

# INTRODUCTION

This issue of *Economic Affairs* provides something for every reader, with theoretical and empirical articles by international authors on a range of topics.

In a fascinating article, **Dick M. Carpenter II**, **Lisa Knepper**, **Angela C. Erickson** and **John K. Ross** set out the astonishing extent of occupational licensure in the United States. They suggest that major inconsistencies between different states do not represent significant variations in risk to the public, but rather variations in the lobbying strength of interest groups in different jurisdictions.

Martin Wolf's Wincott Lecture in the October 2014 issue of the journal attracted much attention. In an important article, **Tim Congdon** criticises Wolf's position and presents evidence from the UK and the USA that fiscal contractions have been expansionary in recent decades. Thus Keynesian remedies for recession appear fundamentally flawed.

Religion and economics need not be at odds. Writing sympathetically about Hayek's rejection of the concept of social justice, Swiss philosopher **Father Martin Rhonheimer** nevertheless claims that an understanding of Catholic Social Teaching can complement Hayek's work, suggesting that there is after all a meaning to the concept.

Islam also has ideas which tie in with economic thinking. **Benedikt Koehler** discusses Muhammad's conception of property as a bundle of rights, embodied in the *waqf*, a forerunner of the trust.

Investment in motorways seems, according to the OECD and others, to have had little effect in promoting growth in the UK. **David Starkie** argues that this may have had much to do with a misalignment between the early motorway and trunk road system and predominant flows of commercial traffic.

Restrictions which the Eastern Caribbean Currency Union places on monetary policy act as a drag on growth. **Allister Mounsey** and **D. Tracy Polius** argue for abandoning the ECCU's 3 per cent interest rate floor.

Is Britain's ailing National Health Service beyond reform? **Kristian Niemietz** doesn't think so, and argues that the introduction of 'quasi-markets' in the last decade have had a positive impact, which can be built on in the future.

Regulation is often justified as a response to adverse selection caused by poorly informed buyers and as a means of preventing a 'race to the bottom' in competitive markets. **Martin Ricketts** argues instead that competitive markets respond with a variety of institutional mechanisms to problems of adverse selection but that these are often undermined by poorly designed regulation.

The effectiveness or ineffectiveness of development aid is bitterly contested. One less obvious angle is the question of the likely impact of aid on foreign direct investment (FDI). **Annageldy Arazmuradov** finds econometric evidence from five Central Asian economies to support the view that aid has a moderate effect in supporting FDI flows. He argues that donors should target aid to enhance the climate for inward investment.

The widely cited *Economic Freedom of the World* Index has shown an apparent decline in economic freedom in the USA since 2000. A Discussion article by **Ryan Murphy** shows that this decline is mirrored in other G20 countries. He argues that it is largely an artefact of subjective survey responses which, while concerning, do not seem to link to more objective data on laws and regulations.

In the October 2014 issue of this journal, David Skarbek reviewed *Prisonomics* by **Vicky Pryce**. In this issue's Review Article Pryce returns the favour by using Skarbek's book on American prisons to draw lessons for the UK.

**J. R. Shackleton,**  
Editor