Published on *Adam Smith Institute* (http://www.adamsmith.org)

Thoughts on red tape [1]

Written by **Dr Eamonn Butler** [2] | Wednesday 12 December 2007

One of the delights of our Power Lunches in Westminster is that you can chat informally and off the record with folk who are prominent in the policy world, and pick up all sorts of insights. A couple of ideas that have sprung up in recent weeks concern regulation. I'm getting more interested in this theme, because we are setting up a new regulatory policy campaign to scrutinize EU and UK regulation to see how it can be streamlined and reduced, It will involve participation by regulators and key regulated industries, and will publish policy agenda reports on how we can actually do what governments say they want to do - cut red tape.

The first thing that came to me, talking to an ex regulator, is how the government now actually has more control over essential industries - such as telephones, rail, water, gas, electricity - than it ever did when they were in public ownership. Before privatization, governments thought that it controlled these great sectors and was running them for the benefit of the public. In fact, they were run by the trade unions for the benefit of their members. Now, however, they are all privatized companies, and better run. When the government, or the regulator, tell them to do something, they might complain, but it still gets done. In the old days, nothing got done and the industry just carried on regardless.

This change is great if you think that governments really do promote the public interest. It's not great if you think they have their own interests to serve, like winning votes. And now, of course, they can get privatized companies to pick up the bill for their social policies and other pet schemes, because they have the regulatory muscle to force them. Indeed, rather than strengthening competition, they have strengthened regulation. And that's my second insight: when you look back, we have less competition in the privatized industries than we had ten years ago - or in the case of some like rail and electricity, less than just five years ago. Competition policy is not going in the right direction.

The third thing that occurred to me is how we all get sucked into this regulatory quicksand. Actually, it's quite easy. Brussels (it usually starts there) proposes some great new all-embracing regulatory initiative. Everyone affected (national governments or companies in the sector) raise their eyes to heaven, but feel that if they just told the Commission to get lost, they'd be regarded as Bad Europeans, so they simply try to water down the proposals as much as possible. The watered down proposals are adopted, so a regulatory and enforcement regime is put into place. That of course likes to justify its own existence, and proposes stiffening the regulations. Those in Brussels who wanted stronger regulation anyway go along with this.

How can we ever stop circling the drain?

blog comments powered by Disqus [4]

Source URL: http://www.adamsmith.org/blog/regulation-and-industry/thoughts-on-red-tape

Links:
[1] http://www.adamsmith.org/blog/regulation-and-industry/thoughts-on-red-tape
[2] http://www.adamsmith.org/authors/dr-eamonn-butler
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com