

# The Telegraph

## **Mark Carney's Value(s) moans about free markets – but his Brave New World alternative is a muddled farce**

Ryan Bourne

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Humanity faces huge challenges, from climate change to inequality, the pandemic to AI. Mark Carney, the former Bank of England governor, says that tackling any of them requires an urgent prerequisite: rethinking “value”.

In his new 608-page book, Carney laments the economic consensus that “value is subjective”. This pillar of economics says that the value of goods, such as cars, are determined not by their gadgets or the labour producing them but by individuals’ judgments of the car’s importance in meeting our own needs. You may highly value having a convertible roof for summer; I do not. But my decision to buy a simpler car for, say, £20,000, shows that I value that car by at least that much. Value, then, is in the eye of the beholder.

In each case, voluntary trade makes both buyer and seller better off – each side giving up something they consider of lesser value (me, the money; the seller, the car). So, to create value through exchange, market trades should be left unhindered, except when obvious market failures arise that governments must act upon.

According to Carney, however, our “marketised society”, governed by this principle, corrupts society’s “values”, because it blurs the distinction between market prices and “social value”. Price is conflated with value, such that everything unpriced is seen as non-valuable. Amazon, the company, has a \$1.5 trillion equity valuation. The biodiversity of the Amazon rainforest appears on no ledger until it is converted to farm land.

We therefore need to move away from “unfettered capitalism”, he says, to an economic model where, rather than pursuing our own subjective interests, society forges “consensus” on its objectives based on our “shared values”. Markets can then be “marshalled to help discover and drive solutions in a form of mission-oriented capitalism”. So we might call “sustainability” our value and make mitigating climate change an objective. Capitalism should be harnessed to deliver that goal.

In many ways, Carney is attacking a straw man here. Nobody thinks an absence of prices suggests something is not valuable. I value my parents, even though I can't trade them. People volunteering to sew PPE, or help the NHS during Covid-19, does not reflect the limitations of a market system in harnessing social value, as Carney claims; merely that we are also willing to engage in non-market activities in return for rewards other than money, such as self-esteem.

Carney's anti-market rhetoric, though, is catnip to a Davos-attending technocratic elite, who bemoan "unfettered capitalism" (despite the fact that, as regulators, lobbyists and beneficiaries of cronyism, they are doing a pretty good job of fettering the supposed laissez-faire consensus).

Ultimately, when he suggests that we place too much faith in the wisdom of markets and their prices, what he is really saying is that individuals have too much decision-making power and that greater power should be transferred to worthies to decide what is best for us. But who makes those decisions, and how, in a world where we disagree profusely is something Carney never really addresses.

The truth is that markets are good at deliberating these tensions. They allow our differences to be traded off, and minority views served. Non-market collective decisions, however, are inevitably made via forms of politics in business or government, with all their clashes of values, corruption and tribalism. Carney brushes this off as harmonious "consensus", but in reality, they are often bitter contests for monopoly power.

On cue, Carney unveils his list of values that he thinks should drive individuals, business and governments: "solidarity," "fairness," "responsibility," "resilience," "sustainability," "dynamism," and "humility." Conspicuously absent is "freedom". But a bigger vacuum is any explanation of how these values would be traded off in his brave new world. Governments deciding to give unemployed workers more taxpayer money might reflect "solidarity", yet it undermines "dynamism".

Making society-wide decisions is riddled with such thorny trade-offs. Take the pandemic. Carney correctly observes that, as a society, we undervalued resilience before the pandemic. Our failure to learn from East Asian experiences with Sars and Mers cost thousands of lives and, so far, 12 months of living – impacts that could have been mitigated through tiny prior public health investments.

Yet our failure in preparation here wasn't due to markets' corrupting influence, but politicians spurning public health to prioritise public services, welfare and pensions. Why? Because politicians get rewarded for spending today and providing relief when crises hit; not for unseen investments to protect against emergencies perceived as unlikely. Yet Carney would have politics play an even bigger role in our lives.

Many more government failures, in fact, were down to the very "values" Carney wants us to enshrine. If medical regulators had allowed a market in human challenge trials sooner – with individuals offered money for deliberate Covid-19 infection in controlled environments, allowing rapid vaccine efficacy assessments – the pandemic could be over now. How many lives were sacrificed because of a politically enforced "value" that said it was unethical to deliberately

infect someone, even if they personally accepted the risk-reward trade-off of infection, and their bravery brought massive social benefits?

Carney likewise says that policymakers were right not to use formal cost-benefit analyses to weigh up the impact of lockdowns on the economy, health, and civil liberties – a technocratic method which puts a notional value on deaths avoided. Instead, he says, society expressed a “values” preference for minimising deaths through blanket social distancing regulations. From that, he says, it follows that government’s primary objective was to minimise deaths – and only then think about delivering it in the least costly way.

Yet in his Reith Lecture, Carney said “due respect” should also be given to “inequality, mental health and other social consequences”. That sounds an awful lot like weighing up trade-offs, but with Carney’s own judgment determining the priority.

And that’s the recurring problem with this book. Carney outlines his own policy preferences – for rapid decarbonisation, stakeholder capitalism, more diversity, more government investment, and other progressive goals – as if they reflected objective, universally held values. He likewise downplays the trade-offs inevitably required when allocating resources or determining priorities.

The green agenda is described as “win-win-win” for all – with no acknowledgement of the massive transition costs to a low-carbon economy. Businesses are told that embracing stakeholder capitalism will make them more profitable, but also that solely pursuing profits will undermine social value. This is the profit variant of “this food is disgusting and the portions are too small”.

When reading this dense – often muddled – book, which touches on everything from Bitcoin to climate change in extraordinary detail, I couldn’t help wondering whether Carney’s central argument was less a principled objection to our “marketised society”, more a tirade of frustration that our current freely made economic and political choices do not conform to the preferences of Mark Carney.

*Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato. He has written on a number of economic issues, including fiscal policy, inequality, minimum wages, infrastructure spending, and rent control.*