

# THE ART/SCIENCE OF ECONOMICS

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In a recent *Project Syndicate* article **False Economies** (Jan 17, 2025), William Janeway expands on the traditional economic objective of efficient allocation of resources. Janeway points out in logical fashion that besides efficiency, economics should also take account of fairness, resilience and additionally the effectiveness of achieving political goals. **HE** has previously highlighted the role of competition in promoting innovation and economic growth (**Competition – Humankind's Fundamental Driving Force**, this website) which a nation's macroeconomic policy should endeavour to achieve.

## EFFICIENCY

There seems little doubt that efficient deployment of resources in achieving some objective is a major aim of economic theory. Janeway's thesis is that other objectives have been compromised too much in the process.

## INNOVATION

Janeway makes the valid point that much recent innovation has resulted from public funding and not private enterprise. The internet, genetic engineering and biotechnology were originated and developed with public funding. And in some cases a winner taking all resulted. One obvious case was VisiCalc and Lotus 1-2-3 eventually losing out to Microsoft and Excel. Creative destruction can also result from innovation rendering previous investment capital worthless. Such losses are usually ignored as in some cases the eventual innovative gains far outweigh what was considered feasible in the initial stages of the innovation. The internet with its current reach into online shopping, financial services and now medical services with AI, is a classic example of this.

## GLOBALISATION AND RESILIENCE

The internet fostered globalisation resulting in now accepted international linkages. The most efficient supply chains span the world, But geopolitical events have now rendered some shipping routes dangerous and second sources (less efficient) are becoming necessary. Janeway labels this resilience and now economics should account for this in its analyses. Ukraine, the Middle East and potentially Asia could all induce further turmoil and disruption to the most efficient supply chains.

## FAIRNESS

Inequality is becoming more prevalent with outcomes like the winner taking all after some innovations. Distribution of income after gains from innovation needs to be addressed. All political parties need to rethink taxation to achieve a fairer outcome than is currently the case. **HE** believes capital gains taxation is not the answer but perhaps wealth taxes should be investigated.