

Trouble Tax: We All Pay a Time Price for Bureaucratic Dysfunction

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The California Department of Motor Vehicles office (DMV) in Van Nuys, Calif., on Aug. 6, 2018. behzad moloud/Shutterstock



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Commentary

Adam Smith said it all, in “[Wealth of Nations](#)”: “The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it.”

Now, we might interpret “toil” as the cost, or money price, of the thing, and “trouble” as the transaction cost, or inconvenience of the purchase. Then an increase in either the money price, or an increase in trouble, are both cost increases. Demand curves slope downward,



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so people are better off if the price, or the “trouble,” are reduced. They are substitutes, for citizens.



The problem is that these two costs are not seen as substitutes for bureaucracies, not at all. The result is that citizens are constantly paying substantial, and easily avoidable, “taxes” in the form of



trouble, just so bureaucracies can save money.



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It is easy to think of examples. You are trying to enter the country, after a trip abroad. There are only two stations open at the passport control barrier, and hundreds of people in line. Now, the government could easily hire more passport agents, but that would cost money. Instead, a terrible “trouble tax” is imposed, as people have to wait in line for more than two hours just to have a bureaucrat spend 30 seconds looking at a passport and waving you through. (This happened to me in Charlotte this year: there were literally two agents working. We were told “there is a shortage,” as if that were an explanation for indifference to citizens’ needs). Other places, [including Dulles Airport](#) in Virginia, may even be worse!

Each of the hundreds of people in line, many of whom missed their connection, would happily have paid \$10, or \$20 (I would have paid \$50!) to have a ten-minute line instead of two hours. The extra thousands in revenue would easily have paid an hour’s salary and benefits for five more bureaucrats to process passports. This is a “government failure,” because the outcome is [Pareto inferior](#)—the new bureaucrats would be better off being paid, and the customers would have been happy to pay. Yet the transaction fails to take place, resulting in what economists call “deadweight loss.”

This kind of failure is epidemic in our current system of government, and it's getting worse fast. A friend who has young children recently recounted his experience getting "school supplies" (an experience parents all over the United States [can identify with](#)). Parents were given a specific, mandatory list of items: the pencils needed to be of a certain type, the notebooks had to have specific dimensions. No single store had every particular item required, so my friend had to go to multiple stores to buy just a few items at a time.

The parents of all 30 kids in the class each had to go on this tiresome search and purchase quest, spending hours that they would have paid to avoid. Why doesn't the school buy these items, of the correct type and in bulk, and then distribute them on the first day of class?

The diligent school-shopper wrote in an email: "Sure, this would cost money. But they could send me a bill! Or raise my taxes by whatever amount that offsets the cost. It would surely be socially efficient to allow a procurement specialist to take care of this, rather than outsourcing it to hundreds of families" in the whole school.

Look: the *money* cost is the same, either way: *the parents are paying for the supplies*. Either they pay directly, to the retail store, or they pay taxes which fund purchase of the supplies. (Actually, since having the school buy in bulk is cheaper, the tax cost [would be less](#), but let's ignore that, and call it even).

The explanation is obvious, and it illustrates why [the use of bureaucracy](#) as a means of provision of services is so inefficient, and frustrating: the burden of the costs is different for the government, and the citizens! Citizens pay both the money price (from their toil to earn cash), and the trouble (time waiting in line, driving around, filling out forms) of acquiring the needed permission or service. But the bureaucracy only counts the *money* cost, because they only care about their "budget." That doesn't make them bad people, but they are drawn that way, because all the incentives are to save on budgets.

In many areas of government, this has led to a doom loop: tax cuts reduce funding, funding reduces service, and lack of service imposes a very large "trouble tax" on citizens. Citizens would love to pay more

taxes to avoid the trouble, but that option is not available because government is not a competitive system where a competitor can enter and offer better service for a lower total (toil plus trouble) cost.

In North Carolina, my home state, the “need to hire more workers” problem is particularly egregious at the Department of Motor Vehicles drivers’ license stations. The General Assembly is proud of its tax cuts, and the “savings” on the DMV budget. The [Governor has responded](#) by refusing to use what money is available to hire new inspectors and clerks. As a result, the average wait time for a driver’s license is [four to six hours](#), if it is possible to get one at all.

Of course, it is illegal to drive, and impossible to fly, without a valid [“Real ID” driver’s license](#), so citizens have no choice but to pay the trouble tax. This kind of government failure, driven by the fact that employees of the state focus on *money*, but care nothing for the *time* of citizens, is a product of bureaucracy and monopoly power. There is no reason to make the system more convenient or more efficient, because there is no profit incentive, no payoff to providing good service. We are all forced, essentially at gunpoint, to line up and accept whatever “service” the state deigns to provide.

From the [American Institute for Economic Research \(AIER\)](#)

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