

The Disproportionate Impact of Overregulation on Blue Collar Jobs

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Progressives for the most part acknowledge the need for free enterprise. Where they disagree with conservatives is on the policies that enable it. Whereas conservatives believe in deregulation, progressives [minimize](#) or dismiss the disadvantages of overregulation. Some progressives even believe that regulations have a “[positive](#)” effect on job growth as entrepreneurs innovate to comply with the changing economic landscape. Since these strategies are mutually exclusive, both sides cannot be right. Unfortunately, there is no high profile smoking gun that vindicates either side because societies are complex and standard of living is affected by many variables unrelated to local policies. Even in the U.S. alone, states vary widely in their demographic make-up, per capita GDP, and consumption of federal expenditures. Any analysis that does not take any of these variables into account is little better than comparing apples to oranges.

According to Forbes, the “[business favorability](#)” ranking of a state relies on six components; business costs, regulatory environment, labor supply, economic climate, growth prospects, and quality of life. Conservatives who feel perplexed upon seeing the relatively progressive state of Washington among Forbes’ “ten best” for business should keep in mind that most of the aforementioned components are subject to the vicissitudes of geography, climate, demographics, and federal expenditures. The only component of Forbes’ business favorability that relies entirely on local policy is the “regulatory environment”, which usually favors Republican-dominated states. In fact, among the top 25 states for regulatory environment only three voted for Clinton in 2016 and two of these (Colorado and Virginia) are swing states that voted for Bush in 2004. Among the bottom ten only one state (West Virginia) voted for Trump.

The variable that conceals the effect of regulation the most is “labor supply” because it favors states with more college graduates (and these states tend to elect governors that favor regulation). Per capita GDP was not among the six variables listed by Forbes, but it also complicates the data because it favors geographic regions that are more amenable to commerce and urbanization. Consequently, the effect of the regulatory environment on overall unemployment becomes more noticeable when a sample is limited to states with a labor pool that is less educated (Fig. 1) or when the sample is limited to the “flyover” states where per capita GDP is below \$40,000 (Fig. 2).

Federal spending can also play a role in obscuring the adverse consequences of overregulation because the government jobs provided by these expenditures can make up for those lost in the private sector. This is particularly true for [military spending](#), which in some states makes up as much as 10% of state GDP. Consequently, the effect of the regulatory environment becomes more noticeable when comparing states where military spending is 3% or less (Fig. 3). The outlier with unusually low unemployment is South Dakota. Even though its [booming economy](#) has been attributed to “diversification”, it should be noted that this corn belt state also receives nearly \$1,600 per capita in [farm subsidies](#) per year (placing it second only to North Dakota). Since this federal expenditure exceeds 3% of [state GDP](#), South Dakota should probably be excluded from this sample.

When the sample is limited to states with a more educated labor pool, there is no discernable correlation between the regulatory environment and unemployment (Fig. 4). This implies that college graduates are least affected by overregulation. Perhaps this is why so few of them ponder the [unintended consequences](#) of feel-good mandates such as “living wages”, which may play a role in the ongoing [relocation](#) of adults with only a

high school diploma from progressive states New York and Rhode Island to more business-friendly states like Florida, Texas, and Georgia where they are more likely to find jobs. In contrast, many college graduates are relocating [to progressive](#) states with larger cities more cultural amenities. This sorting of Americans by college attainment deepens the cultural divide responsible for the 2016 electoral map and the ongoing acrimony we are seeing in congress, the media, and universities.

“Does it feel good or does it do good?” [This question](#) posed by the radio host Dennis Prager cogently sums up the outcome of well-intentioned regulations that undermine job opportunities for blue-collar workers. While some regulations are needed to protect employees, consumers, and the environment, all of them involve trade-offs and some have unintended consequences. The business owners who [relocate or close down](#) when the cost of compliance wipes out their profit margins understand this. The college graduates who wallow in a comfort zone of feel-good talking points and virtue-signaling associates have much to learn.

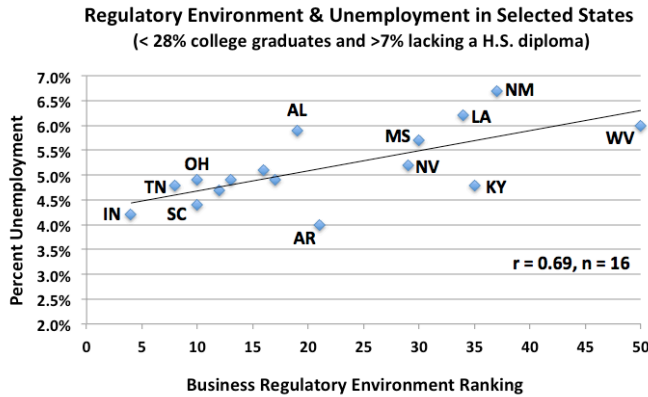


Fig. 1: Adjusted for large differences in percent of college graduates and adults without a high school diploma. Based on data from [Forbes \(2017\)](#), [U.S. Department of Labor Bureau of Labor \(December 2016\)](#), and the [U.S. Census Bureau \(2015\)](#).

