

## [It must be difficult being Willy Hutton](#) [1]

Written by [Tim Worstall](#) [2] | Monday 15 July 2013

Willy Hutton presents us with this [startling statistic](#) [3]:

Britain is 159th in the world league table that ranks investment as a share of GDP. This is not new. Owners of British companies have long been permitted a feckless lack of responsibility. Smart countries, from the US to Germany, make sure that they insulate their companies as far as they can from the myopia and short-term greed of stock markets. Instead, the British approach to ownership exposes our companies to stock market thinking: shrivelling investment, cutting back on innovation, minimising training and hoarding cash to please their irresponsible, transactional owners.

As usualy in HuttonWorld this means we must have much more investment, a more socially democratic form of investment, more politics and bureaucracy about investment and generally we must buck up and stop being so Anglo Saxon about things. And it is true that on [this list](#) [4] the UK is a long way down the rankings concerning fixed investment as a percentage of GDP.

But do note the general distribution (there are exceptions of course) there. The countries at the top of the list are the places that are poor. They're still trying to build things like a basic road system, a primary education system. We've already done all of those things: thus we need to invest rather less. A second related observation is that of course the richer countries will have lower levels of fixed investment. Firstly for the obvious reason that there's a diminishing marginal return to anything at all. Secondly because the richer nations are, almost by definition, those with very much larger portions of the economy in services, not manufacturing or basic commodities and agriculture. Services famously require less such fixed investment (and correspondingly higher human capital which is not included in Hutton's number).

So we'd expect a rich nation to have lower fixed capital investment as a portion of GDP. That's something (again, with exceptions like Singapore) that we can see by eyeballing the list.

But if we restrict ourselves to those already rich nations we do see that the two most "Anglo Saxon" economies, the UK and US, do have lower portions than the more socially democratic places. Does this mean Hutton wins? No, sadly not. For the economic performance of those various rich countries doesn't vary that much, certainly not in any direct proportion to the variance of the investment as a percentage of GDP number.

The background to this is that we don't in fact care how much is invested: we care what is the return on what is invested. That is, we're interested in output, not input. And if we're getting generally the same sort of output from a lower input this is regarded as a good thing. We're more efficient in the use of our investment than those more socially democratic, politically directed and stakeholder inclusive places that Hutton thinks we should be more like. This is of course a recommendation for the more Anglo Saxon form of capitalism as against the Rhineland that Hutton has spent his life trying to force down our throats.

Which is why it must be so difficult to be Willy Hutton. To set oneself up as the arbiter of how the world

should be, only to find that everytime one calls facts into consideration in support of one's basic contention, that the Man in Whitehall knows best, one finds that the facts contradict the contention. That we invest less while getting much the same result is evidence that Anglo Saxon marketism is a better system than others. For we spaff less of our money on investment as a result of having fewer politicians, bureaucrats and stakeholder interests lowering the efficiency with which that investment is deployed.

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