

# The Importance of Government Regulation

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# The Importance of Government Regulation

**First Place** Time Warp Contest Winner

By Solomon Davis of Woodward High School

One key role of government is that of business regulation. However, many businesses often speak out against regulation, claiming that it hampers their ability to turn a profit. Others claim that without it, businesses would be free to do anything they can to increase profits, often at the expense of the customer, and in ways that unfairly hurt their competition. While there are valid points on both sides, in the end it is clear that government regulation on businesses is vital to ensuring large businesses' practices are safe and fair for consumers, and keeping all businesses, large and small, on an even playing ground.

Government regulations are key to making sure that businesses treat customers fairly. Some, such as Stephen Pociask, claim that "market forces are sufficient to hold prices in check" (Rahn). However, this often doesn't work, because in many industries, including the telecom industry, which Pociask was referring to, the market is not naturally fair. Businesses hold regional monopolies and collude in price fixing, which they can accomplish due to the high barrier of entry in their market. In some industries, even those being regulated agree that these rules are necessary to protect consumers. For instance, Denise Landry, the senior vice president of Emergent BioSolutions, a specialty pharmaceutical company, states that "For our industry, regulation is useful and necessary to protect consumers and assure patient safety" (Combs). In an industry with such a direct impact on consumers' health, they must be regulated to ensure that no drugs can hit the market without being tested for safety and effectiveness. In industries such as this, by the time that "market forces" are able to come into play, there is a strong chance that people will already have been hurt or even killed by the company's mistakes. These same regulations also play an important role in keeping the competing companies on a fair, honest playing ground.

Regulations ensure that companies compete fairly, with no businesses obtaining an unfair advantage over other, smaller businesses with unfair or unsafe market tactics, and keeping an open playing field, where large businesses cannot lock small businesses out of the market. For instance, *Investopedia's*

Marc Davis writes that "The SBA [Small Business Association] 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" (Davis). The government agency helps small businesses get started, and then helps them learn to maintain themselves so that they do not get too harshly outcompeted by large businesses, who would otherwise have an otherwise unfair advantage in their establish their markets. It is important that these small businesses are able to thrive because, as stated by former President Obama, "Small businesses have always formed the backbone of the American economy. These entrepreneurial pioneers embody the spirit of possibility, the tireless work ethic, and the simple hope for something better that lies at the heart of the American ideal" (Williams). Small businesses are important to the American economy, both in their traditional role as the "backbone of the economy", and also as an important way to keep large businesses from having regional or even national monopolies on their respective markets. Without them, there would be many areas with no competition for these larger businesses, and the large corporations would be able to do anything that increase profits, without fear of losing their customers, which could lead to unfair prices and unsafe products, all in the name of revenue. These regulations are vital to keeping the economy fair and functional.

Government regulations serve an important role in ensuring a safe, fair economy for small businesses and consumers alike, preventing them from being drained by larger corporations and unfair business tactics. These regulations ensure that businesses produce only safe, approved products, through fair and regulated means, ensuring that they cannot hurt consumers, and cannot too easily outcompete small businesses. Government regulation, when done right, is the key to a fair, competitive economy.