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From Where Do These Magical Regulators Come?

George Soros recently penned an interesting Op-ed in Politico, coinciding with an appearance at the Cato Institute (is there a libertarian equivalent to Holy Water, and was it burning?) for an event reflecting on the impact of F.A. Hayek (I think).

I actually found the [Soros article](#) rather interesting. In it he recounts his view of an ideological battle of sorts between Hayek and his colleague Karl Popper, under whom Soros studied. There were many things I found wrong with the piece, both in terms of facts and opinions. Anyway, Soros ultimately claims to find value in both views, but what I really keyed on was the presence of a bit of magical thinking common on the left. First, here's a snippet of the conclusion to the Soros piece:

Because perfection is unattainable, it makes all the difference how close we come to understanding reality. Recognizing that the efficient market hypothesis and the theory of rational expectations are both a dead end would be a major step forward.

As I see it, the two sides in the current dispute have each got hold of one half of the truth. which they proclaim to be the whole truth.

...I recognize that the other side is half right in claiming that the government is wasteful and inefficient and ought to function better.

But I also continue to cling to the other half of the truth — *namely that financial markets are inherently unstable and need to be regulated.*

Earlier in the piece, he makes the case that perfect knowledge is not attainable, which inevitably leads to the “inherently unstable” nature of markets. This argument is internally inconsistent and fails on its own premise.

If financial markets are inherently unstable because perfection is unattainable, why would government regulators not be subject to the same constraints? Are they not bound by the same inability to achieve perfect knowledge? It is a common fallacy of the statists to believe that regulators can magically rise above all the problems faced in the market, but this is not the case. In fact, they face even greater challenges because politics has been thrown into the mix.

As regulators have no greater ability to achieve perfect knowledge than market participants, how does placing more power in fewer hands improve the situation? It seems to me the more stable system is the one that sees

less power in each individual hand, while spread out among many more decision-makers.

On a related note, [EconStories.tv](#) dropped round 2 of the Hayek vs. Keynes rap. I highly recommend checking it out:



Posted by [Brian Garst](#) on Friday, April 29, 2011 at 1:12 am

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I am a libertarian-conservative blogger living in the DC area. I have a Master's degree in Political Science (please don't hold that against me) and work in public policy for a non-profit.

I also contribute at [Big Government](#), [Right Wing News](#), [The Market Center Blog](#) and [Double Taxed](#).



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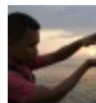
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