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Tory regulation policy won't impress business [1]

Written by **Tim Ambler** [2] | Thursday 8 October 2009

Tory regulation policies show they don't understand the burdens on business nor how to lift them

Regulation in the Post-Bureaucratic Age [3] is the third Conservative policy paper on the subject in three years. Each bears little relation to the one before and no doubt another will be along before the general election.

The title is fantasy. Apparently, by next June, bureaucracies will no longer exist. For example, the Audit Commission will no longer audit local government; that will be done by a Whitehall department. At least the Audit Commission has some level of independence and accounting skills. Replacing it with a government department doing the same job hardly cuts bureaucracy.

Most of the proposals are so old hat they already are in place. The proposals for enforcing regulations are near identical with the Hampton proposals now being implemented. The ?Star Chamber" to challenge new regulations is exactly what Downing Street had under Blair. Gordon Brown announced the regulatory budgets idea, but withdrew it in March 2009 when shown it could not work. The idea of getting the public to identify poor regulations is equally old hat. The Better Regulation Executive has been imploring us to do that for the last five years.

The paper doesn?t even consider how to deal with EU regulation which is the source of most of the burden.

New but daft is the idea that we can replace regulations by ?nudging". This comes from Professor Richard Thaler, a US behavioural economist (that is the dismal nonscience invented to cover the gap between what classical economics predicts we will do and what we actually do). Thaler has coined the idea that people are more likely to change habits if they are "nudged" than told what to do. So Professor Thaler ? with no knowledge of EU or UK regulation or governance, will be parachuted in as adviser to the ?Star Chamber".

But take heart: it is not all bad. The section on regulators, such as Ofwat, is encouraging. The paper suggests taking them back to the original plan, namely that they concentrate on economics and phase themselves out in favour of competition and consumer choice. Sunset clauses would mean that any regulator would have to justify its continued existence at least every seven years.

Regulation is a key topic for what remains of British business. Let?s hope the Tories can do better on it before they come to power.

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