

# IT'S NOT PERSONAL, IT'S BUSINESS

## Why are some Liberal Democrat policy makers so obsessed with deregulation, asks Simon Titley

What are the biggest global problems that society and therefore politicians must confront? Poverty, war, disease, environmental damage and excessive concentrations of power are the things that, probably more than any other factors, harm people's lives and liberty.

Within Britain, which problems should be top of any politician's agenda? Besides the local variants of global problems, the list might include the mountain of consumer debt, the house price bubble, the collapse of our manufacturing industry and the widespread effects of social dislocation.

Now ask yourself what are the causes of all these problems. They are basically the same as they have been throughout human history – some permutation or other of human greed, human arrogance and human stupidity.

At least that is the case on the planet on which I live. But there is a parallel universe, another world inhabited by the Liberal Democrat Treasury Team and the right-wing nutcases in Liberal Future. On that planet, the main problem confronting society, and therefore the top political priority, is that there is too much regulation of business.

The tendentious title of the policy paper 'Setting Business Free', adopted by the Liberal Democrats last year, set the tone. The 'Orange Book', published this year, was largely based on a similar assumption.

This is not to say that there are no problems with business regulation. There are many examples of regulation being excessive or counter-productive. But an undue focus on business regulation has distorted Liberal Democrat policy making and carries with it numerous risks.

The first of these is the danger of skewing the party's priorities. Regulation is not even the main problem for business or the economy, never mind politics or society as a whole. The biggest problems for British business remain what they have been for many years; bad management, low productivity and under-investment. None of these is a product of over-regulation.

Regulation is not a serious problem for most areas of British business. Recent regulation has tended to focus on two areas of public concern, consumer safety and environmental protection. Consequently, the main impact of new regulation has been on sectors such as the chemical and energy industries. Most other business sectors do not experience anything like the same degree of regulatory pressure.

The second danger is the moral issue of double standards. You may remember Michael Corleone's famous phrase in 'The Godfather', "It's not personal, Sonny. It's strictly business." Conservatives share Corleone's fallacious belief

that the ritual incantation of the word 'business' provides an exemption from any moral obligation to behave decently.

The trouble with the party's anti-regulatory rhetoric is that it bolsters this absurd notion, that business inhabits some sort of moral bubble and should not be subject to the same rules or morality as the rest of society.

The third danger for the party is of creating a political narrative to which most voters do not relate. The stereotypical image of the struggling small-business person, burdened under a weight of 'red tape', is doubtless one that goes down well at your average rotary club dinner-dance, or in gin-sodden gatherings at the 19th hole. But most British people do not run businesses. They earn their money via salaries and wages, or live on pensions and benefits.

Instead of addressing that audience, the Liberal Democrats' Treasury Team gives too much weight to the views expressed in the party's Business Forum and Liberty Network (see RB, *Liberator* 296). The business lobbyists who pay to sit on these bodies do not donate money out of the goodness of their hearts. They are buying influence for their business interests, so naturally they will talk up the 'problem' of regulation. The party's policy makers are fools if they take this special pleading at face value.

If the Liberal Democrats wish to do well at the next general election, they must learn to express their policies in language to which most people can relate. Depicting the world through the prism of over-regulation is not a wise electoral strategy.

The fourth danger is a failure to understand the political dynamic that causes pressure for regulation in the first place. The 'economic liberals' in the Liberal Democrats like to depict regulation as 'nanny state' measures. While there are many illiberal politicians who do not trust people and wish to nanny them, the primary pressure for regulation does not originate with such politicians.

The main source of regulation is the growing weight of public expectation for social management. Over the past forty years, people have become better educated, more affluent, more individualised and more assertive. They have developed a series of ethical and emotional concerns about pollution, animal welfare, child labour and the like. They also have a heightened sensitivity to perceptions of risk (a phenomenon that would take another article to explore).

At the same time, business has demanded a different relationship with its consumers. Its equity has shifted from tangibles (bricks and mortar, plant and equipment) into intangibles (brand values and corporate reputation). Through the growth in importance of the brand, business is demanding a more emotional attachment from consumers,

rather than a rational assessment of the functional benefits of products. But, in its reliance on emotion, business has got more than it bargained for. It has become more vulnerable to criticism that has a popular emotional resonance.

Increasingly, citizens are holding companies responsible for their actions. As the economy has globalised and the power of national governments has declined, there has been a loss of public confidence in the capability of politicians, and a rise of pressure groups that know how to exploit the emotional side of popular concerns.

