

THE MARKET

The Invisible Hand Is Blind > Ray Anderson, CEO, Interface

The idea of the invisible hand of the market representing the enlightened self interest of many, many people, is an honest broker and can effectively allocate and efficiently allocate resources in the market place, is flawed if the invisible hand is blind. Now what blinds the invisible hand so it cannot see, the consequences of its own action, it is the externalities, it is the fact that the prices are not honest prices. Does the price of a pack of cigarettes, established by the market in its wisdom reflect its cost? Well of course not, nowhere near considering the societal cost. There's the price of a barrel of oil established by the market in its wisdom, reflect its cost, of course not, I mean the military power in the middle east is a \$100 a barrel if it's a penny, and you throw in the occasion Gulf war, so you know that the price of a barrel of oil no where near reflects its cost.

And if the invisible hand is guided by dishonest prices, it cannot reach honest conclusions. So how do you get the prices right? There is a role undoubtedly for the government to play in internalizing the externalities to get the prices right and we come to the idea of tax shifts as the available mechanism that an enlightened government could exercise. It could exercise its power of taxation and redress the dishonesty in the market place

... The corporation also is people, and people by and large want to do the right thing, they really do, and those people that make up the corporation are responding to other people who make up the market place. And when those people, the market place insist on responsible business practices the people inside those businesses will respond. They must respond or they risk losing the business, the compliments of the market place, there is no more fundamental thing than trust between buyer and seller in creating an honest market place. Corporations cannot afford to violate that trust, they do right and left, and they pay the price, and as a more enlightened public arises, a more enlightened electorate arises, the corporate leader and the politician will have to respond.

Innovative Incentives > Ray Anderson, CEO, Interface

I'm actually in favour not of more government regulation, but I'm in favour of more innovation, more innovation in creating a system that gets the priorities right, that internalizes the externality on its own, that depends ultimately on an informed market place, people insisting that the products that they buy, be made responsibly by corporations that are acting responsibly. That will drive corporations to do the right thing.

Government has another a role too. Government has a role to play through its taxation policy, to help get the prices right. Today we tax labour, something we would really like to encourage, job creation, but we tax it and we let off Scot-free the exploitation of nature. How much sense does it make? How much sense it does make, to shift taxes to penalize the things we don't want, and relieve taxes on the things we do want, and get the incentives right to get rid of the perverse subsidies that exist, so that in my mind is where the governments attention needs to be focused, not on more regulations, but on getting rid of the perverse subsidies.

Superstitious Fears > Michael Walker, President, Fraser Institute

You know, we will always have fear of the unknown. We always have a mass of the population who don't understand what a corporation is, don't understand what free trade is all about. They may have just lost their job because the, the, the, their local firm was wholly inefficient, couldn't compete against the one across the border. And they now, you know, now find themselves an advocate against, against trade and against globalization. Even though it's in their longer term interest to have it because they're, they're, they'll have a better income eventually because of the because of the, the, the globalization and the trade which, which, which happens.

So there's always this well of people, they're the well of people who when the ergot, when the ergot, the ergot contamination of wheat in Salem caused people to behave like witches, burned 500 people or something. Because ergot poisoning from the, from the grain that they were eating was causing them to have constriction of their arteries in ways that caused them to agitate and behave and do gesticulate and do strange things. And they thought well these, these are witches and they put them to death.

The people who, you know the Inquisition that, that, that put people to death for believing that the, that the earth wasn't the centre of the universe. I mean there's always a well of people who are, who are afraid because they don't understand. And so they're always prey for people who come along and say ahh, you don't understand about these corporations but let me tell you about these corporations. These are the corporations that are causing all of your problems you know. You know your gout, it's causing your gout, it's causing you this and causing you that. These are the problems.

And, and it's ignorance and misinformation are always part of, of any society and, and, and influence the decisions that people make. There's a sort of a scientific element of, of, of this movement that which, which people are preying upon. That people will, say people that, you tell people that if you have free trade, you know, it'll be bad for you. And if you have globalization it will be bad for you. And people will not understanding and being apprehensive and fearful, believe it.

An Inevitability Of History > Michael Walker, President, Fraser Institute

This is, this is no longer seen as an ideological kind of issue, it's simply a matter of technique. It's how do you go about solving the problem of getting more production. How do you solve the problem of making sure people don't starve. You use markets.

And so this is happening it's, it's, it's a, it's a kind, I don't want to say it's an inevitability of history then you will say "oh a Marxist in the Fraser Institute." But it is a kind of inevitability in a sense that the evidence is now so overwhelming about the power of markets that there's no stopping it because people see that it works. And that's all that it's about, I mean you know at the end of the day, what is our research institute about? It's about trying to find ways to make that, use markets to solve economic problems and social problems and other, any problems that come up. How do you use incentives to condition human behaviour in a way that it makes it socially attractive.

That was, that was Adam Smith. The guy on my necktie, Adam Smith, who discovered that if you get the incentives right then people by following their own interest will create social outcomes that it was not their social benefits that it was no intent of theirs to create. And that's what we're doing is going around the world getting this little ideas. A tiny idea but it's enormously powerful.