

New Solutions for Social Problems

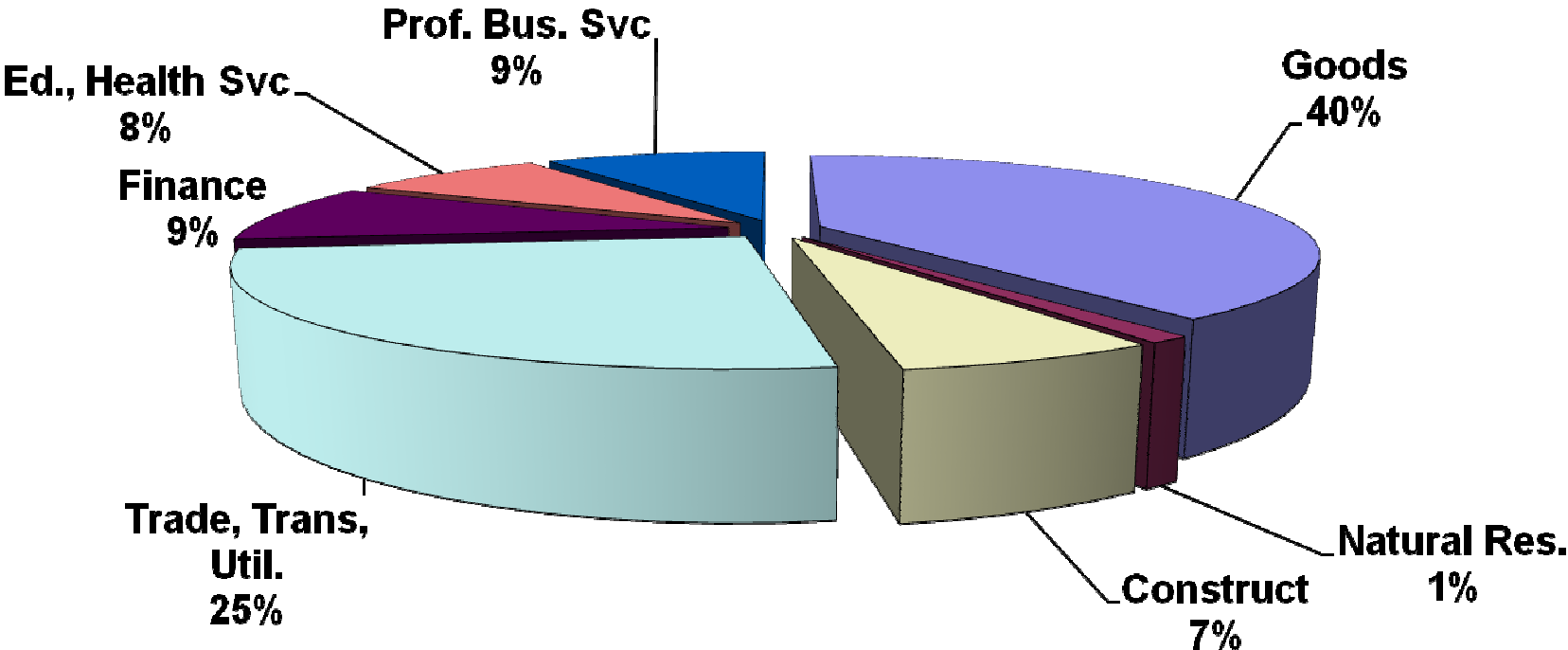


MERCATUS CENTER
GEORGE MASON UNIVERSITY

A photograph of an industrial facility at sunset. The sky is a vibrant orange and yellow, with dark smoke billowing from several tall, black smokestacks. The foreground is mostly in silhouette, showing the dark outlines of the industrial buildings and structures. The overall scene is dramatic and evokes a sense of industrial activity during the '1970s Smokestacks' era.

