



TO: Editorial Page Editors and Writers

FROM: Rena Steinzor, President, Center for Progressive Reform

RE: Regulation Makes a Comeback

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One interesting aspect of the debate over the economic bailout package is the near-universal agreement that deregulation of the financial industry went too far, and was either partly or entirely to blame for the disaster. In recent weeks, conservative advocates of deregulation, some of whom have spent years railing against federal regulation on grounds that it is intrusive and bad for the economy, are now calling for stronger regulatory safeguards.

One lesson we should learn from this near-debacle is that regulation is vital to curbing the excesses of the free market. In the case of Wall Street, the excesses were huge, deregulated financial conglomerates trying to make fast money on bad-risk loans in an overly permissive regulatory environment. But just as deregulation on Wall Street bred a financial disaster, deregulation in other areas is exposing Americans to unnecessary risks.

Three examples:

- The 2007 controversy over lead-laden toys, 80 percent of which are made abroad, mostly in China. The American companies that contracted with the Chinese manufacturers should have had their own inspection systems in place, either right in the plant or somewhere before the toys reached the U.S. marketplace. And in case that failed, the federal government should have had inspectors checking at least a sample of the imports to make sure they were safe. That's a job that the Consumer Product Safety Commission (CPSC) might be doing. But at the time of the toy scandal, the CPSC had all of 15 inspectors to police hundreds of billions of dollars worth of imports annually. Los Angeles-area ports, where many products produced in Asia enter the country, process 15 million truck-size containers annually, but only a single CPSC inspector, working two or three days a week, was available in 2007 to "spot check" them. That's not because we imagine the imports are all safe and healthy. It's because the anti-regulation movement of the 1980s gutted CPSC, and has never allowed it recover its strength.
- The Vioxx scandal. The once-market-leading pain-relief drug caused heart attacks and strokes – an estimated 88,000 of them over the years. But the manufacturer got away with obscuring the evidence of the dangerous side effects, because the Food & Drug

Administration lacked the staff resources to interpret data the company had submitted that hinted at the problem. Giving the FDA the resources it needs to do the job correctly would save lives, but cost money.

- A free pass for perchlorate. Just last week, the Associated Press and the Washington Post reported that the Environmental Protection Agency had decided not to set a federal standard for perchlorate that contaminates the drinking water of 20 million people, and causes neurological harm to infants. Perchlorate is a rocket fuel, used by the military in munitions. After years of pressure from the White House and the Pentagon, EPA has apparently taken a dive.

Americans rely on CPSC, FDA and EPA to protect them from harm, but the anti-regulatory fervor that began more than a quarter century ago has left them without the resources and the political support they need to carry out their mission. Conservatives often argue that the free market is a better guarantor of such protections, because bad actors are punished by consumers. That's a hard argument to make for those whose life savings were imperiled by Wall Street's excesses. And it's just hard a case to make to those whose loved ones died of Vioxx-induced heart attacks or strokes, or whose children suffer neurological harm from ingesting lead or perchlorate.

Regulations provide critical safeguards for Americans. The now common refrain dismissing regulations as intrusive, big government red-tape that kills jobs and cripples the economy may continue to score political points with some voters. But as the Wall Street fiasco amply demonstrates, it also leads to unnecessary risk for Americans – financial and otherwise.

I hope you'll be able to find space on your editorial pages for this important subplot of the Wall Street meltdown story.

If you'd like more information, please contact Matthew Freeman in our media office at 301-762-8980, or mfreeman@progressivereform.org. Visit CPR on the web at www.progressivereform.org. Thanks for your consideration.