Auto-Safety Standards

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NOW that the furor over car safety has subsided, it is instructive to consider some little-noticed aspects of the Federal legislation it produced.

1. Cost. The recently issued safety standards will raise the cost and hence the price of new cars. According to some estimates, consumers will pay about $1 billion a year extra.

Suppose Congress had been asked to appropriate this sum for the identical safety equipment, raising the money by a special excise tax on automobiles. Would Congress have enacted this proposal as readily as it enacted the safety legislation? Yet, the two are identical except in form.

2 Delegation of power to tax. Congress has been jealous of its prerogative to impose taxes. Time and again it has rejected proposals that the President be granted discretion to alter tax rates. Yet, in this case, as in other similar cases, Congress has delegated to an administrative official near-absolute power to decide how large a tax to impose.

3. Failure to compare alternatives. The basic issue before Congress was safety, not requiring automobile manufacturers to build their cars in specified ways. Yet, so far as I know, there was no discussion whether $1 billion a year would contribute more to safety if spent in this way than if spent in other ways – on improved highways, or driver education, or better enforcement of speed limits, or more intensive investigation of causes of auto accidents.

4. Who will set the standards? The National Traffic Safety Agency has already been criticized for yielding to the demands of manufacturers in drawing up its final safety standards for 1968 cars. Mr. William Stieglitz resigned as consultant to the agency on roughly these grounds. Such complaints will be even more justified in the future – though the complaints themselves may become less shrill.

How else can it work out? Safety standards are a peripheral matter to most car owners. A

Ralph Nader may get them or the politicians aroused enough to pass a law; but once the law is passed, the consumers will return to somnolence, from which only an occasional scandal will reawaken them. The car manufacturers are in a very different position. They have billions at stake. They will assign some of their best talent full-time to keep tabs on the standards. And who else has the expertise? Sooner or later they will dominate the agency – as, despite well-publicized tiffs, railroads and truckers have dominated the ICC; radio and TV networks, the FCC; physicians, state medical licensure boards; and so on.

5. *Effect on competition.* Several small specialty-car manufacturers have already complained that compliance with the new safety requirements would put them out of business – the 1931 Ford that one company replicates has less glass in total in its windshields than the windshield wiper standards require the wipers to clear! No doubt, special exemptions will be granted to these companies. But how shall we ever know about the innovations that might have been made, or the companies that might have been established, without this additional handicap?

The effect on foreign producers will be even more important. Any extra cost will be more of a burden on them than on U.S. producers because they sell a much smaller fraction of their output in the U.S. Beyond this, it will become clear to the agency – staffed as it must be by men trained in the U.S. industry and in daily touch with it – that our cars are really safer and that the way to promote safety is to require foreign cars to meet American specifications.

The result will be a sheltered market for U.S. producers – and higher costs to U.S. consumers that have little to do with safety requirements.

6. *The effect on safety.* To begin with, the standards may well make cars safer. But, as administrative rigor mortis sets in, they will soon slow up product improvement, so that a decade from now cars may well be less safe. Reduced competition will reinforce this tendency. In addition, the higher price of new cars will raise the average age of cars on the road.

7. *An oft-told tale.* Time and again, laws passed to protect the consumer have ended up by restricting competition and so doing the consumer far more harm than good. Is it too much to hope that one of these days we shall learn this lesson before we enact a new law rather than after? ◈

Public and Private Enterprise

IN ADDITION to being a good economist, John Jewkes, the eminent Professor of Economic Organization at Oxford, is a man with an exquisite taste for historical irony. His *Public and Private Enterprise* (University of Chicago Press, $2.25), which is made up of his Lindsay Memorial Lectures given at the University of Keele, invokes Alexis de Tocqueville at the beginning. But it is not to hail the many prophecies of that remarkable Frenchman which happened to come true. Rather it is to quote from one of Tocqueville's rare historical mistakes.

"Everywhere," so Tocqueville said of the eighteen thirties, "the State acquires more and more direct control over the humblest members of the community, and a more exclusive power of governing each of them in his smallest concerns. . . . Diversity, as well as freedom, are disappearing day by day."

This was written at the time of the Jacksonian revolution in America and the movement toward free trade in England. Far from "disappearing" in the eighteen thirties, "diversity" and "freedom" were just about to take off on the grand flight that was to make the nineteenth century such a wonderful period. What Professor Jewkes is intent upon establishing is to show that Tocqueville was right in retrospect if wrong in prospect, for the world previous to the eighteen thirties—the world of mercantilism and emperors who said *"l'etat, c'est moi"*—was indeed a world in which diversity had a hard struggle. For just about a hundred-year span after 1830, history was to reverse itself. But now, as Professor Jewkes laments, Tocqueville's words might correctly be applied. "Everywhere, and not merely in Socialist countries," says Jewkes, "that part of the national income taken in taxation; of the working population employed by the State; of capital expenditure incurred by