POLICY REPORT

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Paperwork and Public Policy

by James T. Bennett and Manuel H. Johnson

Thirty-five years ago, Ludwig von Mises began one of his classic works, *Bureaucracy*, with the following paragraph:

> The terms *bureaucrat*, *bureaucratic*, and *bureaucracy* are clearly invectives. Nobody calls himself a bureaucrat or his own methods of management bureaucratic. These words are always applied with an opprobrious connotation. They always imply a disparaging criticism of persons, institutions, or procedures. Nobody doubts that bureaucracy is thoroughly bad and that it should not exist in a perfect world.[1]

Mises's perceptive observations on bureaucracy are accurate and applicable today, for public attitudes toward government in general, and bureaucracy in particular, are still disparaging. The "opprobrious connotation" associated with bureaucracy did not develop by chance but resulted from the inherent characteristics of bureaucratic behavior. Bungling, incompetence, and inefficiency are commonplace descriptors of bureaucratic processes; the characterization of bureaucrats as "paper shufflers" is far more accurate than apocryphal, for both the public and private sectors are currently awash in a sea of government paperwork.

So pervasive is the paperwork phenomenon that even the existence of individuals and institutions are defined in terms of government forms. This has not always been the case, for according to Paul Craig Roberts,

> A person born before the turn of the century was born a private individual. He was born into a world in which his existence was attested by his mere physical presence, without documents, forms, permits, licenses, orders, lists of currency carried in and out, identity cards, draft cards, ration cards, exit stamps, customs declarations, questionnaires, tax forms, reports in multiplicate, social security number, or other authentications of his being, birth, nationality, status, beliefs, creed, right to be, enter, leave, move about, work, trade, purchase, dwell.[2]

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"The Commission on Federal Paperwork determined that more than $100 billion a year, or about $500 for each person in this country, is spent on federal paperwork."

The Paperwork Burden

Aside from the paperwork associated with state and local governments, the quantity of forms, directives, memoranda, and other assorted red tape generated by the federal bureaucracy is enormous by any method of measurement.[3] During 1972, in excess of 2 billion pieces of paper were processed, enough to fill about 4.5 million cubic feet of files. The custodian of the federal government's documents, the National Archives and Records Service, has estimated that 11.6 million cubic feet of materials were in storage centers at the end of fiscal year 1972. This volume of paperwork would be enough to fill the Washington Monument no less than 12 times.

The financial dimensions of federal government paperwork and red tape are also astonishing. The National Archives and Records Service estimated that the cost to the federal government of processing paper was $15 billion in fiscal year 1973—6 percent of *all* federal expenditures for that year. Not only are the costs of paperwork substantial, but they are also rapidly growing. Over the period 1955–1966, paperwork costs to the federal government more than doubled, and between 1966 and 1973, an additional 86 percent increase occurred. Even though the magnitude of the federal government costs of paperwork is all but incomprehensible, these costs represent only the tip of the bureaucratic iceberg, for the burden imposed on the private sector has not been included. The Commission on Federal Paperwork, in its *Final Summary Report* issued October 1977, attempted to estimate the total costs of federal paperwork for both the private and the public sector. The commission determined that "more than $100 billion a year, or about $500 for each person in this country, is spent on federal paperwork." Cost estimates were also provided for some of the major segments of the economy. According to the commission, paperwork cost the federal government itself $45 billion in 1977, a 200 percent increase over 1973. The cost to private industry was estimated to range between $25 billion and $32 billion per year; the annual cost to state and local governments was esti-

(Cont. on p. 3)

IN THIS ISSUE

EDITORIAL

Oil Profits and Windfall Taxation

by Richard E. Wagner

The Carter Administration is pushing for a 70 percent tax on what it calls the windfall profits of oil companies—profits that would result from the rising prices made possible by the decontrol of oil prices. There is no need to be concerned here with the economic principles of profit, which note that no objective definition of "windfall profits" exists. What is of concern, however, is whether the tax proposal is grounded in reasonable principle and reflects a proper application of that principle, or whether it represents simply an attack on the oil industry.