While Vincent Cable is busy fretting about how to reduce regulation, pressure groups are often bypassing altogether the slow and tedious process of lobbying government for regulation, and instead applying direct pressure on business corporations by threatening their brands and reputations. Companies are responding by adopting CSR (corporate social responsibility) policies, in an attempt to manage public expectations on a range of ethical issues and to pre-empt hostile pressure group activity.

Those Liberal Democrats who see regulation as a series of ‘nanny state’ demands are missing the point. As the stock of politicians and government sinks, people regard business, especially multinational corporations, as an alternative location of political power. Business is finding that, because it is perceived as a political actor, it needs popular consent to operate. The less business is perceived to be trustworthy, the more it will face public pressure to modify its behaviour.

It is all very well arguing about how many regulatory angels can dance on a pinhead, but the Liberal Democrats must evolve policies that recognise this fundamental social and economic change. If they aim simply to remove business regulation without addressing the public concerns that drive the political pressure, all that will happen is that these concerns may find a less palatable outlet.

Instead of arguing for the arbitrary removal of regulation, the Liberal Democrats need to start from a different standpoint. This should be based on an understanding of the proper role of the state. It should also be rooted in a moral sense of what matters, which is the liberty and dignity of the individual. Moreover, if we recognise that ‘regulation’ is just a fancy word for the law, it will help strip away much of the cant and hypocrisy that obscures this topic.

What, then, is the legitimate role of the state in regulating business? The first duty of government is to keep the peace. Just as we need laws to protect us from violence, theft and fraud committed by individuals, so we need protection from similar acts committed by business. There are enough recent examples of fake accounting, tax evasion, share option scams and the raiding of pension funds to show that this is a real concern. Protecting the citizen from industrial pollution, hazardous products or racial and sexual discrimination also fits into this category.

Second, government has a legitimate role in ensuring a level playing field, not only between competing businesses but also between business and the citizen. Business and individual citizens are not equal protagonists. People who run businesses are generally more powerful than the average citizen and we need to protect people from abuses of power. So, for example, it is perfectly proper for government to prevent monopolies and cartels, or to ensure accurate product labelling.

Third, we need laws to ensure that contracts are legally binding. Without such regulation, business and the economy cannot function.

In whichever category the state regulates, the overriding criterion for Liberals should be an outcome in which the liberty and dignity of individual citizens are protected and enhanced rather than diminished.

What has clouded this issue is the attempt by ‘economic liberals’ to position business as analogous to the individual citizen in terms of rights. They have achieved this by conflating personal freedom with ‘free’ markets. But business is an inanimate object; not only is it meaningless to talk of business having ‘rights’, it is also wrong to put the interests of things before those of people.

From this false premise, ‘economic liberals’ believe that only the state is capable of threatening individual liberty. While the state may have more power than anything or anyone else, this does not rule out the ability of other bodies to threaten our liberty. Business corporations are perfectly capable of abusing power and denying liberty – why can’t the ‘economic liberals’ see this?

At the root of their obsession with regulation is that they have made a fetish of the market. Liberals should not make any economic mechanism a fundamental part of their philosophy. For Liberals, the market is not a ‘value’, any more than a state-controlled economy or any other economic mechanism. The market can often advance individual freedom and choice, but it can also threaten them. To the extent that Liberals support the market, it should be on pragmatic grounds.

An unhealthy obsession with the market has led ‘economic liberals’ to believe that Liberalism is essentially about less power for the state. But Liberalism is about minimum oppression, not minimum government. It is about more power for the individual and that means less power for all bullies, wherever they come from – the state, powerful individuals or, indeed, business.

And while we’re about it, we should ask these ‘economic liberals’ why it is that they are so keen on more freedom for business, while at the same time advocating ‘tougher’ measures to police the individual. This mix of economic liberalism and social authoritarianism already has a good home but it is not in the Liberal Democrats.

Anyone in the Liberal Democrats who really believes that the ‘free market’ is a value rather than a mechanism, and that it supersedes all other considerations, should consider the logic of their position and join the Conservative Party.

It is right for Liberals to be vigilant and sceptical of regulation. It is not enough for the object of regulation to be just. Regulation is pointless if it does not achieve its purpose, so we need regulation that is proportionate and efficient, and to get rid of those that aren’t.

But this policy needs a sense of proportion and a Liberal moral core. If the Liberal Democrats give the impression that their motive is to favour the interests of business over those of the individual citizen, they will be condemned as Thatcherites and deservedly so.

---

Simon Titley is a member of the Liberator Collective.  
Argue with him at his weblog:  
<http://liberaldissenter.blogspot.com/>

---