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ON THE DRY SIDE 153 OCCUPATIONAL REGULATION John Hyde

There is an old saw that goes: When your neighbour takes to the church lock up your chickens. Another might be: When your merchants talks about your welfare zip up your wallet.

It is an odd thing that although the government says that it regulates doctors, lawyers, engineers, consulting actuaries, accountants, estate agents, plumbers, electricians, builders, stock brokers, land agents, insurance brokers, airline pilots, taxi owners and others to protect the public from the avarice of the suppliers of the services it was not the public which asked for help. In each case concerned suppliers demanded laws, with penalties, to prevent untrained, unethical or impecunious persons from serving a gullible public.

The West Australian Government has introduced legislation to parliament to impose \$50,000 fines or 12 months imprisonments on unlicensed travel agents. The travellers have said little but Mr. Michael Nevin, State Chairman of the Australian Federation of Travel Agents, has welcomed what he called tough-penalty legislation, saying that it shows that the government means business.

The Centre for Independent Studies asked separate people to analyse the regulation of nine callings. They published the findings with the title "Occupational Regulation and the Public Interest". In spite of its having so many authors, after the first couple of chapters the book becomes a bit predictable; the doctors, lawyers, academics and others all look after their own interests and they all do it in the much the same way. But the book makes a compelling case against regulation. Consistently, regulation lets the producers charge more, and they do. Producers always seek their own regulation, always "to protect the consumer."

Occupational regulation may be divided into registration, which notes who is providing a service; certification, which gives the government's blessing to some providers of the service; and licensing which stops unlicensed persons providing it.

The most credible justification of regulation is unequal access to information. Where traders are thought to have a knowledge of service quality which is superior to that of their customers, as it is in the case of doctors, the state saves consumers the cost of finding out which doctor to hire by trying to license only competent doctors. But a licence tells the buyer nothing that mere private or public certification would not tell him. It does not tell the buyer who is the best doctor and does not entirely save him the cost of enquiry. The principal additional effect of licensing is to stop competition from para-medics and 'doctors' trained with less rigour.

The uncompetitive nature of the delivery of medicine, as much as the difficulty of delivering the right amount of medicine to

insured patients, has been the public 'justification' for socialising the medical industry. Doctors are neither more nor less greedy than the rest of us, but by relying on ethics rather than market forces to control their natural cupidity, doctors dug a deep hole and invited Dr. Blewett to push them and their patients into it.

Many professions are being deregulated, some voluntarily, but it seems that governments are neither willing to tolerate the excesses of licensed medical suppliers, nor to deregulate them. Instead of reducing the scope and force of licensed privilege, as has been done with stockbrokers and accountants, governments are trying to protect taxpayers with even more regulations. The new anti-over-servicing regulations restrict the service doctors may offer. This suits neither doctors nor patients.

Newcomers must buy their way into licensed occupations - long apprenticeships for lawyers, doctors, accountants and pilots, and \$50,000 for a taxi plate. But those in the game when a new licence is introduced get windfall gains. New licensing laws always exempt those already practising from examinations or other onerous obligations. (These exemptions are called 'grandfather clauses'.) Governments therefore face a steady demand for regulations from unregulated industries.

When travel agent licensing was mooted in WA, the Australian Institute for Public Policy published a short paper making the obvious points that entry barriers raise prices, that it was not fair to travellers or newcomers if a panel of industry members decided who could sell travel, that cut-price bucket shops suit those who use them, and that there were better ways of protecting customers than licensing if protection was thought necessary. All text book stuff!

Adam Smith wrote that neither acknowledged probity, nor fame, nor highest rank nor greatest public service is protection from the insolent outrage of disappointed monopolists. Needless to say no outraged customers wrote or rang AIPP but several agents did.

One cross travel agent wrote, "All professional travel agents welcome legislation which will protect consumers against short term, hit and run charlatans who denigrate the good reputation of the industry..."

If this agent were really worried that uninformed consumers in search of cheap fares run risks they do not intend, all he need advocate is private or public accreditation of 'good' travel agents. If this were what customers, as opposed to agents, wanted, he might even make a small killing by advertising his own superior propriety or safety. Or if he were really to feel that the criminal law is an inadequate disincentive to charlatans, he might recommend stiffer penalties for convicted charlatans - those who commit crimes which have actual victims - instead of those who sell a demanded service.

The proposed law is clearly illiberal. The Liberal Party Opposition might oppose it from principle, but the agents are organised and have enough at stake to mount a campaign, whereas the consumers of bucket-shop travel don't even know where to find each other.

I expect the legislation to be passed with loud hurrahs for consumer protection from today's travel agents and the bureaucrats who will administer the restrictions. It is too late to lock up the chickens.