If principle is to dominate, this tax proposal must be viewed as reflecting the principle that government should claim a share of those profits that changes in its regulations are responsible for creating. The rise in oil profits would be due to the government's removal of price regulations, and not to anything directly under the control of oil companies. Hence, the tax would enable the government to capture a share of the profits it was responsible for creating. The tax proposal would make a distinction between profits resulting from a favorable change in government regulation and profits derived from other sources. That a firm increased its profits because it developed a better product would not be a reason for tax because the rise in profit would be due to actions taken by the firm. The rise in profit that resulted from the removal of price regulations, however, would be due to government action, and so would be subject to tax.

While this principle may be a difficult one to apply because of, among other factors, difficulties in attributing responsibility for changes in profit, it is a principle nonetheless. But why is this tax to be limited to oil companies? There are numerous instances of industries in which companies receive higher profits because of favorable changes in regulation. If the profits resulting from favorable changes in regulation are to be taxed, surely they should be taxed generally, and not just when they are received by oil companies. A principle is hardly a principle if its application is so narrowly limited that it covers but one of its potential subjects.

Changes in regulation can also create losses. If the profits resulting from changes in regulation are to be taxed, it is equally reasonable for the losses resulting from unfavorable changes in regulation to be compensated. The general principle embodied in the tax proposal, after all, is that government should share in the economic circumstances its regulations are responsible for creating. It is hardly principled to share in the profits without also sharing in the losses. Furthermore, the ability of the removal of regulation to create profits is often dependent upon the ability of earlier regulation to inflict losses. This is certainly true of the oil industry. The price controls imposed on the oil industry during the past quarter-century have reduced profits and have led to less investment in the industry. (Indeed, much of the clamor about oil companies investing in hotels and other nonenergy lines instead of investing in oil is due to the restriction of profit opportunities engendered by price controls.) Price controls imposed windfall losses on the industry, and the removal of controls would simply reverse this loss. A failure to enact the proposed tax would offset the windfall losses initially imposed on the oil industry, as well as reverse the inefficiency that was created.

There is no basis in principle for the taxation of profits resulting from the decontrol of oil prices. It is hardly an application of reasonable tax principle to single out the oil industry for such taxation when other industries are not similarly taxed. It is equally a violation of any reasonable principle to tax the gains from changes in regulation while refusing to compensate the losses. The proposed windfall profits tax on the oil industry cannot be seen as the reasonable application of principle to a concrete situation. It can be understood only as an attack on a politically disfavored group, the oil industry. The probable impact of such a tax will be a further nationalization of the oil industry through the Energy Security Corporation. This, in turn, will further intensify our energy difficulties, though it will provide—through the development of projects for expensive synthetic fuels—a considerably expanded opportunity for pork-barrel politics.

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Paperwork (Cont. from p. 1)

mated at $5 to $9 billion per year; and individuals, farmers, and labor organizations incur costs in excess of $9 billion each year in satisfying the federal government's demands for information. Clearly, paperwork is pervasive in the federal bureaucracy and has grown rapidly in both financial and physical terms in recent years.

Like the common cold, bureaucratic paperwork is ubiquitous and has managed to resist all attempts to find a cure. Attempts to reduce federal paperwork have occurred periodically since the convening of the Cockrell Committee in 1887 by the Congress to make recommendations for reducing the high cost of paperwork and copying. Since then, no less than 10 major efforts have been made by Congress to curb the bureaucratic penchant for paperwork. Every president since Theodore Roosevelt has taken a stand against excessive paperwork, but the endless stream of directives, executive orders, and congressional hearings emphasizes the failures to bring this plague under control.

The most determined effort by Congress to control federal paperwork was the Federal Reports Act of 1942. This Act requires any government agency that wishes to collect data from 10 or more persons outside the federal government to obtain permission from the Office of Management and Budget (OMB). The agency must specify the number of responses expected and the estimated number of man-hours that respondents will spend completing the form. As of June 30, 1972, a total of 5,567 repetitive use forms that generated 418 million responses and required an estimated 145 million man-hours had been approved by OMB. In the past, OMB has failed to approve very few forms. In fiscal year 1972, for example, only 1 percent of forms submitted for approval were rejected. Another reason that the Federal Reports Act has not been effective is that

"For obvious reasons, every bureaucrat has a powerful vested interest in enlarging the scope and size of government, an aim that can be accomplished only by increased spending."

the Internal Revenue Service is exempt from the provisions of the law. The paperwork burden imposed by the IRS on the private sector is staggering. The U.S. Comptroller's report of November 17, 1978, cites an estimate by IRS that "its reporting and recording requirements result in about 613 million hours of burden annually on businesses and individuals."

