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Know no economics [1]

Written by **Tim Worstall** [2] | Sunday 9 March 2008

We love the new economics foundation [3] around here. No, really, we do, how can you not take to your heart those suffering from the Great Capitals Shortage of the Noughties? Further, how can you not have affection for those who, while attempting to believe in "economics as if people and the planet matter" find it so difficult to get the most basic grasp on the subject?

Andrew Simms, one of the nef's wonks, has a piece over at CiF [4] arguing that the UK should have something like Norway's Oil Fund. Instead of spending the revenues from North Sea oil on the concerns of the present, as we do through the Treasury, he suggests it should be an investment fund. The money saved and used for the future sort of thing. That part is at least arguably a good idea or a bad one, although I don't see the current crew of drunken spendthrifts being all that keen on allowing a cashflow to escape their clutches.

However, where the idea rather falls over is in what he wants the fund to spend the money upon:

> *An Oil Legacy Fund could for example, be used to invest in a fund for innovation; development and the promotion of micro, small and medium-scale renewable energy technologies; help for local planning authorities with the complexities of managing new, decentralised renewable energy services and technologies; expanding the use of school buses to tackle both congestion and energy-inefficient private-vehicle use on the school run; lowering the age for free public transport, and allowing adults with children to go free on public transport, making household-energy-monitoring devices available in order to increase awareness of current energy use and to make people aware of opportunities to improve; tackling fuel poverty, and much, much more.*

That last is especially note worthy: we should subsidise those we have driven into poverty by the taxation we impose upon them. But much more important than that, Simms has missed the vital point about the Norwegian fund (and indeed, others around the world, like all those soveriegn wealth funds): they don't invest at home [5].

> *The fund invests all its money abroad to avoid stoking the economy...*

Somewhat sad, isn't it? Vaulting ambition brought back down to earth by a trivial point. The major point of such tax funds is to isolate the natural resource revenue from the domestic economy so as to avoid the pitfalls of the Dutch Disease [6]. It's this sort of thing that makes the nef such a favourite with us: rather like a particularly cross-eyed kitten really. Ineffably cute and when they launch themselves off into the void their vision makes it impossible for them to land upon the intended target. Yes, cute, but also very funny.

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