

# PRICE VALUE PARTNERS

## Everything is awesome

“What explains the complacency? One reason might be the absence of good ideas.”

- Martin Wolf in the [Financial Times](#) (‘Why so little has changed since the financial crash’) suffers a rare moment of self-recognition.

**There has been** an amazing improvement in human living standards over the past 50 years. The average person on the planet is earning three times as much as they were 50 years ago. They’re living 30 percent longer. They’re burying 2/3<sup>rd</sup>s fewer children – the greatest measure of misery anyone could think of. And on the whole, people are wealthier, healthier, happier, cleverer, kinder, more peaceful, freer and more equal than they’ve ever been. So why does everyone appear so miserable ?

It seems plausible that most people get most of their “information” about the world from sources within mainstream media. So one can only conclude that when it comes to informing people about their condition and that of the world in which they live, the mainstream media is spectacularly no longer fit for purpose – assuming it ever was. For some time we have lauded the benefits of a “news free” diet, as advocated by the likes of [Rolf Dobelli](#). In the specific context of BBC News being incapable of providing objective political reportage despite being paid for by a compulsory tax on pain of imprisonment, you may wish to support our [petition to revoke the BBC’s Royal Charter](#) – a petition now fast approaching 10,000 signatories. (Thank you to all who have supported it to date.)

Those figures and statements on human improvement come via Matt Ridley, author of *The Rational Optimist* and, more recently, *The Evolution of Everything*. As an introduction to the former book, we recommend [this interview](#), and as an introduction to the latter one, [this presentation](#).

Since humans appear to be trapped on a hedonic treadmill of ever greater expectations, we tire of, or at least get used to, material progress quite quickly. We don’t just live like kings; we live like Emperors. Matt Ridley:

As I write this, it is nine o’clock in the morning. In the two hours since I got out of bed I have showered in water heated by North Sea gas, shaved using an American razor running on electricity made from British coal, eaten a slice of bread made from French wheat, spread with New Zealand butter and Spanish marmalade, then brewed a cup of tea using leaves grown in Sri Lanka, dressed myself in clothes of Indian cotton and Australian wool, with shoes of Chinese leather and Malaysian rubber, and read a

newspaper made from Finnish wood pulp and Chinese ink. I am now sitting at a desk typing on a Thai plastic keyboard (which perhaps began life in an Arab oil well) in order to move electrons through a Korean silicon chip and some wires of Chilean copper to display text on a computer designed and manufactured by an American firm. I have consumed goods and services from dozens of countries already this morning. Actually, I am guessing at the nationalities of some of these items, because it is almost impossible to define some of them as coming from any country, so diverse are their sources..

Or consider the scale of wage increases combined with secular deflation:

Today the average American on the average wage has to work for half a second to afford an hour of reading light from a compact fluorescent bulb. Back in 1950, you had to work for eight seconds. In 1880 it was 15 minutes you had to work, with a kerosene lamp. In 1800 it was six hours – you had to work six hours to afford a candle in 1800, on the average wage..

These social benefits do not come about via top down administration. They arise from the bottom up emerging effects of a complex adaptive system otherwise known as the global economy allied with free trade. Within such a system, the best thing government can do is simply get out of the way:

The perpetual innovation machine that drives the modern economy owes its existence not mainly to science (which is its beneficiary more than its benefactor); nor to money (which is not always a limiting factor); nor to patents (which often get in the way); nor to government (which is bad at innovation). It is not a top-down process at all. Instead I am going to try now to persuade you that one word will suffice to explain this conundrum: **exchange**. It is the ever-increasing exchange of ideas that causes the ever-increasing rate of innovation in the modern world.

If there are grounds for concern in the modern world, they do not relate to the workings of free markets, but rather to the attempts of ‘strong man’ governments to suppress them. In this regard, you will find no finer an example of Establishment hypocrisy than in FT correspondent Martin Wolf’s recent attempts to blame everyone for the global financial crisis but himself:

The financial crisis was a devastating failure of the free market that followed a period of rising inequality within many countries. Yet, contrary to what happened in the 1970s, policymakers have barely questioned the relative roles of government and markets. Conventional wisdom still considers “structural reform” largely synonymous with lower taxes and de-regulation of labour markets. Concern is expressed over inequality, but little has actually been done. Policymakers have mostly failed to notice the dangerous dependence of demand on ever-rising debt. Monopoly and “zero-sum” activities are pervasive. Few question the value of the vast quantities of financial sector activity we continue to have, or recognise the risks of further big financial crises.

Rarely has an economist been not just wrong, but wrong at the top of his voice. It was not the free market that failed. Thanks to the economic guidance issued by neo-Keynesians like Martin Wolf, the free market was bent out of shape by government intervention to support large corporate interests (and heavily indebted State players). Even if QE was justified in the post-Lehman fever pitch phase of the crisis back in 2008, ZIRP never was, and never could

have been. If the free market generated inequality prior to 2008 (and it should have done, since talent, innovation, hard work and intelligence are not evenly distributed), central bank stimulus has created far more inequality since. This entire FT piece is a masterclass in selective memory syndrome. Martin Wolf now acknowledges the “dangerous dependence.. on.. debt.” Shame he didn’t have the moral courage to do so when he became the Establishment’s champion of monetary stimulus *à l’outrance* (FTs passim).

If there is a crisis in politics it is not from any rise in so-called populism (the Establishment’s way of describing democratic outcomes it doesn’t like, whether they be in the form of outcomes like Brexit or Donald Trump). It is from an existential crisis of confidence in a now thoroughly discredited liberal democracy of the Martin Wolf sort. The philosopher [John Gray](#):

In a plausible scenario, the decisive conflicts in coming years will not be between liberal and authoritarian states but among oligarchies within each of them. Will Trump continue to be swayed by the billionaire Mercer family, or will other American oligarchs become more influential? Will the spoils system Putin has established in Russia be destabilised in an intensifying succession struggle? Could the anti-corruption drive through which Xi is cementing his position in China provoke a backlash from oligarchs it threatens? Whatever the answers to these questions, there is little reason to expect any move to more liberal values. Societies that are progressively discarding the freedoms by which liberalism was once defined are ill-equipped in the contest with advancing authoritarianism.

Anyone who still cherishes tolerance and individual freedom must face the challenge of finding ways of defending these values as the liberal order continues its decomposition. It is a task that requires unsparing realism and unwavering determination, together with a readiness for new thinking.

Liberals need to shake off their sickly nostalgia for an irrecoverable past, whose flaws and contradictions created the world in which we find ourselves. Instead the intellectual remnants of the post-Cold-War era fall back on a narcissistic fantasy in which all will be well once the vanishing regime they embody is back in place. When liberals see the current condition of politics as an interregnum, they demonstrate their failure to recognise the new authoritarian hegemony that they helped to establish.

Last week we cited our participation in a panel discussion at Panmure House in Edinburgh at the Fringe Festival, Panmure being the late home of the Scottish economist Adam Smith. Panellist, writer and comedian Dominic Frisby offers another timeless Smith quotation:

Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things.

You have to love that disarmingly simple conclusion: once the fundamentals are in place, everything else will be resolved by “the natural course of things”. And the free market’s invisible hand gets to work its wealth-creating, life-improving magic, unhindered by the dead hand of the State.

Small government = low taxes = happiness.

Big government = high taxes = misery.

A wise man, that Adam Smith.

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