

## Around the world, an anti-red-tape revolution is taking hold

Done right, deregulation could kick-start economic growth



image: Carl Godfrey

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IN HIS OWN inimitable style, President Donald Trump has identified something he dislikes and approached it with a wrecking-ball. Deprived of American funding by an executive order, aid programmes around the world are on the brink of collapse. But for the [intervention of a judge at the 11th hour](#) on January 28th, large parts of America's federal government might have suffered a similar fate.

However, when it comes to another kind of cutting—of rules, rather than spending—Mr Trump is part of a global trend. From Buenos Aires and Delhi to Brussels and London, politicians have pledged to slash the red tape that entangles the economy. Javier Milei has [wielded a chainsaw against Argentine regulations](#). Narendra Modi's advisers are quietly confronting India's triplicate-loving babus. Rachel Reeves, Britain's chancellor, plans to overhaul planning rules and [expand London's Heathrow Airport](#). Even Vietnam's Communists have a plan to shrink the bureaucracy.

Done right, the anti-red-tape revolution could usher in greater freedom, faster economic growth, lower prices and new technology. For years excessive rules have choked housebuilding, investment and innovation. But Mr Trump risks giving deregulation a bad name. His impulse to start by demolishing essential functions of government before reinstating the ones he likes is a formula for [human misery and economic harm](#). The question is how to make reform bold enough to count, but coherent enough to succeed.

Ambition is needed because of the sheer quantity of today's rules. As our [Briefing](#) sets out, Americans spend a total of 12bn hours a year complying with federal rules, including those on marketing and selling honey, and following standards on the flammability of children's pyjamas. The federal code runs to 180,000 pages, up from 20,000 in the 1960s. In the past five years the European Parliament has enacted more than twice as many laws as America. Businesses are required to make painstaking sustainability disclosures, filling in more than a thousand fields on an online form—an undertaking that is estimated to cost a typical firm in Denmark €300,000 (\$310,000) every year. In Britain, well-meaning rules protecting bats, newts and rare fungi combine to obstruct, delay and raise the cost of new infrastructure.

This proliferation of red tape reflects how the world is changing. The rise of the internet means that countries need codes to protect people from online scams; the warming planet demands rules to limit carbon emissions. Governments, petitioned by interest groups, often find it convenient to load the cost of compliance onto others. After the global financial crisis dented faith in capitalism, trusting the market to encourage good behaviour has

seemed naive. Voters have also sought more regulation. As they have grown older and richer, they have more to lose and have called on governments to protect their backyards and their nest eggs.

The trouble is that, even as particular groups benefit from each rule, society at large bears its costs. In much of the rich world getting anything built has become a daunting task, keeping house prices high. Highway projects suffer cost overruns and delays as they contend with endless judicial reviews. Proposals to dig mines in America, even for the metals needed for the energy transition, spend nearly a decade in permitting hell. Over-regulation most hurts small businesses, which lack compliance departments, deterring innovative newcomers from setting up shop. Incumbents, meanwhile, feel less incentive to invest because they know they are sheltered. And rules beget rules, as regulators find new things to regulate. Lumbered by regulation and ageing populations, economic growth and productivity in the rich world have slowed to a crawl.

That is why deregulation is so important. You need only look at history to see that it can be a magic potion which peeps up the animal spirits. Margaret Thatcher's Britain, India in the early 1990s and southern Europe in the 2020s all sped ahead after their leaders undertook pro-market reforms. Under Mr Milei, Argentina is growing again; deregulation has brought the prices of some imports down by fully 35%.

This is a rare moment when politicians of all stripes have got religion. On the right over-regulation has sparked a backlash that prizes economic freedom. On the left politicians have realised that, with high interest rates and towering public debt, rapid growth is the only way to make welfare states affordable.

Yet the path ahead is strewn with pitfalls. The conundrum is how to be bold without being reckless. If Mr Trump and his advisers persist in slashing indiscriminately at the state, firing workers and freezing federal loans and grants in the belief that this will unshackle the economy, they are making a grave mistake. Rules and government are essential in any society. Redistribution makes America fairer, and so more stable. Without rules on food safety, road markings or bank capital, and the bureaucrats to enforce them, life would be shorter and less secure.

Elsewhere the danger is timidity, especially in slow-growth Europe, which sorely needs its own Department of Government Efficiency (DOGE) to cut back the bureaucratic undergrowth. That will require political courage. Each piece of deregulation brings small benefits to many, but imposes larger losses on a concentrated few, so reforms are often stymied by incumbent businesses, trade unions or environmentalists. No wonder then that, by the IMF's reckoning, half of all electricity and labour-market reforms for older workers discussed in the rich world over the past 30 years were never implemented.

### **Sticky tape**

One example to follow is Argentina. Mr Milei's team came into office having spent 18 months working out how to extract the government from areas where it did not belong. Once in power, they wasted no time in using bold strokes to reset expectations about the economy. Europe needs DOGE-type ambition, while America needs Milei-type preparation. The danger is that neither will get this right. ■