

I've done several postings about the theory that regulatory uncertainty causes unemployment. I'm skeptical of the claim as a general matter, but if there's any validity to it, one of the major causes of regulatory uncertainty is the Tea Party, along with other libertarians and opponents of regulation.

It's not hard to see how the prospect of deregulation could cause businesses to delay investments and hiring:

- Why build a new power plant today when you may be able to build a much cheaper plant with fewer environmental restrictions in a few years?
- If a hospital isn't sure of the health care financing model that will be in place in a couple of years, why hire new people now or make investments in new equipment? Better to wait until you know whether the health-care law remains in effect.
- If you're an oil company, why bother to invest in projects now when loosening environmental restrictions may open much more profitable opportunities in the near future?
- Future tax cuts will make it possible to offer employees lower salaries and still give them the same after-tax income, so isn't it better to postpone hiring in the hope that future tax cuts will lower your labor costs? Of course, you could hire people now and cut their wages later, but people tend to respond very negatively to such pay cuts.

In addition, defense contractors and others who sell to governments — companies that make fire trucks, or print school books, or build highways — have to be very nervous about new hiring and investments given the threat of budget cuts without any revenue increases.

In short, if regulatory uncertainty *did* turn out to be a major job killer, you'd have to assign some responsibility for unemployment to the Tea Party and other advocates of deregulation.