages and guarantee warranties, so it is not only no skin off their noses to support high minimum wages and stiff warranty legislation; and it also eliminates the small competitors.

My advocacy of federal tax rate reduction, less government regulation, and a monetary standard to help end inflation addresses these problems indirectly, which is the only way I think they can be addressed effectively. Economic growth, I believe, is a prerequisite to ending most of these forms of unnecessary overregulation of the economy. When the pie is expanding, the big guys are so busy expanding by legitimate means, they have no time to urge the government to protect their share of the market via regulation.

**Robert Lekachman
Distinguished Professor of
Economics, Lehman College,
City University of New York**



If corporate leaders were given to self-doubt or introspection, they might wonder why regulation of business has become so politically popular in a conservative society traditionally friendly to private enterprise. The answer is no mystery. With honorable exceptions, entrepreneurs paid little attention to the health and safety of their employees, the impact of their operations on the environment, the reliability of their products, and the truthfulness of their advertising, until Congress, spurred to action by an indignant public, created the flock of new regulatory agencies.

The size of the bills that have now

begun to arrive measures the magnitude of past failures of corporate responsibility. They are, nevertheless, smaller than they seem. Much or even most of the cost represents one-time outlay, not a chronic financial burden.

In the jargon of economics, the new regulations compel businessmen to internalize external costs. This is to say, fewer workers and customers will be damaged by their conditions of work and the defects of products they buy. Their health will be better, their working lives longer, and their medical bills smaller as a result. Like any sensible community aspiring toward a reasonably civilized mode of life, Americans are grasping some of the gains of technical progress in the shape of cleaner air and water, attractive scenery, decent workplaces, and safe consumer goods.

I have more faith in private enterprise than some businessmen appear to possess. I am convinced that our corporations, once they accept this new entrepreneurial challenge, can comply with sensible regulatory requirements, win public support for revision of really unfair regulations, and still profit.

**John W. Hanley—Chairman and
President, Monsanto Company**



Regulation injects new uncertainties into the already risky business of innovation. Regulatory approvals can take so long that millions in sales may be lost, along with the competitive lead. Worst of all, a product can be banned on flimsy evidence, wiping out the fruits of innovation for both designer and user.

Take the agricultural chemical industry, for instance. The trend in innovation has been clearly downward since the early 1970s when the Environmental Protection Agency was formed and the Federal Insecticide, Fungicide and Rodenticide Act amended.

Monsanto's own Roundup herbicide was developed in 1970 after 15 years of research. It was 1975 before the product received U.S. approval for use with any major grain crops. The company has waited three more years for approval for use with other crops.

The irony is that regulation has slowed the introduction of a pesticide that is environmentally more attractive than many of those now on the market. Although Roundup herbicide destroys perennial weeds right down to the roots, it is about as toxic as table salt. It breaks down quickly in the soil, won't migrate to adjacent areas, and leaves no residue in the crops. ●

LOOKOUTS

Laser Art

That holography, or laser photography, is still in its adolescence renders it no less fascinating, and no less likely to become an art. A hologram, which can best be described as a three-dimensional image of light, is created when a laser is shot onto a piece of film. It may be a still-life encased in a pendant, or a holographic movie wrapped in a cylinder (or half-cylinder) which moves as you move by it.

One of the most disconcerting signs of its pubescence is the problem of color. William Buckley in red and green (flesh tones are not



Dave Barefoot, of the Museum of Holography, holds up "Kiss II."

yet in the holographic spectrum) is a little distressing. But laser-photography devotees are busily expanding its horizons.

The Museum of Holography in New York has an exciting new exhibit of works by the grant recipients of the 1977 Cabin Creek Work and Environmental Studies Artist-in-Residence Program. The show, on view until February 25, includes not only projects by veteran holographers (some of whom have been trying to solve the color problem), but also pieces by veteran artists who have never before worked with this space-age art.

Weather Sensitives

Are you irritable, easily depressed, shy? If your shrink, astrologist, or priest is unable to explain why, you might try consulting your local weatherman. You may be reacting to an invasion of warm fronts, cold winds, or a vast assortment of meteorological conditions. According to Stephen Rosen, author of *Weathering* (M.

Evans), all humans are, to varying degrees, weather-sensitive; that is, our moods and health are tangibly affected by changes in the air, winds, and water. The text of *Weathering* is accompanied by charts of such things as Symptoms of Weather-Sensitivity, The Health Consequences of Winds, and Clothing Insulation

Required for Comfort.

Rosen is convinced that there's no limit to the power of weather. In a somewhat unorthodox and questionably documented analysis of Abraham Lincoln, he attributes the President's political success to his resistance to "the external suasions of air mass and temperatures." Lincoln, says

the author, was but one in a long line of weather-sensitive souls that included Byron, Columbus, Diderot, Hugo, Milton, Montesquieu, Mozart, Nietzsche, and da Vinci. Rosen has also concocted a do-it-yourself test so that you, too, may determine how you fare or foul up under the weather's influence.