Clearly, the burden of federal government paperwork on private individuals and businesses is immense, as are the associated economic costs. Thousands of man-years of effort are expended each year in satisfying the almost insatiable demands of the federal government for information. The potential for misuse and abuse of such volumes of data on private individuals and corporations is frightening. In order to develop coherent public policy for reducing government paperwork, it is first necessary to understand the bureaucratic incentive structure. The major reason that all attempts to control government paperwork in the past have failed is that essential elements of bureaucratic behavior were ignored. Until the bureaucrat is convinced that lowering the paperwork burden on the private sector is in his own self-interest, efforts to control red tape will be self-defeating. Indeed, the results achieved by all past efforts are not unlike the experience of the fabled "sorcerer's apprentice."

Paperwork and Bureaucratic Incentives

The essential elements of the bureaucratic incentive structure can be highlighted through a comparison with the incentive structure of the manager or owner of a private firm. In the private sector, a manager is rewarded for cost reductions, improved profits, and more efficiency; and for unsatisfactory performance, he is punished either by the actions of his superiors or by competition from more efficient firms which may eventually drive him from the market. In contrast, neither the "carrot" of rewards nor the "stick" of punishment apply to the bureaucrat. For all intents and purposes, it is impossible to fire a government employee; thus even the most basic

(Cont. on p. 4)

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Paperwork (Cont. from p. 3)

motivation for conscientious effort is absent. Relative to private industry, the incentive structure in the bureaucracy is patently perverse: The bureaucrat is rewarded for spending, not for cost-cutting, and efficiency plays little part in pay and promotion. Currently, the rank of a bureaucrat is determined by the number of subordinates he supervises. Therefore, promotions, increases in pay, and prestige depend upon increasing the size of the bureaucrat's staff. For obvious reasons, every bureaucrat has a powerful vested interest in enlarging the scope and size of government, an aim that can be accomplished only by increased spending, as Paul Craig Roberts has perceptively observed:

> Precisely because they do have special interests offering them identifiable gains, bureaucrats and their beneficiaries have incentives to enlarge the scope of government. Today legislation is originated by bureaucrats who, unlike politicians, are life peers and cannot be voted out of office. Some people are sufficiently sophisticated to notice that bureaucrats are quick to use every opportunity to feather their nests and enlarge their budgets and powers. But I am saying more...I am saying that government social and economic policy is the tool of bureaucrats for self-aggrandizement and is inimical to the public interest.[4]

The implications of the bureaucratic reward structure are of enormous economic, social, and political significance. Inherently, every bureaucrat is an "empire builder," and the foolproof formula for the bureaucratic expansion of government is straightforward. First, the bureaucrat must identify or create a "crisis" in order to justify larger appropriations and increased staff for his bureau. For example, the Department of Energy has a vested interest in fuel shortages which could lead to rationing; HEW is constantly searching for greater poverty; HUD is delighted by housing shortages and urban blight, and FDA is anxious to identify additional causes of cancer. The bureaucracy then employs the media to dramatize the crisis as much as possible ("crises" sell newspapers and make excellent stories for newscasts) in order to rally the support of various interest groups that may profit from bureaucratic initiatives such as regulations or spending programs to deal with the "crisis." These interest groups will then actively lobby and support the efforts of the bureau to obtain increased appropriations. Congress, through the activities of the interest groups, discovers another constituency to be wooed—their votes may prove useful at election time.

"To the extent that paperwork reduces economic incentives to produce goods and services, inflation is also exacerbated by the reduction in supply."

Congress, to court the new spending constituency, provides the additional appropriations to deal with the "crisis." The bureaucrats use the funds to hire additional staff, increase the perquisites of office, and obtain promotions, pay increases, and increased prestige.

