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Innovation: in a wing-view mirror, darkly [1]

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We live in a society of well-intentioned regulations to ensure consumer technology complies with only the best of standards. Examples include long-standing regulations specifying the curvatures of vehicle wing mirrors, or the European Commission?s recently introduced [3] (voluntary) ?universal standard? to ensure all mobile phones use the same charger.

Each regulation attempts to achieve an optimal outcome at a static point: wing mirror regulations ensure consumers have a basic safety standard, while a common European phone charger cuts down waste and ensures consumers can always find the right charger regardless of which phone they use.

As laudable as these aims may be, they pose a practical problem as the economy and the sum of technology are not static. Rather, the dynamic nature of market innovation upsets the regulator?s tidy picture. For example, this summer anew wide-angle mirror was designed [4] that could theoretically eliminate the blind-spots which have plagued automobile wing mirrors for over a century. This development cannot be implemented without changes to regulation put in place in the 1960s, a time when such innovation was unforeseen.

Whether such regulation should be introduced in the first place is also debatable. Any regulation to ensure motor safety is premised on some minimum standard, but even such safety standards could be determined by a competitive market in the short to medium term without regulation, which would allow greater flexibility to incorporate changes in technology more readily. Moreover, often regulations cannot be changed once in place because ? from a public choice perspective ? such regulation can become captive to protectionist interests.

In the United States, to take one example, the NHTSA?s Federal Motor Vehicle Safety Standard 111 prevents the importation of vehicles with foreign-compliant mirrors, without extensive modification. It remains to be seen how regulators react to the new blind-spot-less mirrors, but in the meantime, such regulation locks us into a more static vision of the economy and the market, delaying the trends of innovation which could lead to ? literally ? better ways of looking at the world.

The ancient Greeks, seeing themselves as the pinnacle of civilisation, writes Murray Rothbard in *Economic Thought Before Adam Smith* [5], aspired to an ordered utopia which could be kept static, unencumbered by the messy forces of change and creative destruction. The Socratic ideal was that of an essentially ?frozen society?, heavily regulated according to argued collective and public interests, and consequently ?not a society of creative and dynamic individuals and innovators.?

Today, rather than a Socratic over-regulated society, we need a free, dynamic market to be an incubator for innovative ideas, where change is often closer than it may at first appear. We need not confine our vision to one static, regulated reflection of the ?state of the art? just yet.

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