

If I Ruled the World: A Dangerous Dream

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“If I Ruled the World,” say the lyrics in the hit song from the 1960s, the world would be a beautiful place with a smile on everyone’s face. Every man would say the world was his friend, with happiness that no man could end. No, my friend, not if I ruled the world. A nice

fantasy for a daydreamer, but a dangerous plan in the hands of those presumptuous and arrogant enough to think that they could and should have the power to remake the world in which we all live.

We seem to be in the midst of a tidal wave of such dreamers who are dreaming of their ability to reconstruct and redirect the social and economic affairs of the rest of us. The coronavirus crisis with its accompanying government-made economic recession has served as the catalyst for even more such dreamers than usual.

They always seem to be lurking around in the nooks and crannies of society, hoping and waiting for an opportunity to assure people that if only they were in charge, if only they had the political power to correct the wrongs, rectify the injustices, redesign human affairs, and see that everyone received what they “really” deserved, well, the world would be that beautiful place, with a smile on every face, and it would never end, my friend. If only they ruled the world.

Someone Ruling the World Means the Rest of Us Are Ruled

The problem is, if someone were to have this role to rule the world it would mean that everyone else would have to conform to what the ruler dictated and commanded. In other words, for the ruler to have such latitude of discretionary action, everyone else in society would be confined within the restrictions, regulations and redistributions that would be an essential aspect of being able to remake that world in the ruler’s image of that beautiful place.

We are a bit shocked at the thought of it all if that ruler is seen to be a Hitler or a Stalin. No, no, it is said, that is not what is meant! We mean a nice and gentle ruler of the world, who will provide good paying jobs, reliable and quality healthcare for all, financially comfortable retirements, free education, a clean, climate friendly global environment, plus economic and social equality for all that has inclusiveness with diversity for every race, gender, ethnicity, and social group. That way, we would all have a smile on our face.

Besides, it would not be a political dictatorship in such a beautiful world but some form of “participatory democracy.” We will all participate, we will all discuss, we will all agree on the happiness that no one would ever end. The problem is that unless there is unanimous agreement as to what such a world should be like in all of its content and detail when bestowing on the political ruler the power to make sure we live in the way about which we are all presumed to be in agreement, then any dissenting and disagreeing members of the society may find themselves as a voting minority living in a world that they might consider to be neither beautiful nor happiness-making.

Taming Capitalism for the Good of Society

But such considerations do not stop the dreamers from following their political paternalist dreams. A case in point can be found in a recent article by Mariana Mazzucato, a professor at University College in London, England, on [“Capitalism After the Pandemic: Getting the Recovery Right”](#) (*Foreign Affairs*, October 2, 2020).

Her basic and starting premise is that “capitalism” fails to work in social and economic crises. It is unjust in its outcomes in terms of income inequality and insufficiently race and gender “inclusive.” Corporations only pursue shareholder profits while many others in society lose their jobs, sink into financial distress, and government is starved of the needed tax-based resources to assure fairness, social justice, and long-term growth and betterment for humankind. In addition, the capitalist system, through its focus on profits rather than people and the “social good,” is destroying the planet due to a disregard for the fact that we only have ten years left before 2030 when the consequences from “climate change” are beyond repair, with all of us being doomed to man-made fire and brimstone thereafter.

The coronavirus crisis offers an opportunity to set the world right, she says, by reducing and restraining existing market freedoms, and reorienting the society and the economy by moving government to center stage for a rebalancing and correcting of all the inequities and harmful effects of leaving people with insufficient political oversight and management. “It is not enough for governments to intervene as the spender of last resort when markets fail or crises occur,” Professor Mazzucato argues. “They should actively shape markets so that they deliver the kind of long-term outcomes that benefit everyone.” She is confident that governments can do more than simply spur economic growth. “They can steer the direction of that growth to build a better economy.”

Out with the “Bad” Intervention, and in with the “Good”

It is not that Professor Mazzucato thinks we live in a laissez-faire world. No, she highlights that big businesses and corporations and the large financial institutions know how to game the interventionist system by getting subsidies, handouts, and special favors from government to cover losses in bad times and get financial support the rest of the time for research and development and investments of various sorts in general at others’ expense.