Although bureaucrats have a vested interest in identifying or creating problems, there is nothing whatever to be gained in actually solving a problem. If problems were solved, the bureaucrat's job—and perhaps the existence of the agency itself—could be threatened. After spending billions and billions of dollars over a five-year period, the Department of Energy has made no perceptible progress in dealing with an energy issue; indeed, it is hardly surprising that DOE considers the discovery of vast reserves of oil and gas on our doorstep in Mexico as a catastrophe. HEW has no incentive whatever to get recipients off welfare, but is always anxious to increase the welfare rolls. In spite of the numerous agencies given the responsibility of fighting inflation and economic instability, inflation accelerates.

If appropriations are to increase, problems must multiply as well. There are no incentives for the careful management of the taxpayer's money, for if an agency does not spend all of its money in one year, it is difficult to justify increased funding for the following year. Given this scenario, it is easy to understand why inflation, energy problems, poverty, and other assorted economic and social "ills" are seldom, if ever, improved by government intervention.

Paperwork plays a major part in the bureaucratic process of government expansion. Since most bureaus rarely produce an identifiable product—government is service-oriented rather than product-oriented—the bureaucrat must provide to the Congress or the appropriations authority some tangible evidence that the agency is performing some activity. This tangible evidence takes the form of paperwork, which the bureaucrat uses to support his claims for additional appropriations. However, the bureaucrat prefers to spend as much of the congressionally appropriated funds as possible to enhance his own self-interest. Because his salary is fixed, aside from kickbacks, the funds cannot be diverted to the bureaucrat's own use except through the purchase of perquisites, such as travel to conferences in places like Hawaii. Thus, the "feather the nest" syndrome encourages the bureaucrat to exploit the private sector as much as possible by shifting to it the burden of paperwork—the private sector is not compensated for the time and effort expended in filling out government forms.

From the perspective of the bureaucrat, the services of the private sector are completely free. Thus, there is no incentive whatever for the bureaucrat to collect the minimum amount of data necessary at the lowest possible cost. When the government requires individuals and businesses to complete forms, applications, reports, and the like without compensation, the private sector is exploited by the public sector. A transfer of resources or property rights occurs when the bureaucrat confiscates private-sector labor for his own purposes. The implications of this phenomenon have been developed by F. A. Hayek in his definitive work, *The Road to Serfdom*, first published in 1944.[5] Currently, the bureaucrat bears no liability for the burden of paperwork placed on the private sector, and as long as such arrangements continue, irresponsibility can be anticipated. Only when an individual is held accountable for his actions can responsible decisions be expected.

Nearly 60 years ago Mises effectively demonstrated the thesis, which more recently has been amplified and developed by Hayek, that accurate economic calculation and planning are impossible without the information provided by the price system.[6] If the bureaucrat is permitted to regard the resource of the private sector as a free good, it follows that distortions in the allocation of resources will occur. Resources commandeered by the public sector will be inefficiently used to increase public-sector output, while the output of the private sector will be reduced.

The economic implications of the paperwork burden are of great significance. As mentioned earlier, the private-sector costs are enormous, and for all intents and purposes, these costs represent a hidden tax, on both individuals and businesses, that stifles economic incentives and impairs economic efficiency. The paperwork burden falls disproportionately on small firms and individuals who lack the resources to deal with bureaucratic demands for data. Thus, government paperwork discourages small business enterprise and thereby contributes to the nation's unemployment ills among those workers who produce useful goods and services. To the extent that paperwork reduces economic incentives to produce goods and services, inflation is also exacerbated by the reduction in supply. Therefore, the indirect costs of paperwork make the total burden even larger and contribute to social and economic problems.

Policy Implications

Because of the costs and the potential for abuse of the information collected through the paperwork process, it is essential that some method be devised to reduce dramatically the bureaucratic appetite for paper. This is a formidable task, for the historical record shows that all prior attempts have met with the same success that the legendary King Canute had when he commanded the ocean to be still. The difficulty of controlling government paperwork is exacerbated because not only are there benefits to the bureaucrat for instituting paperwork, but there are also powerful constituencies created by the paperwork burden and the accompanying complex forms and regulations. As a notorious example, consider the myriad of firms and individuals who reap profits from guiding individuals and businesses through

(Cont. on p. 7)

INFLATION MONITOR

A regular feature of *Policy Report*, the "Inflation Monitor" reports on the effects of inflation as a monetary phenomenon and demonstrates its distorting influence on the structure of relative prices in the economy.

