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Horsemeat, moral panic and the failure of regulation [1]

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Is there anything more terrifying and dangerous to liberty than a 'moral panic'? I use the term in its sociological sense [3] as the horsemeat saga fairly seems to fit the bill. One can almost write the script: a small finding, further investigations hit the front pages, the press become fixated and call for the heads of those responsible, government steps in, calls go out for a public enquiry [4] and regulation or a toughening up of the rules and more spending on enforcement... In a few weeks the issue itself is largely forgotten except that the resultant regulations last forever. Worryingly, the scandal has also prompted attacks on international trade in food products and displayed the economic nationalism we see in this country with calls to eat only British meat.

The most puzzling feature of this particular saga and many others is the belief that additional regulation can solve the problem. In many ways, food was one of the first areas of the economy to be regulated under the Food Adulteration Protection Act of 1860, prompted by noticeably similar Victorian fears. In a curious and amusing echo of the banking crisis, we already have a regulator called the FSA, the Food Standards Agency (is the repetition of acronyms just coincidence, or a sign that we have so many quangos there aren't enough names?), which runs a Food Authenticity Programme. Although the FSA has been at the centre of the scandal, DEFRA also has powers in this area.

It is clear that there has been widespread adulteration of food products despite the presence of these institutions. Indeed, as with the banking crisis, it may be that regulation has encouraged it in various ways. Interestingly, a former bureaucrat at the FSA has suggested that the EU may be partially responsible owing to its ban on 'de-sinewed meat' [5]. What is evident is that regulators will not prevent such events happening. Instead, as the ban on de-sinewed meat suggests, regulation will cause unintended consequences. Additional requirements for 'traceability' and more enforcement will increase costs for supplier which will be passed on and further drive up food prices for already hard-pressed low-income consumers, or it will promote cost-cutting and thus adulteration. Regulation will tend to drive smaller firms out of the marketplace, allowing room for monopolists to dominate the market. One should note that food industry lobby groups are usually happy to call for more regulation as well.

Surely, it would be better to allow a more competitive and de-regulated marketplace, where consumers could choose whether they paid additional costs to guarantee the quality of their products and where market innovations could find more effective ways of policing? Why is it that, whenever a crisis such as this occurs, calls for more regulation emerge despite (i) the failure of existing regulation (ii) the evidence that regulation may actually have contributed to the crisis and (iii) the effect of regulation will allow monopolistic behaviours and ultimately harm the consumer?

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