New Solutions for Social Problems

Mercatus Center
at George Mason University

Ideas Into Action

MERCATUS CENTER
GEORGE MASON UNIVERSITY
The Changing Industrial Scene
From 1970s Smokestacks to
21st Century Knowledge Economy
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
U.S. Sector Employment: 2007

- Trade, Trans, Util.: 26%
- Prof. Bus. Svc.: 18%
- Ed., Health, Svc.: 18%
- Finance: 8%
- Natural Res.: 1%
- Construct: 7%

1970:
- Goods: 40%
- 1970: 9%
- 1970: 8%
“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?
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

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of review</th>
<th>Target of Reform</th>
<th>Number of regulations before cleanup</th>
<th>% of regulations eliminated in the reform</th>
<th>% of regulations simplified in the reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea (11 months)</td>
<td>Legality, Need</td>
<td>Regulations</td>
<td>11,125</td>
<td>48.8%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Mexico (9 months)</td>
<td>Legality, Need</td>
<td>Formalities</td>
<td>2,038</td>
<td>54%</td>
<td>27%</td>
</tr>
<tr>
<td>Moldova (6 months)</td>
<td>Legality</td>
<td>Regulations</td>
<td>1,130</td>
<td>44.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Moldova (6 months)</td>
<td>Legality</td>
<td>Fee-based Permits</td>
<td>400</td>
<td>68%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Ukraine (12 weeks)</td>
<td>Legality</td>
<td>Regulations</td>
<td>14,000</td>
<td>36%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Bosnia /RS (4 months)</td>
<td>Legality, Need</td>
<td>Formalities</td>
<td>331</td>
<td>21.1%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Bosnia /RS (4 months)</td>
<td>Legality</td>
<td>Inspections</td>
<td>2,473</td>
<td>58%</td>
<td>-</td>
</tr>
<tr>
<td>Croatia (9 months)</td>
<td>Legality, Need</td>
<td>Business</td>
<td>2,683</td>
<td>27% (leg pending)</td>
<td>30% (leg pending)</td>
</tr>
</tbody>
</table>

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