PERCENTAGE CHANGE (ANNUAL RATE)

	Latest 1 month	Latest 3 months	Latest 6 months	Latest 12 months
M-1	3.9	6.6	2.2	3.9
M-2	5.4	7.8	4.6	6.8
M-3	4.7	7.2	5.9	8.1
PRICE OF GOLD	127.9	31.9	57.5	49.1
CPI-URBAN WAGE EARNERS	13.0	13.5	12.2	10.8
COMMODITIES, LESS FOOD	13.3	14.5	13.4	11.1
FOOD	5.1	10.2	14.0	11.4
SERVICES	11.6	11.7	10.1	10.0
FINISHED GOODS	4.5	8.9	11.7	9.8
CONSUMER GOODS, FOOD	−15.4	−1.2	8.7	9.6
CONSUMER GOODS, NON-FOOD	15.0	15.0	14.1	10.9
CAPITAL EQUIPMENT	7.9	9.5	9.8	9.1
PRODUCER PRICES, BY STAGE OF PROCESSING				
COMMODITIES				
Crude materials, non-food	27.5	18.6	19.7	20.0
Intermediate materials, less food	12.2	14.8	13.1	11.2
Capital equipment	7.9	9.5	9.8	9.1
Consumer finished goods, less food	15.0	15.0	14.1	10.9
FOOD				
Farm products	−1.5	9.7	19.5	15.0
Consumer foods	−15.4	−1.2	8.7	9.6

All figures are taken from the *Chartbook on Prices, Wages, and Productivity* (U.S. Department of Labor), *Monetary Trends* (Federal Reserve Bank of St. Louis), and the *Wall Street Journal*.

✓ Washington Update

✓ When Congress returns to business September 5, it will have its collective hands more than full. Matters to be dealt with range from the second concurrent resolution on the budget to the draft. Scheduled to adjourn October 20, Congress faces a hectic six weeks, with the growing possibility of staying longer, particularly if the recession deepens.

✓ Because of the deadlines written into law, one of the first items of business the Congress must consider is the budget resolution. This, the second resolution, locks in the figures that were only targets in the first resolution passed last May. Throwing a curve into the proceedings will be growing support for a tax cut, the size of which will probably depend upon the perceived severity of the recession. Senator Bentsen (D-Tex.), chairman of the Joint Economic Committee, has called for an immediate cut in taxes. The Democrats are likely to favor it, next year being an election year.

✓ Dismayed at the way Republicans in the House have been thwarting their efforts, the Democratic leadership is planning to change the rules in order to eliminate what they consider to be Republican grandstanding—playing to the television cameras. Suggested changes are elimination of the one-minute speeches at the beginning of each daily session, during which a member may rise and talk about whatever he wishes; and instructing the Rules Committee (whose Democratic members are appointed by Speaker O'Neill) to vote closed rules, i.e., rules prohibiting all but approved amendments, on bills coming to the House floor. Greater party discipline is also in store for those Democrats who have been talking and voting out of turn.

✓ Chrysler's plea for one billion dollars in the form of advance tax credits will probably not be granted, but loan guarantees seem to be in store. Undoubtedly the fact that Lockheed paid back its guaranteed loans will be used to urge a bailout of Chrysler, but the amounts in question differ by over half a billion dollars. The staffs of both the House and Senate Banking Committees are already preparing for swift action on the request in September.

✓ The Senate will resume action on the SALT II treaty when it returns, amid growing pressure to increase the Pentagon's budget at the same time. The increase was suggested by Henry Kissinger when he testified before the Senate Foreign Relations Committee on the treaty. Proponents of the treaty claim they have the votes to get it ratified.

✓ The House will take up a defense procurement bill that includes a provision mandating resumption of registration for the draft in 1981. Conflicting signals about the Administration's position have caused some consternation and confusion on the Hill, and in an attempted filibuster, dozens of amendments to the bill may be offered by opponents of registration. Chances are that an amendment to begin drafting persons immediately will not pass, and that an amendment substituting a presidential study of national service and draft registration for resumption of registration will pass. Opponents of registration and the draft argue that the matter should be debated and voted on separately, not as a part of a procurement bill.

