

CASE STUDIES ON THE PURPOSE OF LAWS

Sometimes we think of laws as restricting our freedoms. For example, we are not free to speed through a school zone. Society believes that there should be a limit on how fast we drive in a school zone. Therefore, we created laws to limit vehicle speeds in school zones. Laws, therefore, spell out society's beliefs.

However, laws do more than just spell out our beliefs. Laws also are meant to have a positive effect. By regulating the speed of vehicles in school zones, we reduce the chances of children being struck by vehicles.

Nevertheless, some people will view certain laws as too prohibitive, even if the intention behind that law is good. They will say things like "Government should stay out of our lives."

It is true that we need to limit how far the law intrudes into our lives. Yet the absence of laws is often dangerous. Consider the following scenarios that illustrate what can happen without laws.

JAPAN AND HAITI: Two Earthquakes, Two Outcomes

On March 11th, 2011, a 9.0 magnitude earthquake struck Japan. It was the seventh most powerful earthquake ever recorded. The quake and resulting tsunami caused widespread devastation and killed 20,000 people.

On January 12th, 2010, a much less powerful 7.0 magnitude earthquake struck Haiti. Even though the earthquake did not trigger a tsunami like the Japanese quake, the damage was far more catastrophic. 230,000 people were killed, 300,000 were injured, and a million people were left homeless. Almost all deaths and injuries were the result of collapsing buildings.

Engineering professor Karl Stephan noted that the widespread death and destruction in Haiti was an example of "what happens when government absents itself completely from the supervision of private and even public construction. Things can go well for a while, but when an earthquake hits, the devastation is nearly total."¹

Japan's strict building codes and routine earthquake and tsunami drills ultimately saved lives. On the other hand, Haiti's loose building codes and lack of emergency drills contributed to their high death toll.

¹ "Building Codes, Earthquakes, and Haiti," *Engineering Ethics*, January 25 2010

CANADA AND THE UNITED STATES: Two Banking Systems, Two Outcomes

In 2008, the "Great Recession" devastated the global economy. When millions of Americans lost their jobs, they were unable to make their loan payments. This led to 465 banks collapsing in the United States. Canada also experienced widespread job losses. However, no bank here collapsed. One reason was government regulation.

Economist Paul Krugman compared American and Canadian bank regulations, noting "the United States used to have a boring banking system, but Reagan-era deregulation made things dangerously interesting. Canada, by contrast, has maintained a happy tedium."

Canada's "boring" regulations force our banks to be more careful when loaning money: our banks have tight limits on how much money they can lend and their ability to offload risky loans to other banks is restricted.

Krugman concluded that "[Canadian] restrictions meant fewer opportunities for bankers to come up with clever ideas than would have been available if Canada had emulated America's deregulatory zeal. But that, it turns out, was all to the good."² Our bank regulations helped Canada withstand the global recession.

² "Good and Boring," *New York Times*, January 31 2010

