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# The Complex Roots of Economic Liberalism

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## Abstract

Economic theory has developed in such a way as to be consistent with the socio-political liberalism which became dominant after the Enlightenment. The doctrine of "laissez faire", and the argument that leaving people insofar as possible to their own devices would lead to a socially desirable state was based on the conviction that an Invisible Hand would lead society to such a state. As economic theory developed it was never able to give a formal justification for this assertion. It was claimed that this would happen but the discipline was confined to study the welfare properties of equilibrium states without explaining how they were attained. Thus crises were said to be generated by exogenous shocks and did not come from within the system. Changing our two hundred year old paradigm to thinking of the economy as a complex adaptive system allows us to consider economies out of equilibrium and the fact that they may self organise into states which are far from optimal. Such systems with their feedbacks are unpredictable and policy measures can generate unexpected consequences. Accepting this may lead to more realistic and more modest economic theory.

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