

Conclusion

It is hard to conclude a book that has tackled a wide range of different issues. However, through the different topics investigated, certain generalisations can perhaps be made. The approach of having a clear appreciation of certain fundamental economic principles and theories and then applying these to various areas can be fruitful. Even with a relatively limited range of principles and theories, a great deal of valid application is possible.

There is one theme that comes through most of the chapters more strongly than any other, and that is how well the free market works. How effectively does the market, left to its own devices, allocate scarce resources between competing uses? In light of this, the general review of the arguments for and against market provision in Chapter 7 must be seen as particularly important. To some extent, it enters into all of the issues investigated. It is also fundamental to considering what, if any, is the appropriate government policy in any particular situation. In macroeconomics, this manifests itself most notably when asking whether a market economy, if left to its own devices, tends towards a position that can reasonably be described as 'full employment'. This, in turn, appears to depend, at least in part, on whether prices can and do adjust properly. That is a microeconomic question that is all to do with how well markets do the job required of them by economies. One particular reason why markets may not always perform as desired is to do with the concept of externality. A proper and thorough understanding of that seems vital. The picture is further complicated by government failure. The fact that the market may not lead to the optimum allocation of scarce resources does not automatically imply the desirability of government intervention. It is possible that such intervention could create an even less desirable allocation of resources. Ultimately, the practical question may involve an investigation of where the level of failure is likely to be least: with free market provision or government intervention. This will vary from circumstance to circumstance. There is no such thing as an easy answer in economics.