

[Have we deregulated or not?](#) [1]

Written by [Tim Worstall](#) [2] | Friday 23 August 2013

Louis Zingales celebrates the economic growth that came from the deregulation of the [American economy](#) [3]:

The battle for deregulation has achieved many of its main objectives. Deregulation was a cry of freedom that most Americans supported back when Chicago banks couldn't open branches in southern Illinois?let alone in other states; when a truck had to obtain a permit to transport merchandise across state borders; and when a government agency decided the prices of commercial flights.

The thing is, I'm not entirely certain that we really have deregulated the economy. We've certainly deregulated part of it, both here and over The Pond. But at the same time we've introduced much heavier regulation in other parts of the economy.

My favourite and oft used example of this is the taxi hailing part of the Uber app for smartphones. It really is just an electronic method of hailing a cab: and it is taking them 12 to 18 months to introduce it into each US city they want to serve. The extant taxis are well protected by the various taxi commissions. And I've had a recent grumble here about environmental regulation of new manufacturing making much the same point. Or another little piece of personal experience: Germany, from Jan 1 this year, now regulates the clearing up of old mine and slag piles to the same standards as the opening of new mines. Tidying up a few thousand tonnes of rock lying in a field now faces the same bureaucracy as blasting a shaft to extract millions of tonnes. One more example: it's generally accepted that no one will ever build a new copper smelter in the US. The regulations surrounding doing so are so strict that it would never be economic: regulations that the extant plants are grandfathered into.

My impression is that we have deregulated some things: largely, industries that are or were already extant. But we've increased regulation in the area of trying to do new things. Starting a business these days faces, I am sure, more regulation than in the past. And the problem with this is that while doing extant things better is a nice boost to the standard of living the real long term growth in the economy comes from doing entirely new things. Something which itself really comes from new entrants into the marketplace rather than extant companies changing their ways.

So while we have indeed deregulated and privatised and made the world a better and richer place I'm not entirely sure that we've done enough. For at the same time as we were doing that we've also been regulating new activity more heavily. Which for the long term health of the economy and living standards might not be all that wise an idea.

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