

REGULATION

We Need Rules > Sir Mark Moody-Stuart, Former Chairman, Royal Dutch Shell

I've had, in the work that I was involved with on the G8 task force, people kept saying, one of the things we have to do is, is get the externalities in. I think that externalities are best dealt with, measured by governments and they should be handled by regulatory frameworks. The market system of which corporations are a part, will not always lead to the beneficial effects on externalities. The answer to this is to set up a framework, within which the market can work to deliver benefits which are beneficial to externalities.

I think this is very important and many business people react strongly against the idea of a regulatory framework, which is very short sighted, because markets, no market can operate without a framework. We need rules. A market without rules is a dangerous place and not the kind of place you want to be in. Just look at the stock market without rules, or where people are bending the rules. Very dangerous and nobody likes it, so we need the right framework, but we do not need frameworks which tell us how to do it. We need frameworks which tell us what direction we should be going in.

As Bad As The Law Allows > Ray Anderson, CEO, Interface

The idea that business operates in its own self-interest, needs to be modified. That isn't an enlightened self-interest. Enlightened self interest dictates a different attitude towards some things like, regulations are all you have to do, regulations really translate into as bad as the law allows, that's not good enough. The public knows that's not good enough, the market place knows that's not good enough, so as bad as the law allows is giving way to beyond regulation, beyond compliance, and if the market place accepts and rewards this, that's the incentive that will move business more rapidly, further, beyond compliance.

Fear of The Spotlight > Joe Badaracco, Prof. Of Business Ethics, Harvard Business School

I think there's actually a wide range of restraints on companies. First of all there are lots of laws, there's lots of regulation. Secondly there's the media which exerts pervasive, and on the whole I think extraordinarily positive influence restraining companies. I think actually far more good has been done in the world by executives saying that if we do such and such we're going to be on Sixty

Minutes, or we're going to be on the local news, than has been done by all the credos and value statements and all the rest.

... And a brand isn't simply a pretty picture and a name that's been repeated endlessly to induce some sort of Pavlovian response. A brand is a complicated source of meaning, trust, reliability and guidance.

And so a lot of companies are restrained what they might otherwise do for fear that it will impair their brand. Which nowadays is often a far more important asset than the factories, or in some cases even the management of a particular company-

The Government Industrial Complex > Milton Friedman, Nobel Prize-winning Economist

Corporations pose a real threat to freedom because they get so large, so important that they get to control government. The real danger is of government, of a government controlled by large enterprises

Big corporations in part lead to big government, big government lead to big corporations. Eisenhower spoke of the military industrial complex. That's a phase of it, but you have in general a government industrial complex. The notion that government erects regulations to prevent big government from hurting the consumer is a nice ideal notion. And I have no doubt that most regulations begin that way.

But once regulations are instituted then the enterprises that are regulated have a much stronger interest in controlling those regulations than the consumer who is defuse and has many things to worry about.

There are no doubt that corporations have too much influence over government, but it's also true that government has too much influence over corporations. It's not a one sided thing. It's a reciprocal relationship between corporations and government.

A Pen Is Not A Pen > Robert Keyes, President and CEO, Canadian Council for International Business

One of the things that, that people don't understand the general public might not understand about trade negotiations. There's a lot of non-sexy mundane yet very important stuff that gets, gets dealt with. One in particular for example something called Rules of Origin, which is one of the fundamental backbones of customs issues.

And it sounds very simple. Where does this good come from? Well it comes from country X and then you apply tariff rate Y and it goes into country, goes into that country at that rate. But when you start to look at this closely.

I mean take a common household example like a pen. A pen is not a pen. This particular pen here, one from the Summit of the Americas. It's got metal on the end it's got plastic in the middle. It's got a logo that has been printed on it. When you pull that pen apart inside you have metal components. You've got ink. You've got a plastic cap.

... I mean this pen also has energy embodied in it because you had to use energy to smelt the metal from the original ore. And that metal then got bashed, it probably got moved somewhere, it got molded, it got formed. This plastic moved from petroleum into a pellet, into a plastic plant. The shell of the pen got, and every stage along the way this upgraded the value of these original components.

... The person on the, on the street, at the end of the day if there's a tariff embedded when he goes to buy that pen that's a cost to the, to the, to the consumer at the end of the day. And so freer trade, lower tariffs, moving goods across borders is going to benefit those consumers.

