



Does Washington Know Best?

According to some estimates, there are more than 100 million traffic signals in the U.S., but whatever the number, how many of us would like Washington, in the name of public health and safety, to be in sole charge of their operation? Congress or a committee it authorizes would determine the position of traffic signals at intersections, the length of time the lights stay red, yellow and green, and what hours of the day they can be flashing red.



While you ponder that, how many Americans would like Washington to be in charge of managing the delivery of food and other items to the nation's supermarkets? Today's average well-stocked U.S. supermarket stocks 60,000 to 65,000 different items from all over the U.S. and the world. Congress or some congressionally created committee could organize the choice of products and their prices. Maybe there'd be some cost savings. After all, what says that we should have so many items from which to choose? Why wouldn't 10,000 do?

You say, "Williams, those are ludicrous ideas whose implementation would spell disaster!" You're right. Nobel laureate Friedrich Hayek, one of the greatest economists of the 20th century, said it is a fatal conceit for anyone to think that a single mind or group of minds, no matter how intelligent and well-meaning, could manage to do things better than the spontaneous, unstructured, complex and creative forces of the market. The biggest challenges in any system, whether it's an economic, biological or ecological system, are information, communication and control. Congressmen's taking over control of the nation's traffic signals would require a massive amount of information that they are incapable of possessing, such as traffic flows at intersections, accident experiences, terrain patterns and peak and off-peak traffic flows.

The same information problem exists at supermarkets. Consider the challenge in organizing inputs in order to get 65,000 different items to a supermarket. Also, consider how uncompromising supermarket customers are. We don't tell the supermarket manager in advance when we're going to shop or what we're going to buy and in what quantity, but if the store doesn't have what we want when we want it, we'll fire the manager by taking our business elsewhere. The supermarket manager does a fairly good job doing what's necessary to meet that challenge.

You say, "C'mon, Williams, nobody's proposing that Congress take over the nation's traffic signals and supermarkets!" You're right, at least for now, but Congress and the president are taking over an area of



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our lives infinitely more challenging and complex than the management of traffic signals and supermarkets, namely our health care system. Oblivious to the huge information problem in the allocation of resources, the people in Washington have great confidence that they can run our health care system better than we, our physicians and hospitals. Charles Darwin wisely noted more than a century and a half ago that “ignorance more frequently begets confidence than does knowledge.” Congress exudes confidence.

Suggesting that Congress and the president are ignorant of the fact that knowledge is highly dispersed and decisions made locally produce the best outcomes might be overly generous. It could be that they know they really don’t know what they’re doing but just don’t give a hoot because it’s in their political interest to centralize health care decision-making. Just as one example, how can Congress know whether buying a \$4,000 annual health insurance policy would be the best use of healthy 25-year-old Joe Sanders’ earnings? Would he be better off purchasing a cheaper catastrophic health insurance policy and saving the rest of the money to put toward a business investment? Politicians really don’t care about what Joe thinks is best, because they arrogantly think they know what’s best and have the power to coerce.

Hayek said, “The curious task of economics is to illustrate to men how little they really know about what they imagine they can design.” We economists have failed miserably in that task.

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