**The Changing Industrial Scene
From 1970s Smokestacks to
21st Century Knowledge Economy**

U.S. Sector Employment: 1970



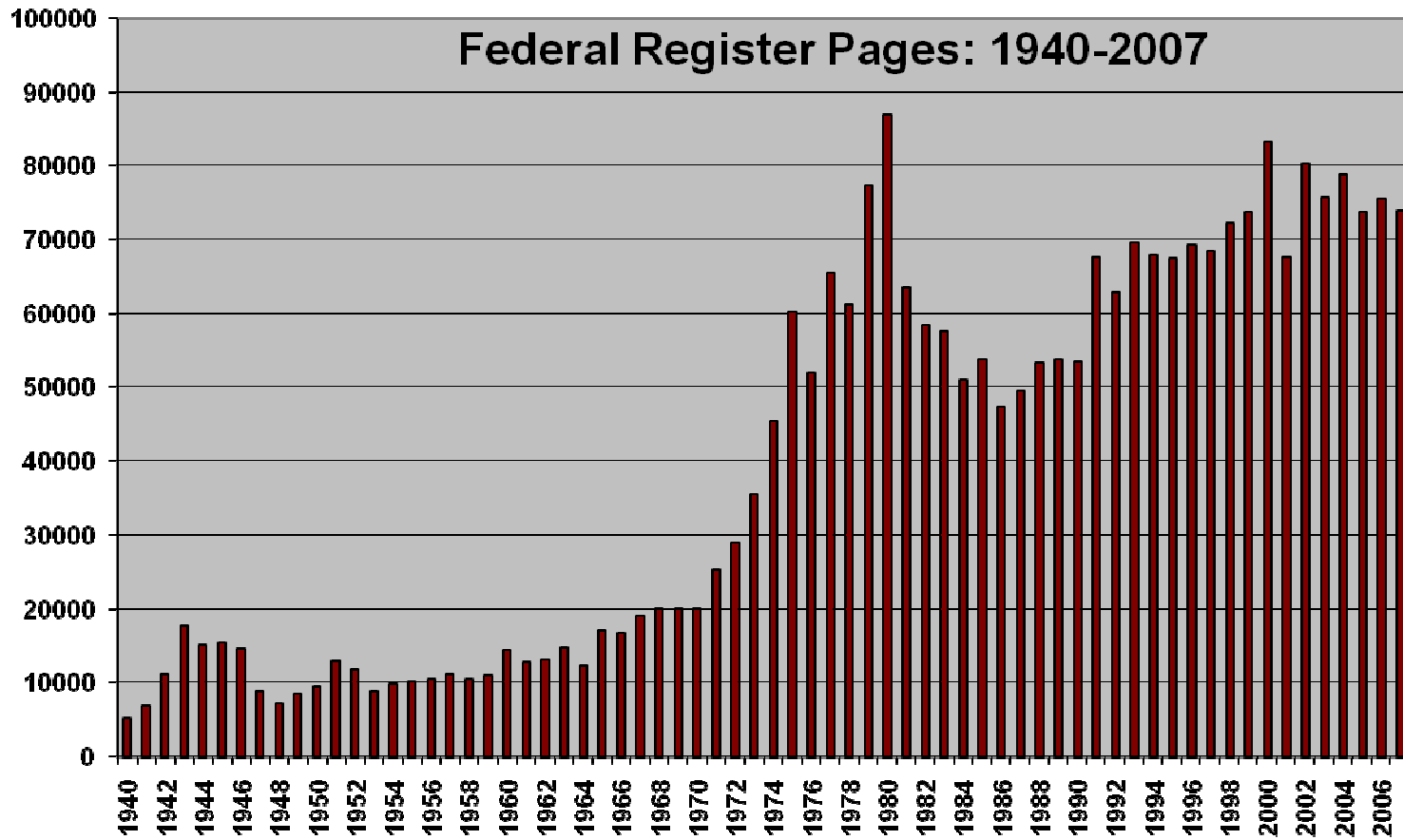
What Else about 1970?

- Firms had limited experience with risk management;
- U.S. industry preeminent in world;
- International competition significant but limited;

Demands for government to address environment, food, worker safety

The 1970's

Federal regulation booms



How did we regulate in the 1970's?