But in no way does she see the answer to this corruption and plunder of taxpayers and consumers to be the abolition of favors and privileges for such interest groups. Professor Mazzucato simply wants the government to intensify and extend such interventionist policies into the forms and types that she considers better and best in pursuit of what she views as the social purposes that she considers the right ones for the good of all in society.

For instance, if companies get subsidies and tax breaks or other types of government support to benefit them in good times and bad, then that same government should attach far more strings than at present to demand how those businesses shall run their business,

including what they should produce, how their products should be priced, along with mandates about the wages and work conditions that such enterprises must provide for their employees.

Private enterprises should be commended to reduce their carbon emissions, limit the dividends paid out to shareholders and the salaries allowed to be paid to senior executives, and to not put any of their revenues into tax shelters in other places around the world. Race and gender “inclusiveness” should be required, with quotas of some sort, one presumes. Also, semi-worker management would be insisted upon through mandatory worker-participation on corporate boards.

The “Entrepreneurial State” Equals Economic Fascism

Behind all this is the view that growth and betterment is not the result of private sector innovation, or private sector savings and investment, or private sector incentives and entrepreneurship. No, the government needs to be seen as the senior partner in the economy that serves in the leadership role of working with the private business.

We have to get over the “false notion that the private sector is the sole creator, not a co-creator, of wealth in the economy, and that the public sector is merely a toll collector, siphoning off profits and distributing them as charity,” Professor Mazzucato argues. Instead, what is needed is what she calls the “entrepreneurial state” that directs businesses in everything they do.

As part of this, she says that government should take over partial or even total ownership and planning of certain companies by obtaining shares in those enterprises in which the government injects funds. In this way, the government can “attach strong conditions to its deals [with private businesses] to ensure they serve the public interest.” That way the government can see to it that products are properly priced, made available to those whom the government thinks should have access to them (such as pharmaceutical drugs) and positively influence a “more equitable distribution of income.”

She may say that the current health and economic crisis is “a rare opportunity to change capitalism,” but if one means by “capitalism” a system of free enterprise in which private owners and entrepreneurs peacefully and honestly pursue profits by satisfying consumer desires in an arena of competitive supply and demand, what Professor Mazzucato calls for is better labelled a fascist-style command economy rather than some asserted form of modified capitalism.

Not all businesses would be nationalized and directly owned by the government, if Professor Mazzucato “ruled the world,” only some selected ones. But most of the economy, while remaining nominally in private ownership would no longer have the liberty and latitude to be guided by how their private owners and shareholders thought best. In her world,

government would control, dictate and enforce how those businesses operated in virtually every facet of their activities. She may refer to it as “public-private collaboration,” but it becomes the government that calls the tune. Welcome to the world of fascist economics.

Back to Marx and Socially Objective Value

But how would Professor Mazzucato know what was worth doing, to what degree, and in which forms? As she sees it, there is “an underlying problem in economics: the field has gotten the concept of value wrong. Modern economists understand value as interchangeable with price. This view would be anathema to earlier theorists such as Francois Quesnay, Adam Smith, and Karl Marx who saw products as having intrinsic value relative to the dynamics of production, value that wasn’t necessarily related to their price.”

The Classical Economists like Adam Smith had been perplexed by what became known as the paradox of value. How is it that something as essential for human existence as water often bears a very low price in the marketplace, while a diamond that panders to the superfluous vanities of man usually fetches a very high market price? They found an answer in the labor theory of value, which said that the relative values of goods are determined by the quantities of labor that had gone into their production.

Normally water is available in fairly unlimited amounts that require little or no human labor to supply, while diamonds usually require large expenditures of human effort to prospect and mine for the precious gem, followed by the jeweler’s labor to precisely cut the rough stone into its finished form. Hence, though highly valuable, water sells for a very low price, while the “nonessential” diamond sells for a much, much higher market price.

Subjective Value at the Margin of Things

The “modern” theory of value that Professor Mazzucato eschews is the theory of “subjective value” as evaluated by a decision-maker at “the margin.” The marginalists of the late 19th century, and most especially the “Austrian” economists starting with Carl Menger, argue that value is not “intrinsic” to a good as determined by the quantity of labor that has gone into its manufacture.

