Ron Blackwell, Chief Economist, American Federation of Labor & Congress of Industrial Organisations, (AFL-CIO), United States

As a trade unionist I am here representing the *victims* of regulatory policy. As the Secretary-General stated, we have experienced a massive failure of regulation, of supervision, and of corporate governance – and he's only talking about the financial aspects of the crisis we're in. The precise role that financial regulation and its metrics can play in improving that situation is an open question.

Larry Summers, Chief Economist of the Obama Administration and Director of our National Economic Council, came to the AFL-CIO's HQ to talk to union leaders about what they were proposing to do in response to the crisis. After listing about six things that he thought he would never see in his career, all of which happened in 2008, he wisely concluded that anyone thinking about economic policy today the way they were five years ago is almost certainly wrong. This is just as true of regulatory policy as economic policy.

It is strange to cite regulatory policy's achievements of helping to open markets and increase financial innovation, when it is the regulatory failure in finance together with the global imbalances that served to expand the housing bubble that burst to precipitate the crisis and generate the Great Recession.

It is time to review the fundamental assumptions, objectives and methods of regulation to see what we have learned from this massive failure.

"Smart" regulation is an attractive term, but what exactly does it mean? To think of regulatory policy as having a bias either "for" or "against" regulation is really dumb. Neither more nor less regulation is an answer to anything. In 1990s, the overall view of government policy contained a bias against regulations. After this crisis we can no longer look at it the same way.

Some argued that we had too many regulations. That seems arbitrary: the point is not the number of regulations, but their effectiveness; it's not their quantity, but their quality. The goals here are, first, that we have no fewer or more regulations than we need. They should be *effective, efficient, as equitable as possible* and *sustainable*. Regulatory regimes differ significantly, and evolve over time. In a globalised world, these systems interact. We should focus on making judgments, given particular circumstances at a particular time, to see if a particular regulatory feature is necessary, effective, feasible, efficient and equitable. Nothing else matters. If done consistently and with buy-in politically from stakeholders, we'd be in better shape than we now are, and regulatory policy could be a very valuable resource in evaluating what works and is feasible, efficient and equitable. Forget "for/against" bias and the number of regulations.

The Synthesis Report speaks of the difference between regulatory management and regulatory governance. This seemed vague but as best I could understand it, there's a question of the role of regulatory policy in the governance of regulation. In the US, we've had a very mixed experience with centralised regulatory review. In regimes not sympathetic to regulation, this level of review has served to delay, weaken and even obstruct regulatory reform, especially in the areas of health & safety.

Also in the US, if there's a level above the agency that deals with regulatory policy in general, it shouldn't have the power to stop the agency; these agencies know more than the people in the White House. We should add something other than review and approval. The most compelling contribution at the national level and at the OECD is simply to provide expertise and studying of the reviews that have taken place: what worked and didn't work, or worked better or less well, with regard to the dimensions mentioned above. Governments could draw upon that research and wouldn't have to reinvent or rediscover the solutions to the problems they're trying to address, and coordinate cross-cutting issues in governance. A specialized agency should not have to reinvent a regulatory regime already being used in another specialized agency. At the global level, co-ordinate the actions of review of regulations so as to create an even playing field in a global economy and so limit regulatory arbitrage among multinational corporations.

It is important to have an organised process of governance in which the people affected will be consulted – business as well as workers and other stakeholders. Many dimensions of equity and other social measures can be measured, but some can't. It is difficult to quantify fairness and dignity (Fitzpatrick's examples of eliminating immigration bias against HIV and lavatories for the handicapped).

Regulatory capture is a big problem in the US and elsewhere. We don't want unnecessary burdens on business – business is tough enough to conduct without burdens. But that's part of what it means to have effective & efficient regulation. Many of these things are necessary to align the private interests of business people to make money with the social purpose of the private corporation: to create wealth – the real goods and services that meet our country's needs. A governance structure that is adequate and credible would bring a return of buy-in from the citizenry – about confidence in governance in general, about regulation and about regulatory policy.

Our society is being turned over by the impact of these regulatory failures. We must have buy-in and credibility. There is a lack of confidence in the wake of the crisis; we need to rebuild it. Two hundred and twenty million people are formally unemployed in the world today, the highest number ever recorded. The ILO reports that one-half of everyone who *is* employed is working under some degree of insecurity. We have the highest level of poverty among working-age Americans of both genders since the early 1960s, before we fought a War on Poverty. The level of pain economically is acute, after a full year of recovery. There's pain, anxiety, and – increasingly – anger, focused at the banks, the companies, the unions, and government. The best means for avoiding over-regulation is to have regulations that *work,* because it was the failure of the regulations in the past that generated the crisis.