

## [Well if you ask the wrong question.....](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 10 September 2013

As someone who has gone through the nightmare process of registering a company in Portugal this research looks interesting. They're studying the effect of making such [corporate registration easier](#) [3]:

Prior to 2005, starting a business in Portugal took 11 procedures, 20 forms and 78 days, and cost around 13.5 % of GDP per capita. In May 2005, however, a new government introduced the 'On the Spot Firm' ('Empresa na Hora') programme by which entrepreneurs could register a company at a one-stop shop within an hour, receiving the company identification card, the corporate taxpayer number and the social-security number in the same day and at a cost of 3% of GDP per capita.

That's excellent of course, for as they point out, jobs growth, innovation, these are driven by the new entrants into the market rather than by extant firms expanding or innovating. However, they then go on to ask the wrong question (in my ever so humble opinion of course):

The other current widespread policy concern in Europe is inequality, and so it is natural to ask how the easing of entry barriers to boost growth will affect different parts of society. Our research brings these two sets of concerns together, by asking how entry deregulation affects different groups of workers. Focussing on differences in workers' education and skill levels, we find that on average more educated (skilled) workers certainly gain while less educated (skilled) ones probably lose.

Which isn't what we're interested in knowing of course. What we want to know is what has been the effect on consumers for as Adam Smith pointed out:

"Consumption is the sole end and purpose of all production and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer."

It's a rich data set they've got there, the Portuguese government certainly did the right thing. But the effect upon wages simply isn't what we're interested in: how did it help consumers, not producers is.

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