Published on *Adam Smith Institute* (http://www.adamsmith.org)

Does the existence of intangible goods mean we shouldn't maximise wealth? [1]

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The proposal I made last week [3]?that we abolish parliamentary democracy and turn over decision-making to a a set of betting/prediction markets?faces a number of serious objections. In this post I will deal with the objection that national wealth in principle misses out several important contributions to welfare like liberty, love or other intangibles. I have four further serious objections, which I will attempt to tackle in a third and final piece.

What makes us happy, and helps or allows us to satisfy our desires and preferences, may not be wealth alone. A millionaire who desires only a dishwasher is no better off for all her wealth if she is unable to buy one. A world in which dishwashers are harder to get hold of?perhaps due to a ban?is worse than one in which they are widely available, for a given amount of wealth.

But introducing "for a given amount of wealth" might be begging the question. Our measure of wealth, to be a good one, will include some correction for changes in prices (like the official measure). Even under our current system of drug prohibition there are measures of illegal substance prices [4]. Similarly, if we banned dishwashers, perhaps in some bizarre return of the lump of labour fallacy [5], they might still exist, albeit underground and more costly. In this way the measure would show an expected dip in real wealth in the prediction market for the national wealth effects of dishwasher banning.

And many other restrictions on liberty that we'd have independent reasons against would also depress our wealth, e.g. racist employment regulations, restrictions on travel. Even something like the ability to marry could be factored in?if people want to have marriages, they will have a higher demand for housing in areas where marriages are allowed. However this faces a lot of difficulties in a world where so many goods are unpriced and thus we cannot measure all of these effects. And it's unclear whether all of the cost to an individual of, for example, restrictions on marriage would be fully capitalised into house prices. So there might be some reason to expect a wealth maximising state to be less liberal than the ideal happiness-maximising state would be.

Further, typically unmeasured goods like love?which many people see as one of the most important?may not be measured by any element of the wealth markets. While current parliamentary systems don't necessarily directly consider what effect policies will have on aggregate love in the country, were it to be significantly effected by a (proposed) policy they would be able to factor it in. But a pure national wealth-driven system would not.

This is certainly a difficult objection for the model of government, but it isn't necessarily fatal. After all we know there are devastating problems with the current system, including distorted incentive structures [6], but even more than that public ignorance [7]. We'd want evidence that not only would maximising expected wealth tend to cut the amount of aggregate love in society?it would do so to an extent that outweighed the improvements in policymaking down to an unbiased, properly incentivised and dispassionately rational decision-making system.

We'd need particularly robust evidence to overturn the strong established empirical connections between wealth and happiness [8] (which presumably takes into account the effect of love on happiness). This means the love objection is not telling on our account without much further exploration. As suggested above, there remains the objection that some liberty contributes to happiness without contributing to wealth, or being fully accounted for in wealth measures, and this stands, and should be weighed against the other benefits gained from the wealth-maximising state. And the wealth-maximising state may well be more liberal than current parliamentary arrangements, given what we know about free markets and long-term growth.

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