But of course regulation doesn't hamstring the economy! [1]

Written by **Tim Worstall** [2] | Saturday 5 May 2012

We've been told, by a man with impeccable economic credentials no less, that red tape and regulation just isn't important to the economy at all [3]:

> The truth is that, if there is money to be made, businessmen will invest regardless of the level of regulations. This is why the 299 permits that were needed to open a factory in South Korea in the early 1990s did not prevent the country from investing 35% of its income and growing at 10% per year at the time.

As I've said elsewhere already this is the statement:"Look, a factory exists! Red tape isn't a problem!". When of course M. Bastiat would have us ask how many factories would there have been in the absence of the red tape? As I've also mentioned on this point, that Ha Joon Chang teaches economics at Cambridge tells us that we might have the occasional problem in our education system.

Which brings me to this little snippett of information from Bloomberg [4]:

> France has about 1,500 companies with 48 employees and about 1,600 companies with 49 employees, but only 660 with 50 and 500 with 51, according to a December 2011 report from state statistical unit Insee.

The full lunacy of French employment law kicks in when a company has 50 workers. That's when you have to set up three workers' councils, apply to a court to make redundancies and so on. Which is rather glaring evidence, don't you think, that at least in the minds of employers red tape does have an effect? People are deliberately not growing their payroll through that 50 person barrier in order to avoid the costs of that red tape. And, as ever, it's not actually what the Reader in Economics at Cambridge thinks ought to be happening that is important: it's what people are actually doing out there in the real world that is.

It's also worth taking issue with another point: even if red tape were only a minor factor this is still not an argument in favour of red tape. Even a minor disincentive to growth and investment is still a disincentive, one that we probably would prefer not to have. As an analagous argument, as a middle aged, fat, bespectacled and balding (and married!) male I'm not going to be a great success with the young ladies. But that doesn't mean I should put spinach between my teeth just to make sure of it, does it?

I must admit though, I'd love to know how many of those French firms that are under 50 employees have grown to that size: and the number that are over 50 have been shrunk to that size by the effects of the red tape.

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