

[Err, yes, that's why we use markets](#) [1]

Written by [Tim Worstall](#) [2] | Friday 6 December 2013



Via [Left Outside](#) [3] we get this from the [Brad DeLong](#) [4]:

7) There is a valid 'great stagnation' worry, but it is overwhelmingly one of institution design rather than of innovation exhaustion. And here we reach what I regard as the big issue. In the future we are going to want to spend a greater share of our incomes and attention in areas where the market system works less well: information goods, public goods, increasing-returns goods, pensions, health care, education. The market works less well in these areas. But our alternative modes of collective organization, product take some bureaucracy, not exactly cover themselves with glory in these areas either. Thus I suspect that not innovation exhaustion but rather institution design will be our big problem in keeping the pace of true economic growth going into the long-run future.

Leave aside whether this is actually true or not, that markets work less well in these other areas. I tend to think that this is incorrect, what we actually have is some areas where we don't allow markets to work because certain prejudices lead to people thinking they won't work. But as I say, leave that aside and think about what we should be doing if the second part is true. That our real problem is going to be institution design. What do we do then?

We use markets of course.

For we don't know what will be the best institutional form to solve a particular one or a set of problems. Therefore we need to experiment with different designs. Which means that we want to set up those experimental designs, allow them to compete with each other and then see which solves the problem better. That is, a market in institutional forms.

And this is of course what we have been doing for some centuries now. We seem to have found out that a capitalist hierarchy is the best (best we have at least) method of producing whippet flanges, a rather socialist form of partnership is the best method of coralling the lawyers who deal with the legal complexities of whippet flanges and so on. For one way of looking at a market is that it is a space for experimentation, along with a method of divining which is the most successful of those experiments. Thus, if we're not sure of the best way to do something we should want to use a market to aid us.

We who call ourselves free marketeers are really only arguing one thing on top of this. Yes, we know, no market is ever truly free and we'd be entirely happy to say that we don't want to explore all possible organisational methods again. I would certainly not want to see chattel slavery on our list of experimental forms and institutions again. What we do mean by free though is freer: we simply want the experimental

space to be as large as possible so that as many as possible alternatives are tested.

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