✓ The moral equivalent of war lurches on, with the government conducting a dozen simultaneous investigations of our troops, the oil companies. The Carter energy proposals, with the exception of gas rationing and compulsory conservation, have yet to be acted upon in either the House or the Senate, and there is growing opposition in both bodies to the massive tax increases and government bureaucracy the Carter plan entails. The House amended the gas rationing and conservation bill, and both bodies will have to approve a conference version of the bill before the President is handed sweeping authority to control the distribution and use of fuels. It seems likely that only a recurrence of long gas lines or some similar event will pressure the Congress into action of the type and magnitude demanded by President Carter.

✓ Faltering in the polls, the President is losing more ground on Capitol Hill. The resignation of Andrew Young following the disclosure of his ad lib diplomatic efforts and the conflict of interest allegations against Moon Landrieu, Carter's appointee to head the Department of Housing and Urban Development, have lent substance to the specter of a Kennedy candidacy. There is growing sentiment on the Hill that this is a one-term presidency, and the Republicans are openly campaigning against Kennedy, not Carter.

✓ The OPEC conference in September to discuss the decline of the dollar was called after the Congress had gone into recess, but the Arabs had given fair warning last spring when they informed the world that if the dollar fell an additional 5 percent, they would seriously consider pricing their crude in something other than dollars. In terms of gold, the price of OPEC crude has actually fallen by one-third since January 1974. Arab demands that its oil be paid for in good money may lead to a crisis later this year or early next year—the crisis the Carter Administration needs to get its energy plan passed. Meanwhile, one member of Congress has suggested a federal income tax credit for thermal underwear.

✓ Speaking of Energy, the Department of has 20,000 employees on the payroll, and employs another 100,000 under contract. At least that is what they admit to. Figures can be deceptive, however, for it is a widespread practice of the federal bureaucracy to lay off employees one day per year—the day that the censuses of the federal employees are taken. No one knows how many federal employees and contract workers there are.

Paperwork (Cont. from p. 5)

the labyrinth of tax forms generated by the Internal Revenue Service. A second example is provided by the coterie of contractors and subcontractors who survive as parasites by responding to the bureaucratic demands for economic and environmental "impact statements." Ultimately, of course it is the consumer who pays the cost of all the government programs that generate the bureaucratic blizzard of paper.

The successful strategy to eliminate excessive paperwork and control the leviathan's desire for data must greatly reduce the current incentives or, better, must provide positive disincentives for the bureaucracy to generate paperwork. A direct attack on the problem can be made by requiring the government to compensate the private sector for the cost of filling out government forms. After all, if the "public interest" is served by the collection of vast amounts of data by federal agencies, equity requires that the cost to the private sector should be paid from the public purse. Alternatively, if the data collected by the federal government do not serve the public interest, the data should not be collected at all. By requiring each agency to reimburse businesses and individuals for the cost incurred in completing federal paperwork, the bureaucrat would be forced to ask for additional appropriations or to reduce spending for other purposes each time that an additional paperwork burden was placed on the private sector. This approach would also reveal the true direct costs to the private sector of government paperwork.

Once the magnitude of the paperwork burden is known and tax revenues must be generated to compensate the private sector for this burden, politicians will force bureaucrats to eliminate as much paperwork as possible or forgo staff positions and travel perquisites—items highly prized by bureaucrats. Senator Orrin Hatch has introduced a bill into the current session of the Senate which will compensate small business for the cost of paperwork, such compensation to come from the budgets of agencies requiring the paperwork. Although this proposed legislation is, indeed, a step in the right direction, the legislation should be broadened to include all businesses and individuals. Only then will the government be forced to acknowledge the full cost of the paperwork burden on the private sector.

Almost a century of experience has demonstrated without doubt that an additional government bureau with the same incentive structure that currently exists is *not* needed—commissioning an unmotivated bureaucrat to monitor paperwork is like hiring a fox to guard a henhouse. ■

FOOTNOTES

[1]Ludwig von Mises, *Bureaucracy* (New Haven: Yale University Press, 1944), p. 1.

[2]Paul Craig Roberts, "The Political Economy of Bureaucratic Imperialism," *The Intercollegiate Review* 11 (Fall 1976): 3.

[3]See James T. Bennett and Manuel H. Johnson, "The Political Economy of Federal Government Paperwork," *Policy Review* 7 (Winter 1979): 27–43; a more theoretical treatment of this topic appears in James T. Bennett and Manuel H. Johnson, "Paperwork and Bureaucracy," *Economic Inquiry* 17 (June 1979): 435–51.

