
Viewpoint

Crying Wolf

Joan Claybrook

FOR OVER A YEAR, I have observed the rising corporate assault on government regulation, particularly regulation designed to spur business to advance health and safety. In widely circulated advertisements, in letters to shareholders, in pamphlets, speeches, testimony and trade association materials, the federal government is accused of creating unnecessary regulations that cause inflation, retard innovation, destroy jobs, and divert capital investment from “productive” pursuits. Readers will have noticed these corporate attacks on “Big Government,” “Bureaucratic Bungling,” “Overregulation” and, of course, “The Undermining of the Free Enterprise System.” But they will not have noticed much in the way of a response from the regulators. In my opinion, it is our duty as public servants to speak up—because these charges can generate unwarranted loss of respect for legitimate government action. They can demoralize those who are trying to improve conditions within industries, and they can undermine efforts to develop the technological basis for life-preserving progress for workers, consumers, and the environment.

Here is the current corporate view as it appears to me.

- If inflation rages, Washington is the cause and only Washington can provide the cure.
- If there is unemployment, Washington is its taproot and the obstacle to its reduction.
- If there is disease-producing pollution, it is a necessary by-product of a technological society, and Washington’s pressure to curb it interferes with “progress.”
- If there is serious job-related disease and injury, laws that require investment to prevent such damage to society are not “productive”—as though improving the health of a nation does not add to its wealth.
- If filth, adulterants, and harmful additives are found in meat and poultry products,

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the solution is not to clean up the industry but to campaign against the Department of Agriculture and the Food and Drug Administration.

- If a company or industry is not doing well, it is Washington’s fault for not providing additional “incentives,” such as tax preferences or U.S. Treasury checks.

Corporations, in short, are engaged in a massive drive to blame the federal government for what really is the fault of business. At last reading, after all, the American economy was still overwhelmingly in corporate hands—from the land that produces the minerals, foods, and fibers, to the factories that manufacture the goods, to the office buildings that house the capital and managerial resources. Not only is that true but also the corporate economy plays a strong role in deciding how public revenues and resources are to be used. Yes, business regulates government quite frequently, and when it does, curiously enough, it seeks certain kinds of “Big Government” goodies. In short, Uncle Sam is fine when he plays Uncle Sugar. How many trucking or airline companies have been ready to shoulder the old-fashioned rigors of market pricing and entry by supporting proposals to put the regulators of these industries out of business? It is compellingly clear that many corporations welcome government when it is subsidizer of last resort, lender of last resort, guarantor of last resort, insurer of last resort, and cartel-defender of last resort. But when Uncle Sugar becomes Uncle Sam, people-protector of last resort, the corporate tiger bares his teeth and snarls.

In regulating for health and safety, government assumes what I believe to be one of its most basic functions, promoting the general welfare. Too many companies or industries refuse to recognize both the multiple hazards of their technology and the government’s legitimate interest in the public’s health and safety—despite extensive pesticide and other chemical plant tragedies, food-borne diseases, con-

taminated drinking water, and the overall degradation of our environment.

Now, the auto industry is not one of those that still opposes the *principle* of government safety regulation. For example, John Riccardo, Chrysler Corporation's chairman, declared recently that "the need for reasonable regulation of the automobile, in the areas of safety, clean air, and energy conservation, is well established and deserves our full support." Henry Ford II was even more charitable, in retrospect, saying on "Meet the Press" (in 1977): "We wouldn't have had the kinds of safety built into automobiles that we have had unless there had been a Federal law. We wouldn't have had the fuel economy and the emission control unless there had been a Federal law."

These remarks point the way to understanding the domestic auto industry's relationship to federal regulation. The industry fights proposed regulations that it later candidly or grudgingly approves. The Big Three auto companies fought California's and later Washington's modest air-pollution control efforts. They still fight auto safety legislation such as the proposed requirement for passive restraint systems, and they resist major vehicle recalls. The point is clear: their credibility is not high. It is not merely the way things turned out that reflects adversely on their credibility, but also the way some of the foreign auto companies have shown up the Big Three. The story of Honda and its stratified charge engine (imported into Japan from the United States and refined) is an example. So is the story of Volvo (ranking twenty-seventh in passenger car sales in the United States)—first with shoulder harnesses, among the first developmentally with air bags and crash safety, and now selling the least polluting vehicle on California's Air Resources Board list (Saab is number two).

Given this background and the fact that business is booming for the domestic auto companies, it is dismaying to hear once again that government is undermining the free enterprise system. It is particularly dismaying that, in the last year, some of the industry's top officials have charged government regulations with impeding growth, stifling innovation, putting workers on the streets, and hampering the industry's ability to compete internationally. If, under these regulations, foreign companies can compete here, why is it our companies cannot?

In January 1978, Chrysler's John Riccardo called air bags a product of "overregulation" that will cost \$250 to \$300 per car, and claimed the overall result of federal regulation would be a \$1,000 per car "rip-off" to consumers in the middle of the next decade. In March 1978, Lee Iacocca, then president of Ford Motor Company, spoke of the "threat" of regulation that was "seriously retarding scientific progress, contributing to inflation, damaging competition, costing American workers their jobs and crippling American business in the world marketplace." Thomas Murphy, chairman of General Motors, in a letter to President Carter, has declared that in the early 1980s the average retail price of a car could increase by more than \$800 because of federal regulations—something he thinks inflationary as well as likely to produce widespread buyer resistance.

