23 Things We're Telling You About Capitalism XXIII [1]

Written by **Tim Worstall** [2] | Friday 7 June 2013

Chang's twenty third thing is that we really don't need to have lots of bright economists around in order to be able to run a decent economy. This is most certainly true provided that the economy is still run along the right basic lines: which might be the bit that we and Chang disagree about.

It's certainly true that all the time markets, nothing but markets, doesn't quite work. There are a number of imperfections that mean that we cannot just leave everything to voluntary action. We might point to natural monopolies as an example: someone, somewhere, has to stop them rooking everyone. We do like the rule of law which means we've got to have government (sorry anarchists) and the taxes to pay for it (sorry everyone). And there are more subtle problems out there: take externalities for example. By definition these are things that are not included in market prices and therefore are not considered in market transactions. We really cannot therefore conclude that markets will deal with externalities when hte whole point is that markets ignore externalities.

So we're all fine with the idea that we cannot have an entirely and wholly pure market system. Nor would we want one that is entirely capitalist: I'm extremely happy about the idea that the Army is a State run organisation. We tried private capitalism in this field and the Wars of the Roses just don't have that good a reputation. Not from the peon and churl end of the telescope at least and I know darn well that's where I would have been.

However, that doesn't mean that because we cannot be purist about these things that therefore any old intervention into the economy is just fine. Which is what Chang is partly doing. Having shown that some intervention is demonstrably desirable he then goes on to conclude that the sort of intervention he desires has been demonstrated: which the past 22 little notes might have dissuaded you of.

But I will agree that he's right: we don't need vaslty intelligent and highly educated economists running the place for us all to get gloriously rich. As Adam Smith himself said:

> Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice.

You'll note there's nothing there about managing the exchange rate, regulating the bendiness of bananas nor even one word about the employment of economists.

So of what use actually is economics. If we don't need economists to run the country then what point in the entire intellectual exercise? As Ben Bernanke has observed [3]:

> Having taken a stab at sociology and political science, let me wrap up economics while I'm at it. Economics is a highly sophisticated field of thought that is superb at explaining to policymakers precisely why the choices they made in the past were wrong. About the future, not so much. However, careful economic analysis does have one important benefit, which is that it can help kill ideas that are completely logically inconsistent or wildly at variance with the data. This insight covers at least 90 percent of proposed economic policies.

If I am to be fair about economics there's very little in the corpus of knowledge that makes up the field that is really about making the world a better place. Plenty of attempts at such of course, and many more from people who wouldn't know an econ if it came and micced them. What there is a great deal of is warnings about don't do this because you'll make the world worse. As PJ O'Rourke put it about the Soviet Union, shooting all the smart people and then killing off anyone trying to get rich does not great societal wealth make. We've got lots and lots of knowledge about things like that that we shouldn't be doing. There are some areas where things have to be done: those natural monopolies, externalities and so on. But they're few and far between when you think of the vast possibilities of human behaviour.

The real point of economics is to struggle manfully with those very few things which must be done, shoot down in flames at least 90% of the things that are suggested we should do and then leave the rest of it, the vast majority of life, to people to do as they wish as long as they're not harming others or their right to do the same. You know, the liberal idea of free people interacting voluntarily in a free market. Capitalism's just an offshoot of the rights to private property: and one of the lessons of the experiment that was the 20th century is that we do have the data about what happens when you try to do that.

So, capitalism and free markets for all it is then. Which, given that the last 30 years, as the two have spread through globalisation, has seen the largest reduction in absolute poverty in the history of our entire species, is very probably a damn good idea. After all, even if we don't need many economists or much economics to do it, the poor getting rich is what we all want, isn't it?

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