

Newman Weekly

By Dr. Muriel Newman
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The New Zealand Centre for Political Debate

Regulatory Zeal

I recently received the following email from a Newman Weekly subscriber:

"I've just returned from our local pet shop to buy a replacement mouse for my 12 year old. \$4.95.

I had to fill out a form accepting a list of conditions informing me of my responsibilities as a mouse owner. The 12 year old wasn't allowed to sign, as you had to be over 16 or 18.

If the pet shop was a Government agency I am sure that they would have rangers driving around checking on the comfort of mice and claiming that they need more resources as there are still mice out there suffering."

This message is real. It is a part of the new animal welfare codes that are presently being developed and is but one small example of the regulatory zeal that appears to have engulfed our country (to view details of the animal welfare codes see www.nzcpd.com).

Government on a daily basis is producing regulations of all shapes and sizes, on all sorts of issues. The problem is that each comes at a significant cost, not the least of which are the unintended consequences.

Threats to ban the sale of home cooking from fundraising events, due to concerns about 'food safety', means that thousands of organisations from playcentres to sports teams will effectively miss out on vital funding.

The healthy housing initiatives, presently being developed by government, will identify home 'hazards' that are deemed to be a 'threat' to

health and safety, but if home owners are forced to foot the bill for fixing and minimising these so-called hazards, the cost of housing will increase. This means home-ownership will become even more difficult for first home purchasers.

Higher water quality standards for school swimming pools have significantly increased the costs of maintenance and operation with the result that schools up and down the country have been forced closed them down. As a result many children are no longer learning to swim.

New drinking water quality standards are imposing significant costs onto local authorities, many of which are already questioning whether these higher standards are even necessary. This is yet another central government cost that is being foisted onto local government, putting even more upwards pressure on rates.

Bryce Wilkinson, in "Constraining Government Regulation", a discussion paper prepared for the Business Roundtable in 2001, identified a myriad of regulatory excesses, from the debacle for wheelchair access on buses, to the hairdresser who was taken to task for offering a lower priced haircut for male pensioners, to the boy scouts group that was told to get a building consent for a tree hut, to claims that a white water rafting operation was abusing the river's 'spirituality'. (To view the report see www.nzcpd.com.)

The Institute of Chartered Accountants has estimated the annual cost to families and businesses of complying with regulations is a massive \$25 billion. But with a public service that continues to expand and new government regulators being established across many industries, over-regulation is set to become a

bigger problem in the future.

It isn't just the cost to taxpayers of the salaries, cars, and offices of the bureaucracy that is the biggest problem - the biggest harm is the debilitating effect that regulation has on New Zealand's productive sector.

Through the imposition of excessive taxation, increasingly restrictive employment laws, and mountains of bureaucratic red tape, small businesses face a debilitating future: more rules to read, forms to fill in, questionnaires to complete, reports to produce, not to mention endless meetings, phone calls, and lawyers visits.

The problem is that succeeding in business in a competitive free market environment is tough enough without being hobbled by government regulation. To be successful businesses must be entrepreneurial, focussing their energy and effort into continual innovation: anticipating trends, identifying needs, and improving the quality and range of products and services they offer.

While there is a legitimate role for government in the proper functioning of a market economy - creating a regulatory framework to protect private property rights and enforcing contract law, for example - free markets are largely able to police themselves. Because free market are dynamic systems in which buyers and sellers enter into voluntary associations with each, good operators will

thrive while poor operators will eventually go out of business.

The almost instantaneous speed with which markets adjust to competition, prices, supply and demand, serves to highlight the fundamental reason why governments should not be in business – they simply cannot adjust fast enough to the demands of their customers, and nor will they be allowed to fail, no matter how badly they perform.

This week's NZCPD Guest Commentator is Richard Epstein, a Distinguished Professor of Law at Chicago University. In his article entitled "A Return of the Corporatist State", he looks at the dangers of state interference in the free market:

"The market model believes that competition in labour, product and capital markets is the surest road to economic prosperity. The purpose of the state is to provide a stable platform on which these private activities can take place." (To read the full article see www.nzcpd.com).

With the budget coming up on May 17th it will be interesting to see whether Labour intends to honour the commitment it made during the last election to reduce the regulatory burden on small business. I wouldn't hold your breath though!

The poll this week asks whether you believe New Zealand is over-regulated and if so, what are your greatest concerns?

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The NZCPD is an influential political force and provides a much needed independent voice on political issues. But life is all about reality and the NZCPD relies on the support and goodwill of others to continue. Contributions both big and small are most welcome.

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