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Greed is Dead, Politics after Individualism

Authors: Paul Collier and John Kay

This is billed as a book about politics, but it is written by two economists with careers in both academe and business, so it should be important to all professional economists. Indeed, it can be interpreted as being about how we should do economics, if we think about the book from our own point of view.

Both authors have been prolific recently, Collier with 'The Future of Capitalism', and Kay with 'Radical Uncertainty', the latter with Mervyn King. This book seems to me to bring some of these themes together, and of course it is also a great read. The preface ends with the sentence 'The combination of selfishness and over-confident top-down management has damaged our societies' It exhorts us to change this. Perhaps that is not as memorable as 'Philosophers have only interpreted the world, the point however is to change it' but it has a lot more content.

The first part of the book deals with our slide into individualism and how this has both fed into economics and fed from it. They argue that the support for the primacy of market mechanisms worked because it operated against a backdrop of shared institutions and cultural norms. My word is my bond really meant something and that social set of connections meant that greed was contained. Greed could be good, but only in limited quantities and in the right contexts.

For about fifty years we have believed that individualism works but this was only true because of a context which has slowly been eroded and has now disappeared under the weight of market evangelists and the failure of communist and collective states.

But the authors also point out that the statist and collective alternative continues to fail. I find it rather sad that a current generation of young people is making the exact same mistake as I made when young, that to think a centralised set or organisations would somehow be better than the limitations that I saw in the cultural norms of the 1970s. How wrong could I have been?

I knew that central planning failed, but I failed to see that centralised organisations inevitably engage in it. I hear now the siren calls for larger and stronger regulators, for more government control, and government of course itself has an instinct for centralisation. Isn't that the way to get things done? Unfortunately not. Bottom up is needed as much if not more.

In this book, Collier and Kay call for us all to get more engaged. I'd like to explore what that means. I think it means working out how to start small. Over the last twenty years I've been trying. Working for the Greater London Authority to make it a success of devolution , and pointing out how the continued division between responsibility for delivery but no control over funding undermines this. Considering how to make state services more responsive to what people actually want or need – rather than what authority believes that they do or worse, should.

It's fascinating how we all interpret what is said to match what we think was said, or what we believe the speaker meant or should have meant. That is not just true of consultations and engagement exercises. It is after all notorious that Mrs Thatcher said that 'there is no such thing as society' and the authors here quote this as her support for the individualist tide. The tide is undoubted but the quote is misleading, because the context makes it clear that she strongly supported the family context and that individuals were not atomistic, but that 'society' was too abstract a concept and too statist in its implications. I think the authors agree. A more recent example is Michael Gove's statement that 'Britain has had enough of experts'. He was specifically referring to economic forecasters and the views of 'organisations with acronyms saying they know what is best and getting it consistently wrong'. The role of 'experts' is something that we should all reflect on. We should in particular be clear about the limits of our expertise: it is precisely overstepping those limits which leads to popular disdain.

An important current example reflects on epidemiologists rather than economists. Presenting scenarios as not worst case but likely has undermined the respect for the later worst case and probably led to less compliance with lockdowns than might otherwise have been the case. Alternatively, a narrow focus on one risk exclusively, that of Covid-19, has potentially distracted from the wider consequences both to health and the economy. Ordinary people observe these trade-offs in their daily lives and form views accordingly. A rational consequence is that they lose faith in experts, and why not.

What becomes necessary, as Collier and Kay point out, is that all of us, whether 'expert' or not, need to take responsibility for ourselves and for and in our communities. Such communities can of course be various and we may be members of more than one. They are not just of place, but also of interest. Here's an example. Choral singing takes place where people can gather together. It's extremely hard to do via Zoom, believe me. Some choral singers are professionals and their livelihoods have been devastated. In one online chat after a concert, in that brief window where performers got out for a bit, one member of a leading ensemble said that he had managed by driving supermarket deliveries. I'm sure he's not the only one. Here is a community which cuts across place, amateur and professionals, genres and peoples. Within such communities, there are many layers and types of expertise and different ways to speak up about the benefits and risks of such singing. Government at a central level can easily ignore what seems like a niche matter and create rules which undermine social connection and mental wellbeing. It seems negligible. Yet people willing to see their own risks in a different way might quite reasonably come to a different local view. That shouldn't be considered wrong.

What does this mean for how professional economists should operate? First, be careful about assumptions and context. An examination of 'ceteris paribus' is very helpful here. What other things are being held constant in our assessments? What assumptions about behaviour are we expecting to hold good? What technologies are changing? Second, consider probabilities. Often, we can't be definitive about how people will respond, particularly obviously at the current time. Consumers may react to fashion, or they may stick doggedly to their old habits. Agent based models can incorporate this kind of uncertainty and generate ranges of possible outcomes. Economists ought to be able to set out what ranges are possible and help clients, businesses, governments to consider what level of robustness is desirable. An ability to think clearly about transmission mechanisms and avoid deterministic models ought to be a hallmark of our ability to advise. It's not easy but that's why it should be valuable.

Economists' training is all about the efficacity of markets and in a dynamic world the discovery role that they can play is extremely important. Disequilibrium is a constant state. In giving advice, we need to be especially careful to set out the limits to our expertise, to be aware that preferences can both vary across time and place, and that we should not impose our own on others. Then experts might get a good name again.

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