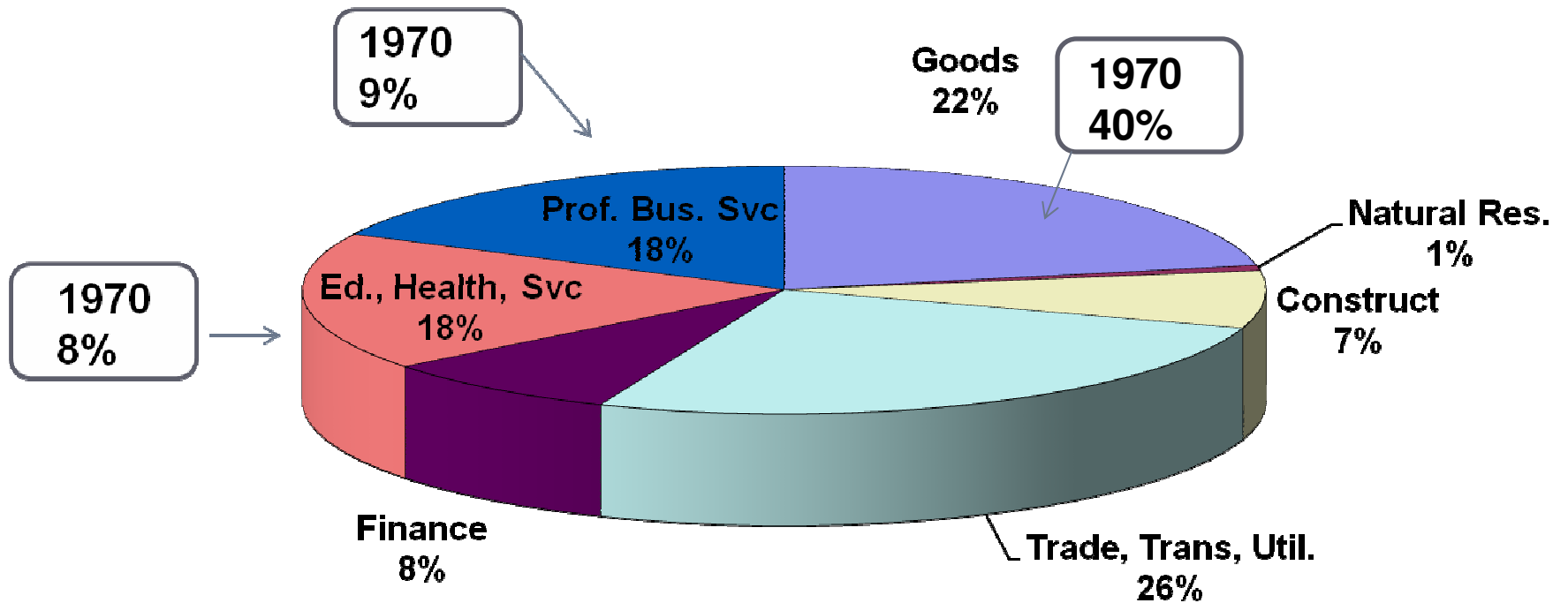
1. Command and control – government prescribed technology
 2. Industry asks/government responds
