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

Three reasons to oppose new regulation [1]

Written by **Pete Spence** [2] | Friday 14 December 2012

During a downturn, calls for regulation to protect the most vulnerable grow more common ? and more worrying. The costs of regulation are costs on goods and on jobs, and likely to reduce the availability of both. When the economy is floundering, further regulation will serve to put the brakes on growth. Here are three reasons to oppose more regulation.

Regime uncertainty

If businesses can?t be certain of future regulation, this disrupts their future planning. Even in the absence of the state it is difficult for entrepreneurs to anticipate future patterns. Often heavy handed and clunky regulation is thought out by those with little knowledge of the businesses they attempt to control.

Regulators can also be captured by large businesses who find it easy to be compliant with more regulation. It is small businesses who can not cope with this complexity who suffer most. Rather than protecting the public, a climate of meddling regulation can scare off new businesses, and in turn new activity and jobs.

Old regulations become obsolete

You have probably seen a compilation of ancient and bizarre laws still on the statute books. Rules on how horses and carriages may be used are still around. While no government has deregulated in such areas, innovation has made the rules all but redundant. As the electric telegraph replaced the letter, the phone replaced the telegraph, and so now do voice over IP and other forms of electronic communication replace it.

We can rely on human progress to invent new things that politicians have not yet found ways to restrict. It is interesting to note that since the financial crisis it is technology, the least regulated sector, that has performed best. If government does not introduce new regulation, then politicians need not pay so much lip-service to deregulation. Human creativity will do the job for us.

Markets do it better

The good news is that government is not the only regulator. Voluntary exchange leads to market-based regulation. It is in the interest of firms to not sell a product that poses a risk to the consumer. Companies do not tend to sell dangerous furniture. If a product is poorly constructed, such that it may cause injury, the producer could face reputational damage. It is this direct feedback mechanism of profits that makes the businessman accountable to consumers. To truly empower the 99%, the regulation of the market over firms is direct, as opposed to sluggish democratic processes.

blog comments powered by Disqus [4]

Source URL: http://www.adamsmith.org/blog/regulation-industry/three-reasons-to-oppose-new-regulation

Links:
[1] http://www.adamsmith.org/blog/regulation-industry/three-reasons-to-oppose-new-regulation
[2] http://www.adamsmith.org/authors/pete-spence
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com