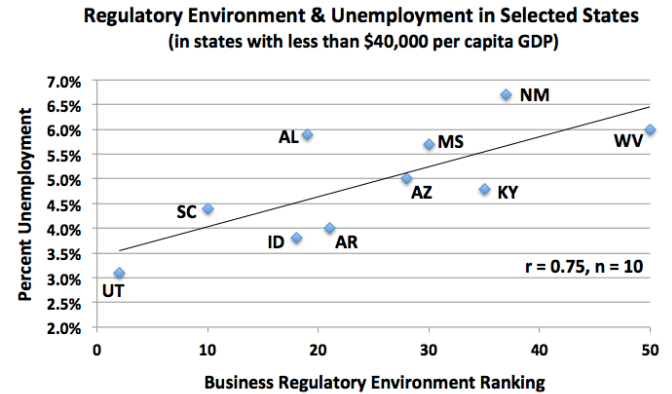


Fig. 2: Adjusted for large differences in per capita GDP. Based on data from [Forbes \(2017\)](#), [U.S. Department of Labor Bureau of Labor \(December 2016\)](#), and the [Bureau of Economic Analysis \(2014\)](#).

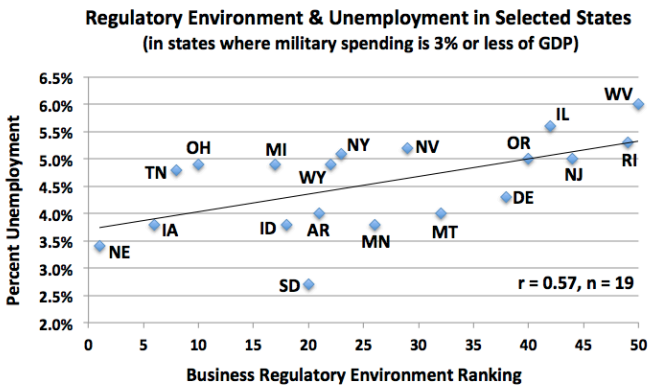


Fig. 3: Adjusted for large differences in military spending. Based on data from [Forbes \(2017\)](#), [U.S. Department of Labor Bureau of Labor \(December 2016\)](#), and the [Bloomberg Government Study \(military spending in 2009\)](#).

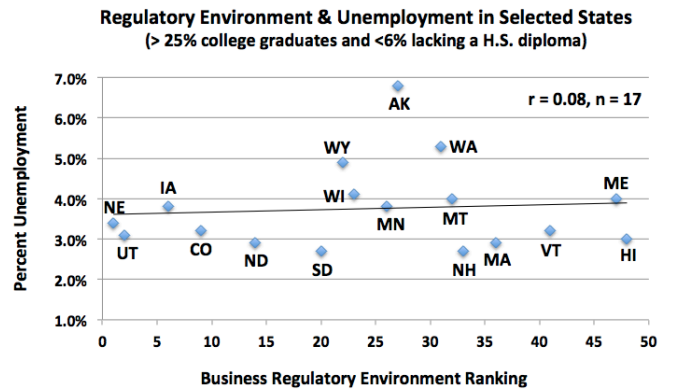


Fig. 4: Adjusted for large differences in percent of college graduates and adults without a high school diploma. Based on data from [Forbes \(2017\)](#), [U.S. Department of Labor Bureau of Labor \(December 2016\)](#), and the [U.S. Census Bureau \(2015\)](#).

Links (in case the hypertext does not work):

1. https://www.americanthinker.com/articles/2017/04/the_disproportionate_impact_of_overregulation_on_blue_collar_jobs.html
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3. Russ, A., Shaeffer, E. "Don't believe the 'job killer' hype: Decades of economic research show that environmental regulations are good for the economy" *The Environmental Integrity Project*, January 16, 2017 <https://www.environmentalintegrity.org/wp-content/uploads/2017/01/Jobs-and-environment-report.pdf>
4. Forbes "Best States for Business" *Forbes* 2017 <http://www.forbes.com/best-states-for-business/list/#tab:place>
5. U.S. Department of Labor Bureau of Labor Statistics "Local Area Unemployment Statistics December 2016" <https://www.bls.gov/web/laus/laumstrk.htm>
6. U.S. Census Bureau American Fact Finder "Educational Attainment Population 25 years and over (2015)" https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_S1501
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14. Prager University “Does it feel good or do good?” https://www.youtube.com/watch?v=_rOb_z-yYrU
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