

## [The best things in life are free](#) [1]

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Here's the argument. The recent financial boom and bust is the death knell of the idea that markets are efficient and that people behave rationally. Plainly, markets underpriced risky business, people took too many and too-large risks, and eventually everyone came a cropper. Capitalism is great, but it needs to be restrained against its own excesses and made to serve the broader interests of society.

Hmm. As a logical proposition, the efficient markets idea was always a nonsense. It's summed up by the story of two stockbrokers walking down the street: one says 'Look, there's a £10 note on the ground,' but the other says 'It can't be, or someone would already have picked it up.' The fact is that markets are never perfectly efficient because markets are just human beings doing things, and human beings are never perfect. They have an amazing amount of common sense, but they overlook things. They get distracted. They follow fashions. They sometimes just can't be bothered. And even more crucially, the information they have to act on is not a heap of brute facts, like a pile of bricks. It is partial, incomplete, often distorted and inaccurate, and equally human and imperfect. The crucial information to an entrepreneur is not the cost of making a new widget, but whether customers will like it enough to buy it. And that information, unfortunately, exists only in those customers' minds.

It all means that markets are not some Busby Berkeley musical in which all the actors' limbs move in perfect synchrony? though you might get that idea from the economics textbooks. They are more like a crowded railway station at rush hour, where people are trying to make their way to different exits or different trains across a seething mass of other people aiming for exits and trains of their own. Most people make their destination, but it takes time, and in trying to dodge others, they may not get there by the shortest route. Some people may be lucky that gaps open in front of them, some people may anticipate the movement of those in the crowd better than others. There will be log-jams, jostling and, yes, the occasional tumble.

What doesn't help, of course, is the authorities trying to channel the flow of the crowd by erecting barriers all over the place. Their aim might be to steer the crowd, but by limiting everyone's room for manoeuvre, they actually increase the log-jams and the accidents.

It may sound all very well to suggest that markets must be regulated to serve the public interest. But we have to remember that markets are not a thing, they are a process. Yes, you need basic rules to make them work? rules like property, contract and honesty? just as you need a fire-basket to contain a fire. But they need to be left free to do their job.

But there are too many politicians, many of them alas in the Conservative Party, who are too ready to cite Edmund Burke and say that while capitalism is wonderful, it has to be curbed in order to serve the public interest. They should remember that there is a multiplicity of views about what constitutes the 'public interest'. What makes the judgement of one person, even an elected Member of Parliament, any better than yours or mine? And of course their judgement is tempered by self-interest and ambition of their own. They have the political authority of our democratic system ? which itself has been traduced into an elected dictatorship. But they have no moral authority to tell other people how to run their own lives. If anything needs to be curbed, it is the self-righteousness of the governing class.

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