Of course, most industry comments ignore the benefits of regulations, even when they do not inflate the costs—a practice analogous to a corporate annual report's giving full details on expenses but ignoring revenues. So, in 1975 and again in 1977, in attempting to quantify safety benefits, the National Highway Traffic Safety Administration (NHTSA) carried out studies on the societal costs of motor vehicle accidents, costs such as income foregone, medical care, insurance administration, legal expenses. These costs were estimated at \$38 billion annually for 1975 and \$43 billion for 1977, the rise coming largely in insurance (up 44 percent in the two years) and hospital and medical costs (up over 20 percent). The figures include only the more readily quantifiable economic losses and do not fully measure the tragedy of death and injury, the disruption of family life, the trauma of witnessing a child's pain, or the mental stress of caring for once active and productive members of society now confined to wheel chairs. But if our regulations do reduce accidents, there are measurable benefits aplenty from them, even without trying to quantify the unquantifiable. Moreover, a supporting index for the necessity of automobile safety regulation may be found in the number of vehicles recalled for safety-related defects. Since 1966, about 5 million vehicles have been recalled each year for correction of defects that pose safety hazards. The fact that the procession of recalled vehicles continues unabated indicates a certain laxity of quality control on the industry's part. It is a

certainty that, in the absence of the highly visible federal regulatory presence, a majority of the 65 million vehicles recalled since 1966 would be on the road with their defects unremedied.

In the area of fuel economy, the need for regulation is likewise evident. The oil shortage of 1973-74 taught us what could happen if this country continued to rely heavily on foreign sources for oil. Motor vehicles account for about 40 percent of the nation's petroleum consumption. Conservation there is an absolute necessity, given that alternative means of transportation for most individuals are still far in the future and that drastic changes in driving patterns seem unlikely. Regulating average vehicle fuel economy is the best present means to achieve this end.

We at NHTSA estimate the costs of all of our proposed regulations. However, since the standards are set in terms of performance rather than hardware or design, individual manufacturers are generally free to choose from a number of options to meet a standard—which means that their costs may vary substantially, according to the options they choose and the degree to which they may exceed the requirements of the standard. Nevertheless, it is the manufacturers themselves (who supply wholesale price information to the Bureau of Labor Statistics) who are the prime source of data on the costs of implementing our regulations. On the basis of their data and other available information, the Department of Transportation estimates the average cost to consumers of safety features contained in a model year 1978 automobile at about \$250—approximately half the amount claimed by some auto makers and roughly 5 percent of the total vehicle price. Considering the payoff—the General Accounting Office estimated in 1974 that vehicle safety standards had saved some 28,000 lives over the years from 1966 to 1974—safety requirements are one of the car buyer's best investments.

In a 1976 survey of automobile manufacturers, the NHTSA asked the following question: "For each safety standard presently implemented for passenger cars, what will be the reduction in retail price if that standard is revoked. . .?" Although the manufacturers' responses varied widely (overall reductions ranged from \$12 to \$385), the sales-weighted average was \$80. Yet in response to another

question, some manufacturers claimed our standards added \$368 to a vehicle's price.

Auto industry executives have been particularly critical of regulations promulgated but not yet effective. These include an upgraded bumper standard, passive restraints, and fuel economy standards for passenger cars and for light trucks and vans. Yet the estimated addition to the price of a passenger car because of these standards will be only about \$300 by 1984 (in 1977 dollars), and this will be offset by a more than threefold direct out-of-pocket saving to the consumer in fuel economy, plus reductions in highway casualties. It does not appear to be disadvantageous to the consumer to pay \$300 more for a 1984 car than for a 1977 car if that amount would save the consumer \$890 over the life of the vehicle. Indeed, because of the heavy travel by newer vehicles, the \$300 could be recouped through decreased operating expenses within two years of a vehicle's purchase. And for trucks and vans, the fuel economy standards in particular will result in consumers' spending 6 cents to save a gallon of gasoline that would have cost them at least 65 cents (given our assumptions on vehicle use).

National opinion surveys show that the American people, by a wide margin, support government health and safety standards. In a Harris poll of spring 1978, Americans were asked to rate the importance of nine proposed improvements in the nation's transportation system. Improving auto safety finished far in front—with 83 percent of those polled rating that quest as "very important." Given the size of the job, that popular support provides a good climate for developing what has been called the socially responsible automobile.

But even if it did not—even if the climate were truly poisoned by industry exaggerations of the pernicious effects of government—the benefits of health and safety regulation and of fuel efficiency standards could still, in our view, outweigh the costs. And if the free enterprise system in this country is undermined when we force auto makers to do what the people want and what foreign companies increase their sales by doing, then perhaps our enterprise is itself subject to bureaucratic bungling. Perhaps our corporations are like the shepherd boy who cried "wolf" because he grew tired of tending to his proper business. But this much is clear—it is time for us to answer back. ■