LRV and govt

By Bob Knissely

[An Old Example]

Let’s begin with an old example. Despite Nixon’s Wage and Price Controls, the souvlaki at a Greek restaurant on Capitol Hill got smaller and smaller; my friends and I called it “Phase 4 Souvlaki.” This leads us to the question: how many inspectors would it have taken to monitor portion sizes as well as prices?

{Stuart: I struggle with this example. I think it needs more background. We are not now limited by time or space. I would provide a brief explanation of the wage / price freeze under Nixon. Young people were not around at the time. The purpose was to limit price increases in a time inflation. Price freezes have to be enforced by hiring people (lots) to identify and fine those who increase their prices. Hence, keep the price constant but reduce the portion size of servings in restaurants. Is Souvlaki an entrée? Apparently the price freeze program had several phases. Why? What were these?}

[Another Example: Prohibition]

Another example is Al Capone controlling the bootlegging business all the way from Canada to Florida, and he had 10,000 speakeasies in Chicago alone, while there were never more than 1520 Federal Prohibition Agents.

“Ya cahn’t get theyah from heah.”

{S: Thanks to Hollywood movies, this one is easier to understand.}

[Some New Examples]

Let’s turn to some newer examples. In 2013, a fertilizer plant in Texas exploded, killing 14 and injuring 200+ workers. The plant had not been fully inspected for over 30 years. OSHA (and its state partners) had only 2200 inspectors to protect 130,000,000 workers in 8,000,000 workplaces.

{Does federal regulation rely (a lot) on whistle-blowers?}

[Another…]

Another example is The National Highway Traffic Safety Administration had $134 million in 2013 to address 34,000 traffic fatalities in the USA. This was less than what we spent protecting the US Embassy in Iraq for three months of that year.

[And another…]

A third example is The Internal Revenue Service’s budget for 2014 was seven percent lower than in 2010. During those {intervening} years, the IRS lost 10,000 staff, an 11% reduction in personnel, but for every $1 spent on IRS enforcement, an estimated $200 in unpaid taxes is recovered.

[One Good Example]

One positive example is since 1988, just ten attorneys at the Social Security Administration have prosecuted mail fraud. In 2011, Internet fraud swamped them. Then they partnered with Google, Apple, Microsoft, Facebook, Visa, MasterCard, and PayPal to block both ads and payments, thus preventing most Internet Social Security fraud before it can occur.

{What does social security fraud look like? I have experienced it, but young people in particular have not. Assume you are speaking to college freshmen.}

[The Paradox]

The paradox is that “since the 1960’s, the U.S. population increased by 67%, the private sector workforce increased by 136%, while the size of the Federal workforce rose about 10 percent (President Obama’s FY2017 Budget).” Many of the world’s challenges today are more complex, critical, & urgent than ever. So, how do we “get theyah from heah”?

[We need:]

What we need is a better understanding of the challenges we face, at home and abroad (including searches for possible unintended consequences and counter-intuitive behavior of systems), a broader set of policy tools for tackling them, and an evaluation of the effectiveness of the tools themselves (not just “program evaluation”) with feedback to tool selection and modification.

[Understanding the Challenges]

To understand the challenges we face we need to deploy all disciplines (including system dynamics, cybernetics, etc.), institute “Legislative Impact Statements” for all significant Congressional actions, and employ “crowdsourcing,” both for problem identification & analysis, and to search out new policy tools and uses.

[Crowdsourcing]

Of these, one of the most useful tools is crowdsourcing. “Crowdsourcing is the process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers (Merriam-Webster.com).”

[“Crowdsourcing” is not new:]

Crowdsourcing is not new: in 1714 when the British government was trying to find a way to measure a ship’s longitude, they offered the public a monetary prize to whomever came up with the best solution.

[A Broader Tool Set]

We have the “standard” tools of government, with enormous variations in the resources needed for complete implementation, and in effectiveness. We have newer tools, such as prizes and nudges, which emphasize simplification. Perhaps we’ll even find more tools in the future.

[The Standard Tool Chest]

Our standard tool chest includes:

1. Direct Government
2. Government Corporations & Government-Sponsored Enterprises
3. Economic Regulation
4. Social Regulation
5. Government Insurance
6. Public Information
7. Corrective Taxes, Charges, & Tradable Permits
8. Contracting
9. Purchase-of-Service Contracting
10. Grants
11. Loans & Loan Guarantees
12. Tax Expenditures
13. Vouchers
14. Tort Liability

[Example: DOL’s Mine Safety & Health]

An example of these tools in practice can be found in DOL’s Mine Safety & Health Administration (MSHA). In FY2011 MSHA grossed $350m & 2,430 FTE (Now 1000?). Massey Energy grossed $2,300,000,000 in 2009. MSHA proposed fines of over $10K for only 25 of Massey’s 1,342 violations over 5 years. If tort liability were imposed ($10m/fatality?), Massey would buy insurance, the insurance company would have “skin in the game,” and would insist on (and monitor for) the best safety practices.

[Sunstein’s “Nudges”]

Sunstein’s “Nudges” are “Libertarian Paternalism,” Choice Architecture, “Default” health care and savings options, “Calories count” on menus, Automatic Tax Returns, “Smart” electric meters and “Dollar a Day” programs.

{Each of these would benefit from a sentence or two.}

[Congress never…]

Here are some quotes to illustrate my point:

John Brademus was the president of New York University for 11 years and a Congressman from Indiana for 22 years. He served as Majority Whip under Tip O’Neill. He said, “Congress never gets anything right the first time – after five or six years we have to revisit our ‘solutions’ and correct them.”

[Failure…]

“Failure is an unacceptable difference between expected and observed performance. Good design is thus proactive failure analysis, something that both a designer and a chooser among designs ought to practice. Anticipating and identifying how a design can fail — or even just be perceived to fail — is the first step in making it a success.” Henry Petroski, Success Through Failure (2006) p. 51

[Madeleine Albright]

"People are speaking to their government with 21st century technology, we are listening with 20th century technology and responding with 19th century policy (Madeleine Albright).”

[Places to Intervene in a System]

Donella Meadows developed a list of places to intervene in a system.

9. Numbers (subsidies, taxes, standards)

8. Material stocks and flows

7. Regulating negative feedback loops

6. Driving positive feedback loops

5. Information flows

4. The rules of the system (incentives, punishment, constraints)

3. The power of self-organization

2. The goals of the system

1. The mindset or paradigm out of which the goals, rules, feedback structure arise

[Charles Darwin]

“It is not the strongest or the most intelligent who will survive but those who can best manage change (Charles Darwin).”