 3. Risk knowledge centralized in government
 4. Large, obvious risks addressed
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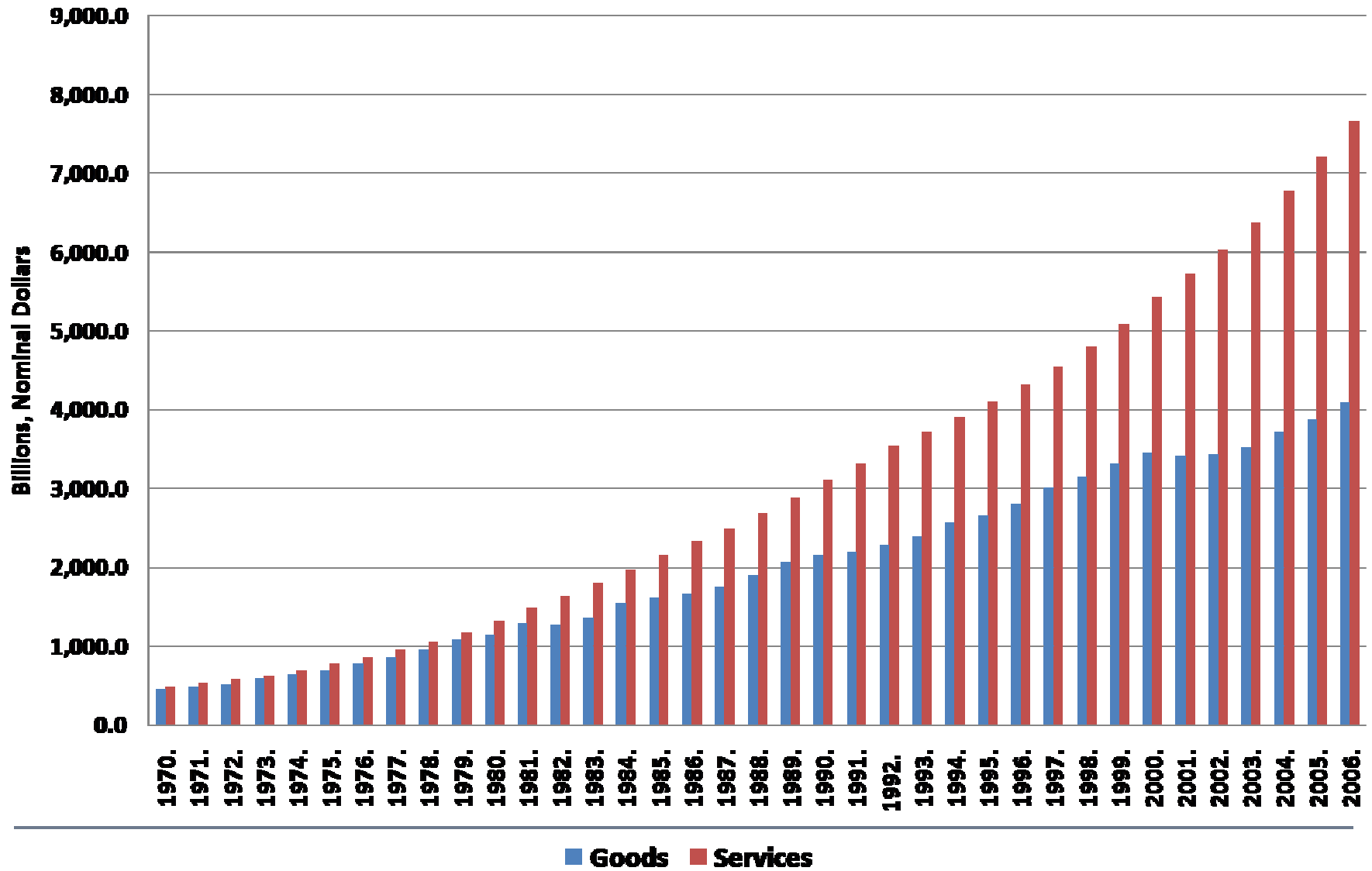


