

GOVERNMENT REGULATIONS: DO THEY HELP BUSINESSES?

February 17 2011| Many sectors of the business world have long complained about government regulations and their restrictive nature. Often cited as an impediment to corporate and small business profits, and a waste of precious time and effort, government statutory requirements have been denounced, side-stepped and violated by many a business since the early twentieth century when the corporate income tax and anti-trust laws were first enacted.

Since then, in an ever-increasing blizzard of regulations and a huge, complex tax code, American business has both prospered and suffered as a consequence of government action - collaborative and complementary and restrictive and adversarial. Concurrently, American consumers have been protected by those same government rules and regulations from exploitive business practices.

And yet, in the insoluble paradox of government participation or intervention in so many aspects of the economy, business in general has posted immense profits as the nation emerges from the financial crisis, and many of the companies helped by government bailout and stimulus programs have paid back their loans, some even with interest.

Anti-Business Regulations and Laws

Since the enactment of anti-trust laws in the early twentieth century, followed by periodic increases in corporate tax rates and increasingly complex and restrictive regulatory laws governing the conduct of business, the American business community has generally been an opponent of any government law, regulation, compliance obligation or tax levy that it perceives to undermine profitability or impede business operations.

Over the past decades too many publicly traded corporations have misstated earnings to maintain or boost the market price of their stock. They've violated immigration laws by hiring undocumented workers. They've broken environmental laws by illegally dumping wastes or emitting pollutants into the atmosphere or into rivers and lakes.

Sarbanes-Oxley

In the wake of major corporate fraud in recent years in companies such as Enron, Tyco, WorldCom, among others, major legislation called the Sarbanes-Oxley Act was enacted governing accounting, auditing and corporate responsibility. Many in the business world opposed the bill, claiming that compliance with its rules was difficult, time consuming, and would still not have the desired effect - the protection of shareholders against fraud.

The EPA and FTC

Another frequent target of certain businesses is the Environmental Protection Agency. The disposal of waste materials, the restrictions on greenhouse emissions, pollutants and other substances harmful to land, water and atmosphere are now regulated by this government agency. Companies to which these rules apply have complained that the restrictions are costly and compromise profits.

The Federal Trade Commission has also been perceived as a foe of business by some firms, which have had their practices such as price fixing, monopolies, and fraudulent or misleading advertising curtailed by this arm of the government.

The SEC and FDA

The Securities and Exchange Commission has imposed strict regulations on initial public offerings of corporate stock, on the full disclosure requirements of a stock prospectus, and on the buying and selling of equities on the various stock exchanges under its oversight.

Pharmaceutical companies have often complained that the Food and Drug Administration needlessly withholds approval and subsequent marketing of certain drugs pending additional or more extensive clinical trials, although these drugs have already proven to be effective.

The examples above of what seems like government versus business are only a few of the literally thousands of such conflicts that have occurred over the decades. Yet government has also been a friend of business, helping companies large and small in numerous ways.

Pro-Business Government Agencies and Activity

Hundreds of assistance programs from the government in the form of money, information and service are available to businesses and entrepreneurs. Noteworthy among them is the Small Business Administration, which, among its other pro-business services, arranges for loans for start-up companies. The SBA also provides grants, advice, training and management counseling to companies in an effort to help America's numerous small business succeed in its highly competitive economy.

Patents and Trademarks

The U.S. Patent and Trademark Office offers protection of inventions and certain products from illegal infringement by competitors, thus encouraging innovation and creativity in the business community. Patent and trademark violations are punishable by heavy fines, and subject to civil actions that can be costly if the defendant loses the infringement case.

The U.S. Commerce Department recently launched a nationwide program to help small and medium-size businesses increase overseas sales of their products. This is just one of the many services the Commerce Department provides for businesses, which helps them achieve continuing profitability.

TARP

Despite its obvious, pro-business help to struggling or failed businesses, the government bailout and stimulus programs have been criticized by some elements of the business world. Economists have claimed that the so-called Troubled Asset Relief Program (TARP), signed into law by President George W. Bush, and the stimulus program enacted under President Obama, averted a repeat of the Great Depression of the 1930s. Other economists insist that the government should not have intervened and that free market elements should've been allowed to weed out the business failures.

The Bottom Line

The government is certainly a friend of business, providing financial, advisory and other forms of service to the business community. Simultaneously, the government is also a friend of the public and the American consumer, and acts in what it perceives as their best interests with protective laws, rules and regulations. While businesses may oppose some aspects of restrictive laws, taxes and regulations, they may also endorse other such requirements if they help their own specific business goals.

This conflict may never be resolved, and as business becomes more complex as technological breakthroughs continue, the dual nature of government's relation to business may become increasingly more regulatory and collaborative at the same time.

Government, therefore, may be justifiably perceived as benefiting both business and consumer, friend to each, foe of neither.

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