Instead, value originates in the mind of an evaluator concerning the usefulness of various goods that could satisfy purposes or goals he has in mind. But the evaluation of their usefulness is not between all water versus all diamonds, but an estimate of their worth “marginally;” that is, the importance and value of increments or additional individual units of the goods.

If water is fairly abundant; that is, not very scarce relative to all the uses for which units of water might be applied, it is not too surprising that a potential buyer will be only willing to pay a relatively low price for one more unit of water, when most of his uses for it may already have been satisfied. On the other hand, diamonds are much scarcer, with their

supply far more limited relative to all the uses for which people might desire diamonds; hence, the value, and therefore, the price someone might be willing to pay for one more diamond is likely to be far higher than some last unit of water with which it might be compared.

At the same time, if workers have value in alternative uses for their labor time, the wages they may be offered in different lines of employment will reflect the (marginal) value of the goods which that labor time might assist in bringing to market. It has nothing to do, per se, with the quantity of labor invested in any product.

“Social Value” Just Means What Professor Mazzucato Wants

What Professor Mazzucato is really trying to get away from is that the value of things is not intrinsic or independent of how individual human beings judge them, given their personal estimates concerning their usefulness and worth for achieving the ends they have in mind. Suppose that she insists that more of “the society’s” resources should be assigned to a higher “socially valuable” use such as supplying “free” higher education or more climate change research and solar and wind power investments, rather than using those resources to manufacture additional flatscreen TVs and designer skateboards.

If you understand that “value is in the eyes of the beholder,” and people may not only value different things, but also differently “at the margin,” from how Professor Mazzucato sees it, then it is all just a matter of her personal opinion versus other people’s about how they should spend their own money to further the ends and goals that matter to them in their lives, all things considered.

Then Professor Mazzucato is left with spending her own money her own way and trying to reason with and persuade others to voluntarily spend their money and time the way she thinks they should for that “better world.” What if many or most others do not see things her way or, at the margin, not very much in terms of how they want to spend their own money? Then, maybe, a lot fewer of the resources in the society get used to do the good things that she wants and even considers right and good for others, if only those others saw things her way.

In a free society based on mutual respect for every individual and their, respective, right to peacefully live their own life in their own way in voluntary and mutually agreed relationships and associations with others both inside and outside of the marketplace, poor Professor Mazzucato may live her life with many disappointments.

If only she ruled the world! And that is what all of this talk of “social values” separate from individual personal evaluations and their reflection in the prices people are willing to pay on the market is all about. If there are “needs” and values outside of and independent from

what real individual human beings want and value, then you can blissfully and self-righteously assert, with appropriate contempt for those less enlightened than yourself, about how the resources in society should be used to advance what purposes.

She knows the “real value” to humanity as a whole for “free” higher education, or investment in fossil fuel alternatives to “save the planet,” or the type and form of “diversity” employments that would make a more just workplace, or the amount of income redistribution that would make a fairer world, or . . .

We Cannot Fully Know What People Value Outside of the Market

The fact is, we do not know the value of any of these things, and multitudes of others, other than as discovered and expressed by people’s real willingness to put their money where their values are in the buying and selling of the marketplace. This, of course, also is expressed in people’s willingness to voluntarily donate to charity and various philanthropic causes that enable the organizations reflecting these voluntary givings to demand the goods and services in the marketplace through which they can advance their achievement.

How much easier it is to say that government represents “society’s interests” while the private sector just reflects, well, personal “selfish” interests. And that government is the “cocreator” of all that is good in society. Professor Mazzucato wants to discard the reality that government has no resources to spend other than what it has first coercively taken from others through taxation; and that government does not create wealth, it can only take some of the wealth produced by private enterprisers and reallocate it in directions different from how the producers of that wealth would have chosen to use and dispose of it, if not for the compulsory hand of those in political power. (See my other article on Marianna Mazzucato’s ideas, [“The Downsides and Dangers of Mission Making”](#).)

Similar to a magician on a stage, Professor Mazzucato can only succeed by deflecting our attention and understanding of what her agenda is really all about through a rhetorical sleight-of-hand. The task is to get people to see what is hiding behind the curtain of those who wish they could rule the world.

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