MICROSOFT in 1978

U.S. Sector Employment: 2007



U.S. GDP by Product Group 1970-2006

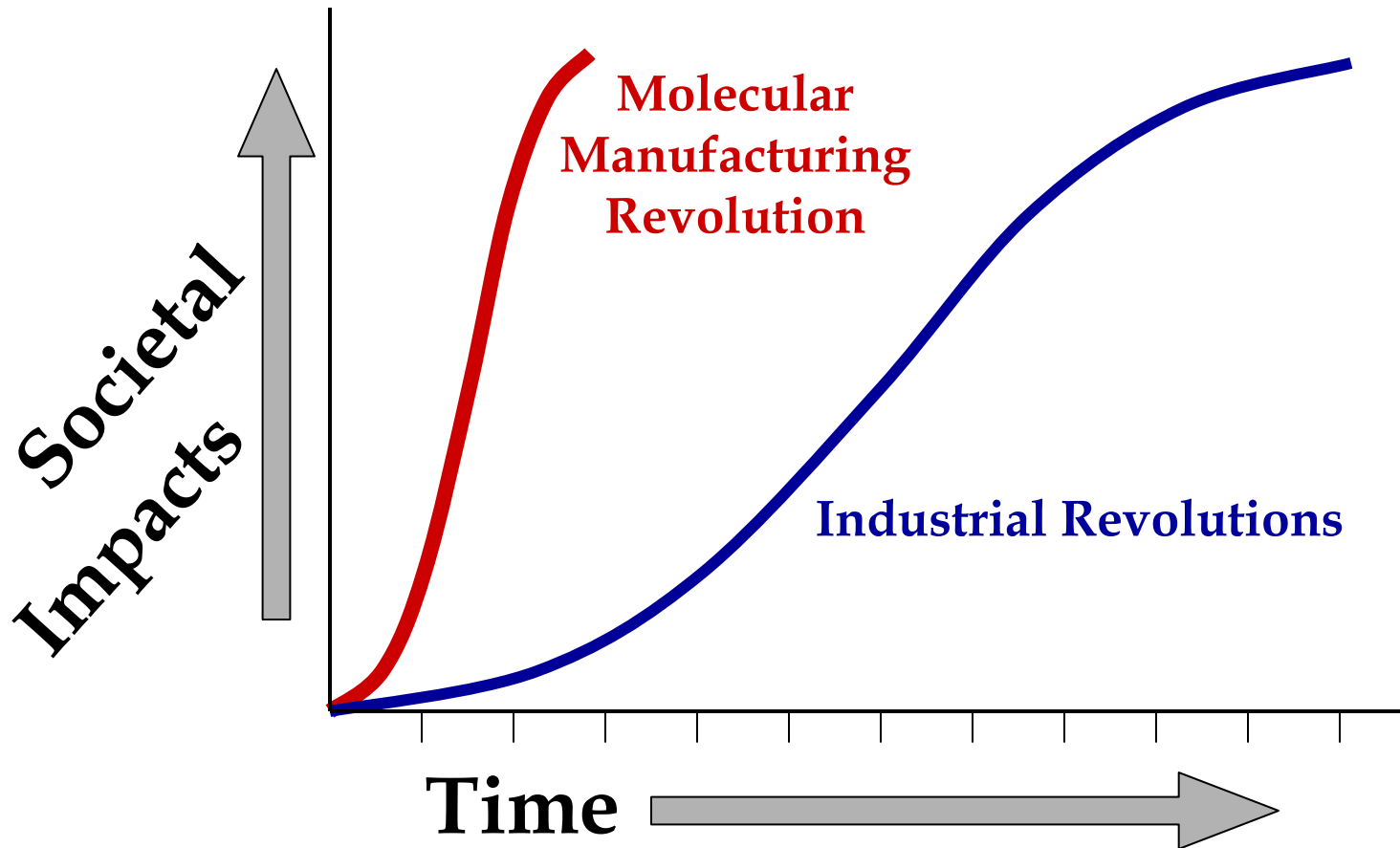


Things are moving fast...

“There is no reason for any individual to have a computer in his home.” Ken Olsen, President of Digital Equipment Corporation (1977)

“Information Technologies (*of all kinds*) double their power (*price performance, capacity, bandwidth*) every year.”
Ray Kurzweil (2006)

