

Simplicity is attractive, but not always realistic

I enjoy reader responses. Praise is gratifying, but criticism is often more valuable, as a doorway to discussion and insight. Case in point, David R. Lecklider's [Dec. 10] letter: "There are ultimately two ways to value goods and services, either the price system or the dictates of a central authority." Plain and simple.

But reality seldom conforms to simple ideologies. Einstein advised that ideas be expressed in the simplest possible terms—"but no simpler!" Simplifying complex ideas helps us understand them; but oversimplifying leads to error, by ignoring essential information. The notion that matters must distill to either of two alternatives, with no overlap or other options, is an oversimplification called "false dilemma."

By "the price system," I assume Mr. Lecklider means free-market capitalism, and by "central authority," socialism. Most "isms" look great on paper, but are often found wanting in practice. The trick is not to expect one "ism" to run everything, but to apply each to the tasks for which it's best suited.

Socialism (public control of production) serves important needs having little profit motive, or for which a profit motive would compromise the public interest: defense, general education, public health and safety, law and justice, and such. But taken to an extreme, it can become authoritarian oppression.

Capitalism's incentives to innovate and excel have produced the greatest prosperity in history. Yet left to itself, it generates destructive boom-and-bust cycles. It also gives rise to extreme stratification: a tiny clique of wealthy and powerful industrialists, bankers, and speculators; a modest middle class of merchants and professionals; and a huge population of poor, both employed and unemployed—a picture of "robber baron" America, circa 1900.

But these aren't the only options. For example, business authority prefers to set wages and hours for its own benefit, often to the detriment of employees. Unionism challenges that narrow authority, to make wealth distribution proportional to individuals' contributions to wealth production; but overdone, it can price some workers out of the job market.

Every system has merits and flaws. This is why successful societies use a mix of systems, the assets of each balancing the liabilities of the others.

Mr. Lecklider continues: "Unemployment is a natural occurrence corrected by a vibrant economy free from the taxes, rules and regulations...." True, cyclical unemployment is natural; six percent is deemed normal, for there are always people in transition between jobs or training for new skills. However, unemployment due to automation is neither cyclical nor self-correcting. When it accumulates, consumer demand wanes, depriving the economy of its correcting "vibrancy" (cash flow).

The reality of automation will continue indefinitely, and unemployment will rise correspondingly, until the "rules and regulations" decreed by some are adjusted to bring employment, personal income, consumer demand, business volume, and profit back into balance at sustainable levels. Complicated? Yes. So is reality, and intelligent management of complexity helps us deal effectively with it when simplism fails. This applies not just to economics, but to nearly every field of endeavor.

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