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Calculating the cost of bureaucracy [1]

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Paul Walker looks at an interesting paper about the costs of bureaucracy in trade [3]. For that is what "trade facilitation" really means: reducing the bureaucracy you have to deal with in trying to export something. The same would obviously be true for importing something. And those costs are high. The general finding is that getting the places with bad bureaucracy up to hte stasndards of those with good (ie, little) would have an effect as large as a general reduction in tariffs. So at least a couple of percent is being talked about here.

We can take this further though. Such costs of bureaucracy are not simply on foreign trade because foreign trade is not the only form of trade we have. We obviously also have inland trade or what we generally call "the economy". People buyin' an' sellin' stuff to and from each other. And the findings that apply to foreign trade will also obviously apply to the inland trade as well. The more bureaucracy there is then the less trade will get done: the simpler (or less of it) the bureaucracy there more trade will get done. And as it is indeed trade that produces economic wealth this would make us all richer.

What's really interesting about the less bureaucracy on foreign trade results is that small firms gain as well as large. Thus we're not seeing the small guy being trampled when the big boys are let off the regulatory leash.

So, there really seems to be no reason at all why we should not reduce bureaucracy in order to make us all richer. And those bureaucrats will now have to go and do something useful for a living: shame, isn't it?

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