Accelerated Impacts

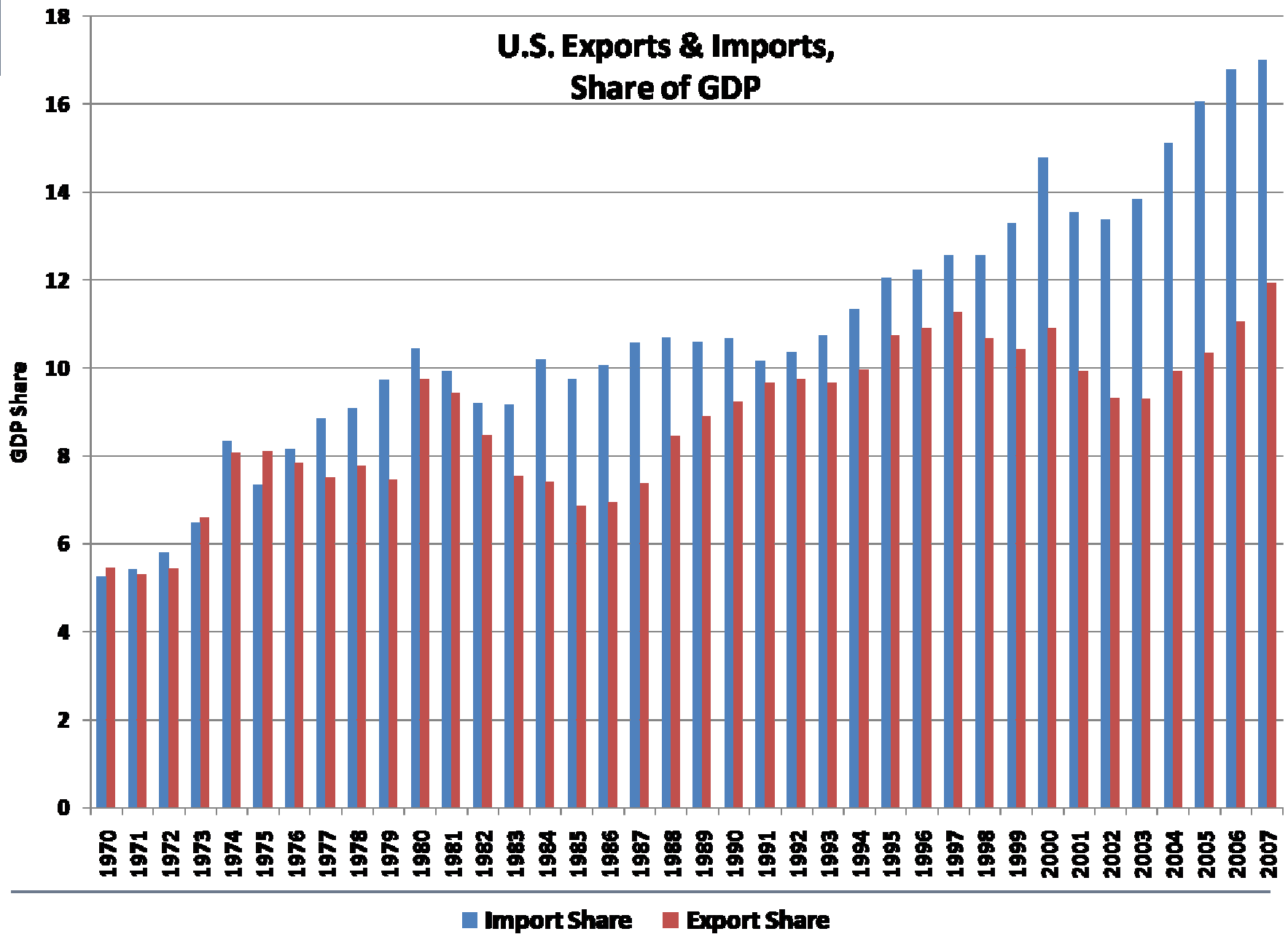


From Mike Treder, CRN

Are all the jobs going to China?.



U.S. Exports & Imports, Share of GDP



So what has changed since 1970?

- More service industries, fewer goods
 - Technology growth speeds up
 - More international trade and competition for capital
 - We are richer and better educated.
-

International Competitiveness in Regulations

	Type of review	Target of Reform	Number of regulations before cleanup	% of regulations eliminated in the reform	% of regulations simplified in the reform
Korea <i>(11 months)</i>	Legality, Need	Regulations	11,125	48.8%	21.7%
Mexico <i>(9 months)</i>	Legality, Need	Formalities	2,038	54%	27%
Moldova <i>(6 months)</i>	Legality	Regulations	1,130	44.5%	12.5%
	Legality	Fee-based Permits	400	68%	20.3%
Ukraine <i>(12 weeks)</i>	Legality	Regulations	14,000	36 %	7,2%
Bosnia /RS <i>(4 months)</i>	Legality, Need	Formalities	331	21.1 %	22.7 %
	Legality	Inspections	2,473	58%	-
Croatia <i>(9 months)</i>	Legality, Need	Business Regulations	2,683	27% (leg pending)	30% (leg pending)

Source: Jacobs and Associates

We know a lot more about good regulation now than in 1970

We understand:

New types of regulation can be more effective and lower costs

Agencies are hamstrung by old laws and precedents;

There is a lack of accountability for results for agencies
