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Reviving regulation

Financial mess brings a reminder: Government has an important role in keeping us safe

By Rena Steinzor
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An interesting subplot in the story of Wall Street's troubles is that suddenly everybody's in favor of federal regulation. Conservative advocates of deregulation, who had never met a federal regulation that they didn't think was "intrusive," "harmful to the economy" or a "federal power grab" now stand shoulder-to-shoulder with lifelong advocates of sensible safeguards.

It's been almost three decades since knee-jerk opposition to federal regulation became a staple of conservative politics. In that time, we've heard federal scientists, economists and other highly trained experts vilified as "faceless bureaucrats" who create "economy-hobbling red tape." All the while, politically meek liberals have offered a *softo voce* defense - or none at all.

So here's a hard truth we should all learn from the financial meltdown: Regulation is vital to curbing the excesses of the free market. In Wall Street's case, the excesses came in the form of huge, deregulated financial conglomerates trying to make fast money on bad-risk loans.

But Wall Street isn't the only example of the need for regulation of the free market. Last year, nameless Chinese manufacturers took the public blame for lead-laden toys, but their imports should never have been permitted into the country. U.S. companies that contracted with the Chinese manufacturers should have had their own inspection system in place, in the plant or elsewhere, 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.

In fact, Congress long ago created a federal agency charged with just such tasks: the Consumer Product Safety Commission (CPSC). 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.

The anti-regulation movement of the 1980s gutted the CPSC, and the itty-bitty government crowd has made sure it hasn't been built up again. And if it adopted regulations requiring U.S. toy companies to inspect and report on the safety of their imports, you can bet the effort would be met by cries of "red tape" and "job-killing bureaucracy."

Or recall the Vioxx scandal, still percolating through the courts. Vioxx was a market-leading pain-relief drug for many years, but it caused heart attacks and strokes - an estimated 88,000. The manufacturer got away with obscuring the evidence of the dangerous side effects for several years, because the Food and 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. So even though the wildly profitable pharmaceutical industry might be prevailed upon to pick up some of the tab, the anti-regulation, itty-bitty government crowd has stood in the way.

Last week, we learned that the [Environmental Protection Agency](#) has declined to set a federal standard for perchlorate, a rocket fuel that contaminates the drinking water of 20 million people. As I detail in my book *Mother Earth and Uncle Sam: How Pollution and Hollow Government Hurt Our Kids*, perchlorate causes neurological damage in infants. Nevertheless, after years of pressure from the [White House](#) and the Pentagon, the EPA has blinked and decided it will duck the problem.

Anti-regulators might argue that over time, consumers would have stopped buying Vioxx, once they knew the harm. Tell that to the families of the 88,000 heart attack and stroke victims. They might say the same about unsafe toys - once consumers find out, they'll stop buying them. Tell that to the parents of kids who are injured or worse.

We need regulations to protect consumers, investors, children and families. If one good thing comes out of the financial crisis, perhaps it will be this: to end the cheap rhetoric about red tape and big government, and own up to reality.

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