Paul Krugman has a NY Times column arguing, from a Keynesian point of view, that Obama's climate change program won't cost jobs. One of my posts a couple of years ago suggested the same idea: in a slack economy, regulatory requirements are a form of stimulus that can actually create jobs because industry has to spend money to comply. That seems very plausible, *if* you're a Keynesian and think the cause of our current problems is a shortfall in public and private spending. But maybe you're not a Keynesian. In fact, just given political realities, if you buy into the job loss theory, you're almost certainly *not* a Keynesian. There's still no need to worry, though: the job loss idea is even more obviously bogus if you're a free market enthusiast.

Here's why. As Krugman explains, the negative impact of regulation on jobs is due to increased prices. Energy prices go up, so people buy less energy and fewer goods and services that require a lot of energy. As a result, people making those goods and services might lose their jobs. Does that mean that we're left with unemployment — people who want work but can't get jobs? Not if you believe in the free market it doesn't. Markets adjust to changes, whether it's a bad corn crop, cheap natural gas from fracking, or EPA regulations. Maybe if the changes are sudden and severe like the OPEC oil crisis, there could be painful dislocations, but we've got plenty of notice in this case that new regulations may be on the way. So people will shift their buying away from energy-intensive purchases toward other kinds of goods and services, production of those goods and services will rise, and the labor market will readjust until everyone who wants to work has a job. Problem solved!

So if you're not a Keynesian but instead believe in the omnipotence of the market, you should come to the same conclusion as Krugman: regulation isn't a job killer. It might have other economic problems but increased unemployment isn't one of them.