[4]Roberts, op. cit., p. 6. See also, James T. Bennett and Manuel H. Johnson, "Bureaucratic Imperialism: Some Sobering Statistics," *The Intercollegiate Review* 13 (Winter 1978): 101–03.

[5]Friedrich A. Hayek, *The Road to Serfdom* (Chicago: University of Chicago Press, 1944).

[6]Ludwig von Mises, "Die Wirtshaftsrechnung im sozialistischen Gemeinwesen," *Archiv für Sozialwissenschaften* 47 (1920), reprinted as "Economic Calculation in the Socialist Commonwealth," in F. A. Hayek (ed.), *Collectivist Economic Planning* (London: Routledge, 1935). See also Friedrich A. Hayek, "The Use of Knowledge in Society," *American Economic Review* 35 (September 1945): 519–30.

MAN, ECONOMY, AND STATE

A Treatise on Economic Principles

by Murray N. Rothbard

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—*The Economist*, June 30, 1979

Underreachers

"A business-supported study group recommended Saturday that the federal government should offer financial guarantees for up to 10 privately built demonstration plants to produce shale oil and synthetic fuels from coal.

"But the group said that any more massive federal intervention, as proposed by President Carter, is not needed."

—*Los Angeles Times*, July 29, 1979

"Conrail said Thursday that if the government removes economic regulations from the railroads, it can operate for the next five years without any further federal aid beyond the $3.3 billion already authorized."

—*Los Angeles Times*, Aug. 3, 1979

Jefferson Davis in 1980

"A cryptic note in a recent issue of *National Review* was the first mention in the popular press of something currency speculation insiders have known for years: The U.S. dollar has shown a dramatic long-term decline against Confederate money. The Confederate dollar was mere scrap paper in 1865, and even 60 years later could be picked up for a U.S. nickel. But today, on the specialized exchanges dealing in Confederate currency...a Confederate one-dollar bill costs *eight dollars* U.S.

"What accounts for 'the Confederate miracle'? How can currency backed by a government defunct for over a century be sounder than one backed by the government in Washington? Confederate officials aren't saying, but they seem to have learned a lesson from the severe inflation of 1862–1865. They have not gone on the gold standard, but there are strict controls on the growth of the money supply, coupled with a fiscal policy which produces a balanced budget every year."

—J. R. Vanover, in *The American Spectator*, August 1979

The socialist miracle

"The World Bank has just published a study on Rumania reporting an annual economic growth rate of 9.8% a year between 1950 and 1975, outstripping even the success of Japan and Hong Kong. The report attributes this feat to 'comprehensive economic planning, which was made possible by the state's control of the major productive resources and its monopoly over foreign trade.'

"Many people find the reported rate of growth unbelievable, including the bank's own publication committee. ...Adjusting for population growth, it means Rumanian per capita income rose 8.7% a year for a quarter of a century. Yet, according to the World Bank Atlas, Rumanian per capita income in 1975 was only $1,210. That means in 1950 it was $150—the level in India today. World Bank President Robert McNamara says that $150 does not provide an adequate calorie intake in hot and steamy India; burdened with the fuel and clothing needs of a Rumanian winter, Rumanians in 1950 must have been experiencing substantial starvation, even after five years of war recovery. In 1945 they would have all been dead. We have heard exaggerated claims made for central economic planning, but never that it resurrected a whole nation from the dead."

—*Wall Street Journal*, Aug. 10, 1979

Thanks for nothing

"A group of 40 home builders and suppliers in Chicago pledged to freeze prices for 60 days to help fight inflation—only to be told by the Federal Trade Commission that their action might be an illegal restraint of trade."

—*U.S. News & World Report*, July 16, 1979

It will pay the interest on the national debt for almost 3 minutes

"An 81-year-old World War I veteran who willed his life savings to Uncle Sam to help pay off the national debt has gotten his wish. . . .

"On Monday, [bank] officials gave the government $255,000 in U.S. Savings Bonds, Treasury bonds and bills, plus more than $30,000 in interest that accumulated while the will was being settled."

—*Los Angeles Times*, Aug. 1, 1979

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