

[The costs of regulation and why we're not creating enough jobs](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 22 June 2013

We all know that regulation has benefits. We all also know that regulation has costs. The usual political mantra is that the costs are minimal while the benefits are huge. That may not in [fact be true](#) [3]:

Regulation's overall effect on output's growth rate is negative and substantial. Federal regulations added over the past fifty years have reduced real output growth by about two percentage points on average over the period 1949-2005. That reduction in the growth rate has led to an accumulated reduction in GDP of about \$38.8 trillion as of the end of 2011. That is, GDP at the end of 2011 would have been \$53.9 trillion instead of \$15.1 trillion if regulation had remained at its 1949 level.

It's worth thinking about that for a moment. Each individual American, the society as a whole, would be three times richer than they are if there had not been that explosion of regulation of the economy since WWII. That sort of increase in wealth buys quite a lot of people harmed by the lack of regulation.

But it's possible to use this to explain a disturbing feature of today's problems [as well](#) [4]:

Why the change? The arguments rooted in technological developments sound like this: "Technologies like the Web, artificial intelligence, big data, and improved analytics are all made possible by the ever increasing availability of cheap computing power and storage capacity are automating many routine tasks. Countless traditional white-collar jobs, such as many in the post office and in customer service, have disappeared. W. Brian Arthur, a visiting researcher at the Xerox Palo Alto Research Center's intelligence systems lab and a former economics professor at Stanford University, calls it the "autonomous economy." It's far more subtle than the idea of robots and automation doing human jobs, he says: it involves "digital processes talking to other digital processes and creating new processes," enabling us to do many things with fewer people and making yet other human jobs obsolete.

It has always been true that technological advance destroys jobs. But it has also always been true that technological advance creates other jobs as well. There's a worry that this isn't happening in the current economy. And that first paper gives us a clue as to why. There's simply too much regulation. If the economy were three times larger than it currently is then I do rather doubt that there would be much unemployment. And even if we take their numbers as being a tad fantastical, their basic point is obviously sound. Regulation restricts economic growth. It's economic growth that produces jobs. We're not creating enough jobs thus we've not got enough growth (and do recall, growth must be above labour productivity growth for there to be any expansion in employment) and over regulation is at least a part of that problem.

So let's hang the bureaucrats in order to get the unemployed back to work.

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- [1] <http://www.adamsmith.org/blog/economics/the-costs-of-regulation-and-why-were-not-creating-enough-jobs>
- [2] <http://www.adamsmith.org/taxonomy/term/5778>
- [3] <http://www4.ncsu.edu/~jjseater/regulationandgrowth.pdf>
- [4] <http://conversableeconomist.blogspot.pt/2013/06/technology-and-job-destruction.html>
- [5] http://disqus.com/?ref_noscript
- [6] <http://disqus.com>