Funding the Future

Saving capitalism

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There are moment when even an attentive father can read a book. I am reading Roger Bootle’s â€šÃ„Ã²The Trouble with Markets’. I have only read a couple of chapters but already warmly recommend it. Readers of this blog will find a great deal of similarity within it to many of the arguments I have presented on economics. Take this:

The trouble with the efficient markets theory is that it provides an incentive and an excuse for investors (and regulators) to do no serious analysis, thought, or due diligence, because they all believe it will have been done already by “the market” — which consists, by the way of other investors who have been similarly reduced to incapacity by the same theory.

Indeed, for the efficient markets theory to work, there must be many powerful players operating in the market who do not believe in it and, what is more, put their money at risk in the belief that it is wrong. Incredibly, this is the theory that has dominated the actions and, more importantly, the inactions of both market people and policymakers for three decades.

Note, he buys neither strong nor weak version of the hypothesis — unless the latter is stated so weakly that it is reduced to what I’d cal a platitude.

I have said the same, often, and taken a lot of criticism from those who think they understand economics — but are actually as deluded as those market participants Bootle describes. Glad to find someone like him is on side — resoundingly criticising Chicago.

No surprise he subtitles the book "’Saving capitalism from itself’. I think â€šÃ„Ã²saving capitalism from modern economists’ and â€šÃ„Ã²saving capitalism from the Right’ might have worked as well.