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A Guide for the Ride Through the

Regulatory Jungle

As the impulse to regulate business gathers momentum at all levels of government, the college looks for a clearing in the distance.

Jim Staiert *should be just the kind of guy who could get* along with people like associate professor of accounting Jim Kurtenbach and Jim Heckmann, director of Iowa's Small Business Development Centers.

An Iowa State alum in finance and agricultural business, as well as a master's in economics, Staiert has, on paper, the kind of credentials that would appeal to a couple of business types. But it's not that simple, and, "on paper," there's arguably at least as much basis for conflict as for common cause.

You see, Jim Staiert is a government bureaucrat.

TIME FOR A TRUCE

The perennial battle between government regulators and champions of free markets is hardly front-page news. But with the rapid globalization of commerce, breathtaking advances in technology, and urgent concerns for the natural environment, the regulatory "heat" of government has become only more intense.

Maybe it's time to call a truce, if not a declaration of peace. Heckmann offers an olive branch:

"There are some great regulations out there," he concedes. "A lot of the health and safety stuff is great. The FDA is a regulatory agency that truly benefits Americans, and USDA has a lot of fine regulations.

"But," he counters, "there's a whole host of regulations out there that are just a pain to deal with, and that aren't really necessary."

Truce over. Before we jump back into the trenches, though, a couple of points.

It's a question of *which* regulations are needed, and how they are implemented, enforced, and justified over constantly changing social, economic and environmental conditions.



As a program analyst with the U.S. Department of Agriculture, Staiert, in Heckmann's view, is at the least a noncombatant. In fact, Staiert started out with USDA's Agricultural Cooperative Service, where he helped farmers (a.k.a. small businessmen and women) establish purchasing and marketing co-ops. In that regard, he could be viewed as a natural ally of Heckmann, a man whose pre-SBDC career was dedicated to helping businesses navigate the regulatory minefields.

Next, no one short of a bomb-throwing anarchist argues that regulation should be dispensed with altogether. It's simply a question of *which* regulations are needed, and how they are implemented, enforced, and justified over constantly changing social, economic and environmental conditions. And, finally, what does this mean for business education at Iowa State for the next 25 years and beyond?

MONEY EQUALS RULES

If Jim Kurtenbach looks to be conflicted in his alternating roles as an educator, a former Iowa state representative and policymaker, and a vigorous advocate for deregulation—look again.

"Onerous," he calls a proposal to mandate health coverage for the employees of businesses with payrolls as small as \$250,000 annually. And he doesn't stop there.

"Small business has always been Iowa's strong suit," Kurtenbach observes. "A lot of small companies starting up prefer to use stock options, and the tax treatment that triggers is *huge*, even if they have a future and not a current value. So your reporting and compliance and the associated risk are so complex, it increases your cost of business."

"Anytime you layer on another regulation," Heckmann agrees, "you layer on another complexity to doing business. That distracts the business owner's attention from serving customers, improving product, improving margins, and creating jobs."

Heckmann knows whereof he speaks: in 1984, after two years with a St. Louis law firm, he went into business for himself, first as a litigator, and then as an adviser on regulatory and compliance issues to businesses small and

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large. Yet though he made his living from the regulatory zeal of state and national policymakers, he does not hesitate to express his frustration with the regulatory regime—especially as an advocate for small businesses in his role as director of the Iowa SBDC.

"Whenever there's money involved, somebody's going to write rules," Heckmann acknowledges. "And any time you see a failure somewhere in the markets or the regulatory scheme, new regulations get imposed.

"But the problem with regulations," he continues, "is that they get imposed to solve a problem, and often

they're not finely tuned to solve the problem. Then the doctrine of unintended consequences kicks in, and all of a sudden businesses of all kinds have to react to that."

SUNSET OVER THE JUNGLE

Despite Heckmann's concerns, Staiert counters, the trend over the past quarter century has been toward deregulation across administrations, whether Republican or Democratic. However, given the young century's various financial debacles, combined with the social,

economic, and environmental forces discussed

elsewhere in this issue, that trend is inarguably ending.

Still, Staiert would agree, care must be taken, not only in justifying the imposition of new regulations on business, but in coordinating their implementation with other agencies and policymakers that may have an interest in the matters being regulated.

"Right now we have kind of a disjointed policy with respect to renewable energy," Staiert offers as an example



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of particular interest to Iowans. “There are certain things that are being implemented and regulated by USDA, then there are others the Department of Energy is involved in.

“From our standpoint,” he continues, “the biggest challenge right now is trying to keep those regulatory policies consistent, and to make sure we’re not doing anything out of line with what the other groups are doing.”

Heckmann lauds that level of self-examination. Beyond that, though, he feels passionately that, once implemented, government regulations should be regularly reviewed under the scrutiny of sunset provisions, in which those formulating and implementing policy must regularly revisit their handiwork and justify its continued existence to those most affected.

“Every set of regulations should have a sunset period on it,” Heckmann insists. “Their supporters should have to come back and justify them. And if you can’t get agreement, they end.”

TOWARD A SOPHISTICATED STUDENT

That may be a blue-sky scenario: once implemented, policies and regulations seldom are reviewed, let alone rescinded. More likely, as Heckmann points out, they’re simply ignored by increasing numbers of the regulated as their relevance and utility wanes.

Ignorance, however, is not a strategy businesses can afford to adopt. And, as the regulatory juggernaut accelerates under today’s demands, the college in its next 25 years must consider its responsibility to the students it will send out into the regulatory jungle.

“The study of policy and regulation should be an integral part of a business curriculum,” Heckmann asserts, “because that’s the universe in which business operates. Looking at policy—the cost of policy, the effects of policy good and bad—should be part of a business education. You’d better understand it or you’re going to get run over by it.”

Moreover, adds Kurtenbach, while it may have been peripheral to a business education in the past, a focus on compliance, policy, and regulation will increasingly be integral to the curriculum as the college moves into its next 25 years. The layering of policies between various levels of government, he says, together with the globalization of virtually every business activity above the level of a lemonade stand, will place added burdens on both students and their instructors.

“We have courses on forensic accounting, entrepreneurship, and international management and relationships that we didn’t have 20 years ago,” Kurtenbach notes. “The regulatory environment as the United States responds to other countries, and Iowa responds to the United States and neighboring states, is going to drive a much more sophisticated and educated student. So students may well go from a fourth to a fifth year just so we can focus on international reporting.”

Key to an enhanced focus on these topics, Kurtenbach says, will be the need to represent the broad spectrum of perspectives—from the passionate defenders of rigorous regulation as critical for the public good to the most unfettered libertarians and free-marketeters—in a balanced and respectful manner. That’s a challenge hardly lost on Kurtenbach, whose own proclivities in this regard are well known, but who nonetheless manages the balancing act in his own classroom.

“As faculty,” he says, “we need to determine how we can bring public policy, how we can bring the regulatory elements in a neutral fashion, where we’re simply exposing students to the discussion but not driving an agenda.” ■

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