



AUGUST 2019

# THE UNINTENDED CONSEQUENCES OF MUNICIPAL BY-LAWS

By Germain Belzile

Montrealers may soon suffer the “unintended consequences” of two municipal policies likely to produce effects that are just the opposite of their stated purpose. This is in line with a dynamic that is well known to economists but often overlooked by politicians.

When governments decide to impose practices on an industry, they are meddling in economic and commercial matters. But since politicians are not all-seeing and all-knowing, unexpected consequences may arise.<sup>1</sup> Economist and Nobel laureate Friedrich A. Hayek (1899-1992) wrote extensively on this topic. In Hayek’s view, each person possesses only a tiny fraction of the total knowledge that enables an economy to function.<sup>2</sup> Accordingly, not even the most competent of bureaucrats can claim to have the required knowledge, and any attempt at planning – or at regulating, in the cases examined here – leads to inefficiencies, such as shortages or gluts.

These “unintended consequences” of public policies were also brought to light by Frédéric Bastiat, a 19<sup>th</sup>-century French liberal economist and thinker. Bastiat explained the need to distinguish between the “visible” effects of a public policy and its “invisible” and often adverse effects.<sup>3</sup> Two recent cases illustrate this phenomenon.

## THE CITY OF MONTREAL AND PET SHOPS

Since July 1, pet shops in Montréal have been required to get their supplies of cat, dogs and rabbits from shelters or veterinary clinics.<sup>4</sup> The City argues that there are many animals in shelters, and it wants to encourage people to adopt abandoned animals.<sup>5</sup> In addition to interfering with citizens’ freedom to acquire a pet of their choosing and impeding pet shops’ freedom of trade, this action could well produce an effect



running counter to its goal as regards the well-being of animals.

Until very recently, pet shops were supplied by breeders, who offered a wide variety of pets. In comparison, shelters that receive abandoned animals do not have enough of them to meet demand, or at least to meet consumers’ needs, and this could threaten the survival of several pet shops.<sup>6</sup> Moreover, many of the animals housed in shelters cannot be placed in families with minors, while others are older, making them less attractive to families. Meanwhile, the idea of obtaining supplies from veterinarians will be hard to fulfil since their professional order prohibits them from selling animals.<sup>7</sup>

While the by-law penalizes brick-and-mortar businesses, on-line sales remain free of constraints. Customers can therefore easily buy puppies or kittens, based on their choices and preferences, directly from breeders or individuals, most of whom, unlike pet shops, do not hold permits from the Quebec ministry of agriculture, fisheries and food<sup>8</sup> and are not regularly inspected.

The point here is not to denounce the purchase and sale of pets on the Internet, or to come out against what may

resemble a free market in domestic animals, but rather to highlight the unintended consequences of this by-law, which seeks “to further protect the health and welfare” of animals.<sup>9</sup>

The “visible” effect of the regulations will therefore be to make it more complicated for people to get animals from monitored places, while the “invisible” effect will be to direct these same customers to other animal dealers who will not be subject to monitoring. The resulting situation may well run counter to the good intentions that led to adoption of the municipal by-law.

## CIRCULARS AND LOCAL WEEKLY NEWSPAPERS

With the aim of reducing the consumption of printed products, the Montreal Metropolitan Community recently recommended moving to distribution of advertising flyers (such as those delivered in Publisac bags) based on a “voluntary rather than systematic approach.” This would rely on the opt-in rather than the opt-out principle; in other words, distribution would be allowed only to citizens who request it.<sup>10</sup>

The “visible” effect of this policy would be to reduce the number of flyers printed. But this effect hides another one: if this formula were applied, it would threaten the business model and even the survival of local weeklies. At present, these newspapers are distributed in Publisac bags, together with the flyers. Without Publisac, it would cost far more to distribute weekly papers to each door.<sup>11</sup>

Although this by-law in no way targets the media, the “invisible” effect would be to undermine the economic model of neighbourhood newspapers, which already face many challenges. Moreover, this is a typical example of moves by one level of government (municipal) unintentionally producing effects that run counter to the goals of other levels of government (provincial and federal) that are specifically seeking ways of enabling newspapers to remain economically viable. Indeed, the federal government has instituted three new tax measures, including a tax credit to support Canadian journalism.<sup>12</sup>

## FIRST, DO NO HARM

Economic hell is often paved with good political intentions. Elected officials and bureaucrats need to keep in mind that the regulations and laws they establish have effects that go beyond what is visible at first glance. The examples cited here are just a tiny sample of the unintended adverse effects that lawmakers create each time they decide to intervene in the economy in one way or another. In fulfilling their duties, they would do well to remember one of the first things taught to medical students, something that applies in countless ways to public policy: *primum non nocere*, or first, do no harm.

## REFERENCES

1. See Robert K. Merton, “The Unanticipated Consequences of Purposive Social Action,” *American Sociological Review*, Vol. 1, No. 6, December 1936, pp. 894-904.
2. See Friedrich A. Hayek, “The Use of Knowledge in Society,” *American Economic Review*, Vol. 35, No. 5, September 1945, pp. 519-530.
3. A classic example is when a government imposes tariffs on imported products. The “visible” effect is to protect certain local industries (and certain jobs) from foreign competition, while the “invisible” effect is to make the products in question more expensive for the entire local population. Frédéric Bastiat, “Ce qu’on voit et Ce qu’on ne voit pas,” *Œuvres complètes*, Vol. 5, July 1850, p. 336.
4. City of Montreal, By-law concerning domestic animals, adopted August 20, 2018, Sections 22 and 23.
5. This bylaw is now facing an initial legal challenge from a group of pet show owners. Yves Poirier, “Des animaleries contestent judiciairement le règlement animalier de Montréal,” *TVA Nouvelles*, July 12, 2019.
6. Pet shops expect that the new rules will cause their revenues to fall by 20% to 30%, which could lead some of them to go out of business. See Rolf C. Hagen et al. v. City of Montreal, Application for judicial review, with suspension and damages, Superior Court, District of Montreal, No. 500-17-108673-198.
7. Check conducted with the Ordre des Médecins Vétérinaires du Québec, July 30, 2019.
8. Government of Quebec, *Animal Welfare and Safety Act*, CQLR c. B-3.1, Section 16 and following sections.
9. City of Montreal, “The city’s executive committee adopts the By-law on the control of domestic animals and the By-law banning caleches,” news release, June 14, 2018.
10. Montreal Metropolitan Community, “La CMM propose une solution globale pour hausser la performance de la gestion des matières résiduelles au Québec,” March 19, 2019.
11. Marie-Ève Martel, “Publisacs : dilemme entre écologie et survie des hebdomadaires locaux,” *Radio-Canada.ca*, June 27, 2019.
12. Government of Canada, Department of Finance, *Investing in the Middle Class – Budget 2019*, March 19, 2019.



This Viewpoint was prepared by **Germain Belzile**, Senior Associate Researcher at the MEI. The MEI’s **Regulation Series** aims to examine the often unintended consequences for individuals and businesses of various laws and rules, in contrast with their stated goals.

The MEI is an independent public policy think tank. Through its publications and media appearances, the MEI stimulates debate on public policies in Quebec and across Canada by proposing reforms based on market principles and entrepreneurship. It does not accept any government funding.

MEI 910 Peel Street, Suite 600, Montreal QC H3C 2H8 T 514.273.0969 F 514.273.2581 [iedm.org](http://iedm.org)