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September 20, 2010

Economics vs. Fakeonomics

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By [Ian Fletcher](#)
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We skeptics of free trade are used to being told, "You don't" [PRINT](#)



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Free markets are always right, always and everywhere.

Anyone who doesn't believe this is stupid. Smart people not only understand that free markets are best, they like free markets, because free markets mean opportunities to get rich.

Or maybe they're corrupt. The opposite of free markets is government. Government is always incompetent. It never does anything right. Ever.

Or maybe they're evil. Anyone who doesn't believe in perfectly free markets is a Marxist wannabe or a loser jealous of more-successful people.

Free trade is just free markets applied internationally.

Therefore all smart, good, successful people must believe in free trade.

Unfortunately, fakeconomics is, at best, a crude parody of economics. It is often larded with a thick layer of moral hectoring, courtesy of a certain variety of the American Right which seems to think that economics is its exclusive property, a stick given it by God to beat liberals with. There is even a whole class of people, known as “libertarians,” who elevate fakeconomics to the level of an all-encompassing moral ideology. (Their fundamentalist sect is the old Ayn Rand cult, whose members call themselves “objectivists.”)

So let's be clear about one thing: real economics does *not* support the idea that 100 percent pure free markets are best. Not domestically, not internationally. That's why the U.S. has, like every other developed nation, a mixed economy, with government amounting to about 35 percent (pre-2008; it's spiked since then) of our GDP and various laws, from child labor laws to environmental laws and the SEC, regulating much of the rest. It's easy to fulminate against this fact in beautiful after-dinner speeches about economic liberty, but the reality is that when in office, even conservative Republicans grasp the necessity of most of these policies—whatever adjustments on the margin they may make.

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4 Comments



1.

[Stephen Wille](#)

as they say, its the worst system, except for all the others.

understand economics.” In fact, one major reason I wrote the [ADD THIS](#) book *Free Trade Doesn't Work* was simply to expose, once and for all, that there *do* exist extremely serious and intellectually reputable arguments, within the confines of accepted mainstream economics, which question free trade. And indeed they exist.

But I've noticed something. We skeptics are often not really struggling against real economics at all. When I pick up a copy of the *Wall Street Journal*, or *Forbes*, or *The New York Times*, or turn on Fox News or MSNBC, or read papers issued by the libertarian Cato Institute or the Peterson Institute for International Economics, I don't even find economic arguments. I find a mischievous substitute for economics we can call “fakeconomics.”

What is fakeconomics? It sounds like economics to the uninitiated. It uses the same language, addresses the same issues, and fills the same logical hole in the national policy discourse. Most people can't tell the difference. But fakeconomics is not the real thing.

How is fakeconomics fake? It tells a story that goes something like this:

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2. markelbat

I tried to read this with an open mind, thinking you might make a few sensible points. I'm disappointed, to say the least. You simply framed your opponents arguments to suit your purposes, then regurgitated your simplistic Krugmanite nuggets of wisdom. I'm not an economist, but I can read and I'm still waiting for someone on your side of the fence to mount a serious challenge to Mises, Hayek and Hazlitt.

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o J Baustian

I agree, there is no economic argument here at all, merely a regurgitation of the usual protectionist talking points.

I looked, without success, for any credentials beyond his "adjunct fellowship" at the U.S. Business and Industry Council — a group which apparently does not see any remedy for a chronic trade deficit beyond imposing high barriers against imports. Mr Fletcher's bio also mentions some experience in the hedge fund business, but apparently that didn't work out for him so now he calls himself a journalist.

If he does not care to be called a protectionist, how about "mercantilist"?

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3. thephranc

Yes freedom bad , control good.

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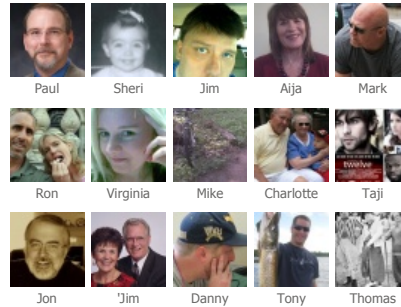
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