

America Excels at Building Bureaucracy

Craig J. Cantoni

Last year, Los Angeles celebrated the opening of its new Sixth Street Bridge, which connects downtown to the city's eastern district and crosses over an industrial area and the L.A. River (drainage wash). Designed to safely accommodate pedestrians, cyclists, and vehicles, it is indeed a beautiful bridge.

Are there any negatives about the bridge? Not according to media coverage.

In conducting an internet search on the bridge's construction and opening, I could not find one negative story or remark in six pages of sources. Media outlets were uniformly ecstatic about the bridge.

But there are negatives, as there are with a lot of construction projects in America. The bridge is one of thousands of examples of how America excels at building bureaucracy. Consider:

The bridge had been projected to be completed in three years at a cost of \$428 million. Unsurprisingly, it took six years and cost \$588 million, or \$160 million over budget.

If you are a U.S. taxpayer, you paid some of the cost, even if you don't live in L.A. or California. That's because \$364 million of the funding came from the Federal Highway Bridge Program—although the bridge isn't exactly critical infrastructure of national importance.

Given that the average household income in the U.S. is \$90,000 in rounded numbers, this means that the \$364 million in federal funding is equal to the total yearly income of about 4,000 households across the nation.

Cost overruns, missed deadlines, and hide-the-pea funding have become so commonplace on public works projects that they are met with a big yawn from the media and the public. This reflects the bureaucratization of America, one of the most serious problems facing the nation—a problem that doesn't get the attention it deserves.

It might seem hyperbolic and even bizarre to say that bureaucratization is that serious, but history suggests otherwise. Bureaucracy has caused huge corporations to lose touch with customers and market trends, ultimately causing them to go out of business. The same is true with nations, most notably the Soviet Union, which, due to communism, tried to micromanage an entire economy and society. It was the ultimate bureaucracy and a perfect illustration of my axiom: *The more socialism, the more bureaucracy.*

Experts from various disciplines are puzzled about why U.S. productivity growth has flat lined for many years in spite of new technologies. This is a very important question, because prosperity depends on productivity. The answer is that productivity is being throttled by red tape.

Bureaucracy is also a key reason why Americans are frustrated with their government and elected leaders. Layer upon layer of unaccountable and unelected apparatchiks have come between citizens and lawmakers, a situation made worse by the fact that most members of Congress are attorneys,

who, by nature, training, and experience, are comfortable with abstruse minutiae.

Equally concerning, public and private construction projects seem to take a lot longer than they did more than a century ago, in spite of such technological advances as computer-aided design, instant electronic communications, lighter and stronger materials, and more versatile and powerful construction equipment.

Take the Kinzua Bridge near my wife's hometown of Bradford, Pa., in the northwestern part of the state. A railroad trestle, it was built in 1882 to carry coal from Pennsylvania coal mines to Buffalo. At 301 ft. tall, it was the highest railroad bridge in the country at the time. Spanning the Kinzua Valley, it was 2,052 ft. long. Originally made of iron, the bridge was built in 94 days. Years later it was torn down and rebuilt out of steel in order to accommodate heavier trains.

To compare, it took 94 days in 1882 to build the Kinzua Bridge in Pa., versus six years in the 21st century to build the Sixth Street Bridge in L.A.

Or consider the Eads Bridge that crosses the Mississippi River at my hometown of St. Louis. It was the first bridge over the Mississippi at its wider section south of the Missouri River. It took seven years to build, beginning in 1867. That's one year longer than it took to construct the Sixth Street Bridge, but the Eads Bridge, at 6,442 ft. in length, had to cross a mighty river, had to be high enough for tall steamboats to pass underneath, and had to carry trains and horse carriages and wagons (and later motorized cars and trucks). Not only that, but new construction methods had to be developed as it was being built, such as learning to build a bridge with steel and inventing the pneumatic caissons required to construct footings 100 ft. below the surface of the river.

Then there is the Brooklyn Army Terminal. Its construction began in 1918 and was completed in one year. The facility, much of which still stands, covered 94 acres and consisted of two eight-story warehouses, three two-story piers, ancillary buildings, railroad tracks, cranes to move material between pier and ship, and a storage yard with a capacity of 2,200 freight cars. In all, it had 4.6 million square ft. of indoor space.

What has happened over the intervening years to slow down construction projects? The easy answer is labor laws, safety regulations, and environmental regulations—all of which came into being for good reasons but have morphed into a nightmare of needless red tape. For example, it can take years to write an environmental impact statement and get government approval before construction can begin, even for something as environmentally benign as a bridge.

A cynic—or perhaps a realist—would say that politics come into play, in that politicians can “buy” votes by building something that an interest group wants and by spreading the cost across all taxpayers. Economists refer to this as concentrated

benefits and dispersed costs. Those who benefit will tend to be better organized, more vocal, and more determined than the general public that foots the bill. Of course, the beneficiaries are insensitive to costs.

However, there are other causes of bureaucracy that are even more pernicious and almost impossible to stop.

First is the natural tendency of organizations, including nation states, to slowly become more bureaucratic as they age. Like a ship slowly accumulating barnacles, a ship of state slowly accumulates laws, regulations, and rules. As an example, when the income tax was instituted in 1913, the tax code was four pages. It grew to 1,000 pages during FDR's New Deal, to 8,200 pages during the Second World War, and to more than 70,000 pages today.

A similar exponential growth in red tape has been produced by other federal agencies, departments, sub-departments, and sub-sub-departments. States and municipalities have followed suit.

The second reason for the growth in red tape is self-interest. Every law and regulation, and every sub-section of a law or regulation, becomes the rice bowl of those in the public and private sectors who are paid, often handsomely, to interpret and administer the gobbledygook.

For example, the IRS already had more than 70,000 employees, before the great expansion, or one for every page of the tax code. Not included in this number are the tens of thousands of private-sector tax attorneys, accountants, administrators, financial advisors, clerks, developers of tax software systems, and others who owe their livelihood to the tax code. No doubt, many of these are small-government conservatives who rail about the growth of government.

It was frustrating during my corporate career when I had

to attend expensive seminars to learn about new regulations promulgated by OSHA or some other agency. Oftentimes, the consultants holding the seminars were the former government bureaucrats who wrote the regulations. They had an incentive in their former jobs to make the regulations as indecipherable and ambiguous as possible. Physicians today are having the same experience.

Equally discouraging is the government's spawning of regulations to address problems caused by government. Ponderous financial regulations such as Dodd-Frank are a case in point. The Federal Reserve and the Treasury have caused financial crises by working in cahoots to print money and lower interest rates, in order to cover deficit spending. This in turn has fueled financial speculation, market exuberance, and malinvestments. In response, the government has promulgated regulations instead of addressing its culpability.

It's a similar story with the government's tuition loan programs, which have driven up the cost of college, which in turn has led the government to enact even more subsidies and regulations, which in turn have driven up costs even more.

My 1991 book on bureaucracy detailed how companies could save themselves from being destroyed by self-inflicted bureaucracy, and my consultancy helped to save several clients. There are no solutions for nation states, however. In those, bureaucracy will run its course and slowly weaken the host, until something catastrophic happens and upends the existing order, such as devaluation, bankruptcy, revolution, or being conquered or subsumed economically by a stronger nation.

On the bright side, at least L.A. will have a pretty bridge.

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