

# Let the Invisible Hand Defuse the Millennium Timebomb

By IVAN PNG

"Millennium Timebomb" and "Computer Doomsday" scream the headlines about the so-called year 2000 bug, or Y2K. This, as we are endlessly reminded, is the result of short-sighted programmers coding years in two digits in order to save on electronic memory space. Supposedly we are all about to pay a heavy price because in the 1960s and '70s nobody paid any heed to the havoc that would arise at the turn of the century when the "99" rolls over to "00."

As the experts would have it, on midnight of Dec. 31, 1999, we risk the failure of telephone and elevator systems, massive electric power blackouts and the breakdown of air-traffic control. The chief economist of Deutsche Bank Securities believes there is a 70% chance that the Y2K problem will trigger a world recession causing \$2 trillion of losses. The Gartner Group reports that of 15,000 companies and government agencies around the world surveyed, fully 23% have not even begun to address Y2K. There's even a website named [y2ktimebomb.com](http://y2ktimebomb.com).

But I don't believe the hype. Managers are already well informed about the problem. If they're not doing anything about it, that probably means they are confident the market is going to supply them with a solution. In fact, the operation of the free market means that there will be no catastrophe, only the setting of an appropriate price to prevent it.

To understand why the doomsters are

wrong, imagine what Adam Smith might say about the problem were he alive today. He would advise us to leave the problem to the "invisible hand." Smith wrote about the baker and the blacksmith, but his words apply equally to the computer programmer: "[H]e intends only his own gain led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

There is a lively market for Y2K solutions just as there is a healthy market for bread. By now, everyone who faces the Y2K problem has a dozen consultants badgering them with solutions. Then why are so many computer owners doing nothing? Smith has an answer: "What . . . is likely to be of the greatest value, every individual . . . can, in his local situation, judge much better than any statesman or lawgiver."

It's no surprise that organizations in industries that depend on computer applications using calendar dates are carefully attending to the Y2K problem. They are following different strategies, according to their needs and resources. Some are painstakingly revising their code to represent years in four digits. But others will ditch their old systems in favor of new Y2K compliant equipment. Others will outsource their IT altogether.

Organizations with the most complex systems and the most at stake are ahead

of the game. Over the summer the Securities Industry Association of the United States announced the successful completion of a major series of Y2K tests on computerized trading systems. Singapore's central bank reported that 90% of the coun-

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*The free-market mechanism assures there will be no Y2K catastrophe, only the setting of an appropriate price to prevent it.*

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try's financial industry would achieve Y2K compliance by the end of 1998, a full year before the millennium. Problem solved.

This isn't the first time the world has been thrown into a tizzy needlessly. Thirty years ago, a group of intellectuals formed the Club of Rome, declaring that "major problems facing mankind are of such complexity and are so interrelated that traditional institutions and policies are no longer able to cope with them." The Club commissioned a study, "The Limits to Growth," which declared: "The behavior mode of the system is that of overshoot and collapse . . . because of nonrenewable resource depletion." The Limits to Growth predicted that world supplies of silver would be exhausted by 1988, while oil would run out before 2003. The study sold

12 million copies in 37 languages and proved very influential.

It also proved to be very wrong. In that case too, Smith's invisible hand prevented catastrophe. Sharp increases in the price of oil in the early 1970s provided a textbook case of how the market works. Rising oil prices reduced demand—persuading people to replace their large cars with more fuel-efficient models and encouraging them to lower their thermostats in winter and raise them in the summer. Rising prices also increased the supply of oil—between 1973-94 the world's proven reserves of oil increased 50% from 666 to 999 billion barrels.

The invisible hand, working through the prices of oil and other resources, solved the problem. There was no need for the kind of drastic government action the Club of Rome called for, such as rationing and limits on car registration. Neither was there any need for governments to promote and subsidize solar power, windmills or other alternative sources of energy. Likewise, there is no need today for governments to get involved in solving the Y2K problem, as some of the doomsters have suggested.

Once all the Y2K fuss is over, Adam Smith will be gearing up to advise on the "Year 2038 Problem." UNIX, the dominant system for workstations and large computers, was coded so as to run out on January 19, 2038. Year 2038 consultants have 40 years of marketing ahead of them.

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