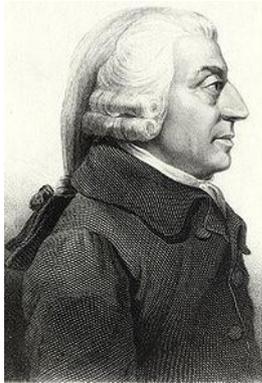


## [Rhapsody in regulation](#) [1]

Written by [Jan Boucek](#) [2] | Tuesday 19 June 2012



*“The proposal of any new law or regulation which comes from [businessmen], ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention.”* Adam Smith in *The Wealth Of Nations*

Folks of a free-market persuasion are often misrepresented by those with a socialist inclination of being on the side of business. Not so, as Adam Smith wisely notes above. We usually prefer economic activity to be in the hands of business rather than under the thumb of government but we’re always wary when business cosies up to government.

Two reminders from the banking industry last week to be on guard.

First out of the trap was Barclays CEO Bob Diamond. [In an interview Wednesday with Bloomberg](#) [3], he reprised his long-standing mantra that “strong banks, like Barclays, want strong regulation.”

This sounds good in our current age of finger-pointing and bank-bashing but serves Barclays well if high barriers to entry keep out more competition from Diamond’s industry.

Then in [an interview Friday with The Financial Times](#) [4], the outgoing head of retail at Royal Bank of Scotland Brian Hartzler suggested regulators should forcibly end free current accounts. He smoothly phrased it in terms that chime with today’s sentiment: “Regulatory intervention might be helpful in forcing banks to the table” and “A large proportion of customers are being cross subsidised” we think that’s unfair.”

Of course, what Hartzler proposes means banks no longer having to compete on price for their most basic product.

Both these sweetly melodious proposals for more regulation need to be treated with Adam Smith’s “most scrupulous” and “most suspicious attention” because they’re music to the ears of our discordant political maestros.

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