



Written by [Bob Adelman](#) on June 27, 2013

## Federal Regulations Cut Standard of Living by 75 Percent Over 56 Years

The 20th annual snapshot of the federal regulatory state published by the Competitive Enterprise Institute (CEI) last month announced the arrival of an unhappy milestone: Regulatory costs now equal [more than half](#) of all federal spending. Put another way, the real cost of government in the United States is half-again as much as the federal budget. It is approaching a third of the country's economic output. Said CEI in its [Ten Thousand Commandments 2013](#) report: "Federal environmental, safety and health, and economic regulations cost hundreds of billions — perhaps trillions — of dollars every year over and above the costs of the official federal outlays that dominate the [current] policy debate."



Just how many billions and trillions the regulatory state costs, and has cost, the American economy has been put into perspective by two economists in their paper, "Federal Regulation and Aggregate Economic Growth," published [in the June issue of the Journal of Economic Growth](#). Rather than count the cost in dollars, the authors, John W. Dawson and John J. Seater, take a unique approach and attempt to measure how much lower Americans' standard of living is today compared to what it would be if regulations had stayed at the level they were in 1949, the starting point of their study. Their conclusion? The average American household's income would be \$27,500 a month instead of the \$4,400 a month that it is currently.

In their study they count the pages of federal regulations from 1949 through 2005 and discover that they have grown by 600 percent, slowing the economy by an estimated two percent every year. In simple terms, today's economy, which produces about \$17 trillion in goods and services every year, would instead be producing almost \$55 trillion. And the authors apologize that their study doesn't reflect state and local regulations during that period as the effort that would have been required to collect and analyze them as well would have greatly exceeded their time and resources.

In a word, incomes and standard of living for the average American family would be even higher than they estimate, had that data been available. They also note that the avalanche of regulations under the Bush and Obama administrations were not included as part of their study.

There were only four years in that 56-year span when federal regulations declined: once under Reagan, and three under Clinton. In every other year, regulations increased, moving from 19,335 pages in 1949 to 134,261 in 2005.

Ronald Bailey, the science correspondent for *Reason* magazine and the author of "[Global Warming and Other Eco-Myths](#)," evaluated the loss in standard of living in a different way but came to same



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conclusion. By adding two percent to the real historical 3.2 percent annual rate of growth in America's economy from 1949 through 2011 — and then doing the math — he found that America's economic output would be \$49 trillion, just slightly below the \$53.9 trillion estimated by Dawson and Seater. Bailey notes coyly:

Whatever the benefits of regulation [may be], an average household income of \$330,000 per year would buy a lot in the way of health care, art, housing, environmental protection, and other amenities.

Bailey then speculated as to why governments do this to their citizens. He came up with three theories: politicians attempting to improve social welfare by correcting "market failures"; companies capturing control of the agencies regulating them in order to exclude competitors and increase their profits; and politicians seeking to increase their power.

There is, of course, a fourth theory not mentioned by Bailey but supported by the political reality of the emerging totalitarianism extant in the country. David Horowitz, in his explosive pamphlet "[From Shadow Party to Shadow Government](#)," tracks the intents, purposes, and actions of a primary driver behind the current political scene, George Soros, and concludes that his agenda could essentially be distilled down to three overriding themes: the diminution of American power, the subjugation of American sovereignty in favor of one world government, and the implementation of a socialist redistribution of wealth.

This has been a common theme for decades, first exposed to light when a committee of Congress, the Reece Committee, investigated tax-exempt foundations in the early 1950s. Norman Dodd, the chief investigator for the committee, talked with Rowan Gaither, then-president of the Ford Foundation, [who explained](#):

Mr. Dodd, all of us here at the policy-making level of the foundation have at one time or another served in the OSS (the Office of Strategic Services, the forerunner of the CIA) or [in] the European Economic Administration, operating under directives from the White House.

We operate under those same directives....

The substance of [those directives] is that we shall use our grant-making power to so alter life in the United States that we can be comfortably merged with the Soviet Union [in a one-world government].

All that the authors of the report published by the *Journal of Economic Growth* and the analysis by Bailey have done is to show just how successful those directives have been, and what they have cost Americans in unattained standards of living far beyond those being enjoyed today.

*A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at [www.LightFromTheRight.com](http://www.LightFromTheRight.com), primarily on economics and politics. He can be reached at [badelman@thenewamerican.com](mailto:badelman@thenewamerican.com).*



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