

[Another argument against regulation](#) [1]

Written by [Tim Worstall](#) [2] | Monday 6 October 2008



Chris Dillow continues to earn his label of the thinking man's lefty. He points out something that [many miss](#) [3]:

In other words, all of the US's massive stock market boom between the early 70s and late 90s came because of new firms. Aggregate economic growth occurs not so much because existing firms expand, but because new ones enter.

This is, in a way, simply a restatement of Schumpeter's creative destruction argument. It's the inventions and innovations of new products, new ways of organising things, which drive economic growth over the longer term.

The implications of this though are profound for how we want to organise our economy. For example, the burden of bureaucracy in such areas as diversity (racial or gender), health and safety absurdities, manic form filling, the strictures of the REACH Directive, these all weigh more lightly on large firms than small and new entrants. For those large firms already have considerable bureaucracies able to deal with them, resources that the typical start up of two men and a dog simply doesn't have access to.

There's also such seeming trivialities as company registration documents. I've seen in Portugal that you have to say what it is that you're going to do as a company when you form one. And it can take some months to change such permissions if you decide to do something different. Here in the UK documents with the same purpose are so broadly written as to allow you to do anything at all that isn't already specifically illegal.

If Chris' point is indeed correct (as I take it to be) then we've got another argument for attacking that mess of restrictive regulation. It's not that it's just a cost to business, one that has to be passed on, it's that it is a restriction upon market entry. And it is by allowing and encouraging market entry that we will make our children richer than we are, as we all desire.

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