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REGULATION > Regulation Is The Problem

At the Bank of Canada we were building the largest econometric model in the world. It was like building a rocket to go to the moon. It was going to be the model which would help us solve the problems of the, of the economy.

Problems, which I have that I have to remind you, I had grown up with. I mean I could see poverty I went, you know, I lived with poverty. And I went to school with people who didn't have socks in their shoes. And you know, people put conditions which fortunately are no longer very prevalent in, in, in Canada. But, but so I believed that if we took on these ideas we would solve these, these problems. And it was, it wasn't until I had actually tried to use these ideas for, for half a decade that I discovered that quite apart from solving the problem that these ideas were a principle part of the problem. That the regulations and the controls and the knobs that we were putting in the economy to try to fine-tune it were in fact creating the perverse outcome of less economic activity, less dynamism, less growth and less opportunity for the young people who were graduating from our schools in Newfoundland and in British Columbia and in Ontario and so on.

So yes I did definitely start out as a, as a, as a manager of the economy. As somebody who believed in the economy as mechanism like machine. And it turns out that the economy isn't a machine of course and people are not like machines they're organic. And they respond and change their behaviours in subtle ways to, to follow their own interests.

And what we have to figure out if we're going to make the economy work is how do people make their decisions. And how are their behaviours changed by the things that they encounter. And how can we make those incentives work so that they create those wonderful social outcomes that Adam Smith became so preoccupied with in his second book of The Wealth and Poverty, the Wealth of Nations.

THE MARKET > Superstitious Fears

You know, we will always have fear of the unknown. We always have a mass of the population who don't understand what a corporation is, don't understand what free trade is all about. They may have just lost their job because the, the, the, their local firm was wholly inefficient, couldn't compete against the one across the border. And they now, you know, now find themselves an advocate against, against trade and against globalization. Even though it's in their longer term interest to have it because they're, they're, they'll have a better income

eventually because of the because of the, the, the globalization and the trade which, which, which happens.

So there's always this well of people, they're the well of people who when the ergot, when the ergot, the ergot contamination of wheat in Salem caused people to behave like witches, burned 500 people or something. Because ergot poisoning from the, from the grain that they were eating was causing them to have constriction of their arteries in ways that caused them to agitate and behave and do gesticulate and do strange things. And they thought well these, these are witches and they put them to death.

The people who, you know the Inquisition that, that, that put people to death for believing that the, that the earth wasn't the centre of the universe. I mean there's always a well of people who are, who are afraid because they don't understand. And so they're always prey for people who come along and say ahh, you don't understand about these corporations but let me tell you about these corporations. These are the corporations that are causing all of your problems you know. You know your gout, it's causing your gout, it's causing you this and causing you that. These are the problems.

And, and it's ignorance and misinformation are always part of, of any society and, and, and influence the decisions that people make. There's a sort of a scientific element of, of, of this movement that which, which people are preying upon. That people will, say people that, you tell people that if you have free trade, you know, it'll be bad for you. And if you have globalization it will be bad for you. And people will not understanding and being apprehensive and fearful, believe it.

THE MARKET > An Inevitability Of History

This is, this is no longer seen as an ideological kind of issue, it's simply a matter of technique. It's how do you go about solving the problem of getting more production. How do you solve the problem of making sure people don't starve. You use markets.

And so this is happening it's, it's, it's a, it's a kind, I don't want to say it's an inevitability of history then you will say "oh a Marxist in the Fraser Institute." But it is a kind of inevitability in a sense that the evidence is now so overwhelming about the power of markets that there's no stopping it because people see that it works. And that's all that it's about, I mean you know at the end of the day, what is our research institute about? It's about trying to find ways to make that, use markets to solve economic problems and social problems and other, any problems that come up. How do you use incentives to condition human behaviour in a way that it makes it socially attractive.

That was, that was Adam Smith. The guy on my necktie, Adam Smith, who discovered that if you get the incentives right then people by following their own interest will create social outcomes that it was not their social benefits that it was

no intent of theirs to create. And that's what we're doing is going around the world getting this little ideas. A tiny idea but it's enormously powerful.