The Revolving Door > Robert Monks, Corporate Governance Advisor and Shareholder Activist

One of the persistent characteristics of regulation is that people who start to work in the government, as young ambitious executives, serve time there. And then come out into the private sector and work for the companies who are being regulated by that agency. The difficulty with this is that it creates a culture where the general public doesn't have much of a chance of dealing with that agency well. You have to go to the law firms who are hiring the former agents to it.

There is a wonderful story and it's probably a bit rude but it has to do with, it probably violates every single rule of political correctness. But there was a, the tale of a Japanese commercial attaché recently assigned to Washington who drank quite a bit. And he was invited to come and speak on a late night talk show. And the talk show host said Mr. Whatever-his-name-was, what a wonderful contrast it must be for you trying to promote business in the United States. In contrast to your previous job which was in this extremely corrupt African country. And the Japanese person was utterly unfazed and he said, oh no it's been very much the same thing.

He said in that country I would get up in the morning and I would take my briefcase and I would put money in it. And I would walk around and I would give it to people in the government. In this country I get up in the morning and I put money in my briefcase and I take it to people who used to be in the government. And that is a little bit of the way in which the co-optation process can be caricatured.

Regulation Is The Problem > Michael Walker, President, Fraser Institute

At the Bank of Canada we were building the largest econometric model in the world. It was like building a rocket to go to the moon. It was going to be the model which would help us solve the problems of the, of the economy.

Problems, which I have that I have to remind you, I had grown up with. I mean I could see poverty I went, you know, I lived with poverty. And I went to school with people who didn't have socks in their shoes. And you know, people put conditions which fortunately are no longer very prevalent in, in, in Canada. But, but so I believed that if we took on these ideas we would solve these, these problems. And it was, it wasn't until I had actually tried to use these ideas for, for half a decade that I discovered that quite apart from solving the problem that these ideas were a principle part of the problem. That the regulations and the controls and the knobs that we were putting in the economy to try to fine-tune it were in fact creating the perverse outcome of less economic activity, less dynamism, less growth and less opportunity for the young people who were graduating from our schools in Newfoundland and in British Columbia and in Ontario and so on.

So yes I did definitely start out as a, as a, as a manager of the economy. As somebody who believed in the economy as mechanism like machine. And it turns out that the economy isn't a machine of course and people are not like machines they're organic. And they respond and change their behaviours in subtle ways to, to follow their own interests.

And what we have to figure out if we're going to make the economy work is how do people make their decisions. And how are their behaviours changed by the things that they encounter. And how can we make those incentives work so that they create those wonderful social outcomes that Adam Smith became so preoccupied with in his second book of *The Wealth and Poverty, the Wealth of Nations*.

Regulating Vs. Defining > Mary Zepernick, Coordinator, POCLAD

People do assume that the regulatory state, the agencies, the regulatory laws and their enforcement keep corporations, or at least they have in the past, I think, more assumed that they were effective or at least available to citizens for remedy or redress of harms. In fact in the United States regulatory agencies were actually created at the behest of large corporations more than a century ago.

The Interstate Commerce Commission was really the first and largely it was railroad barons who saw, as their power and wealth increased, that there was going to be an effort to exercise control over them. So better that they participate in setting up the means of control. So regulating with agencies at best that are unelected and unaccountable to the people.

Regulating is not the same as our, as citizens defining. And those are kind of opposite or at least terms in opposition to each other. Regulating versus defining. So we have settled wittingly or not for regulating. And it's not the right relationship.

Defining the corporation, the corporate form and instructing it. What it may do, what it may not do. Corporations should not have rights, only privileges that we people grant them. And that's pretty much the way it was set up in early United States history. And to a great degree, for about a century it worked fairly well.

Regulatory agencies deal with, not the relationship between citizens and corporations, not the fundamental relationship of authority and the people. But rather harms and abuses that toxic by toxic, harm by harm are supposedly regulated.

And there are ostensibly penalties. As we know, those who worked in the environmental movement in the seventies for instance know what it was like to just work on one issue. And one set of regulations. And it took up to a decade or more to even get them passed by which time the situation has probably changed. So it's not an effective means of exercising the proper authority.