

Sub-optimally we muddle along quite nicely. It's a pity...

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Philip Stephens [has a good column in the FT this morning](#). In it he argues that throughout his time at the FT there have been at least six economic holy grails that the Treasury has pursued in the single minded belief that they had at ;last found the one sure way to achieve economic nirvana.

There have been several forms of monetary targeting, exchange rate targeting, inflation targeting, an independent Bank of England and now budget balancing. And all have failed.

As they are bound to, as he acknowledges.

Firstly, only economists think we have one goal in life. They think it is maximisation of well being. Actually, we don't do that. We don't maximise anything. The only reason they assume we do is that if that was the case they think that then they can plot the point where they believe the goal has been achieved by determining the point where the sign of the second differential of the curve of well-being they have plotted changes. But most people can't do second differentials and none of us can plot the graphs only economists think rule our lives.

And there's good reason for that. As we all know we have vast numbers of conflicting goals. Of course economists sat that they know that and that maximum well-being is where the conflict is best resolved, but that's absurd because we all know we just can't work out how to do that.

In fact, the only way we could work that out is if we only have one goal, which is how economists resolve the problem themselves.

So the presence of more than one goal is the first problem and the first explanation of why having just one goal in the Treasury won't work.

The second reason is that, whilst we can't optimise anything, sub-optimally we muddle along quite nicely quite often (even though not always) with our vector of goals that we knowingly imperfectly reconcile with the addition of that all important word, "sorry",

which is not in the Treasury's lexicon.

Thirdly, no Treasury goal yet adopted allows for quality, not quantity. As such it does not accord to any known behaviour standard used by humans. No wonder it's so hard to understand the Treasury view. Or that we're in a mess.

The answer is, of course, a new type of economics. I'm not holding my breath. [But you could try here.](#)