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The following article appeared in the November 6, 2011 *Sunday Review* section of *The New York Times*. The two authors (economists at the University of Birmingham and Denison University) discuss their perception of the *lack* of “deeper thinking” or economic “philosophy” in today’s economics/macroeconomics. This is in contrast to their perception of basic debates that important “worldly philosopher” economists (a term that has been used for a long time) such as Keynes and Fisher and others during the 1930’s and 1940’s, and Milton Friedman and others more recently in the 1960’s and 1970’s, who thought in terms of capitalism versus socialism, and government-regulated economies versus free-market economies. As we (implicitly) have discussed in our tour of the History of Macroeconomics, the profession has been much more of a “science” over the past 30 years. And the authors question whether, given the events of the past few years, there isn’t the need for more “philosophy” to be brought back into standard economic analysis. Or, at the very least, discussed. (Clearly, their view is that it should.)

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Wanted: Worldly Philosophers

By ROGER E. BACKHOUSE and BRADLEY W. BATEMAN

IT'S become commonplace to criticize the “Occupy” movement for failing to offer an alternative vision. But the thousands of activists in the streets of New York and London aren't the only ones lacking perspective: economists, to whom we might expect to turn for such vision, have long since given up thinking in terms of economic systems — and we are all the worse for it.

This wasn't always the case. Course lists from economics departments used to be filled with offerings in “comparative economic systems,” contrasting capitalism and socialism or comparing the French, Scandinavian and Anglo-Saxon models of capitalism.

Such courses arose in the context of the cold war, when the battle with the Soviet Union was about showing that our system was better than theirs. But with the demise of the Soviet Union, that motivation disappeared. Globalization, so it is claimed, has created a single system of capitalism driven by international competition (ignoring the very real differences between, say, China and the United States). We now have an economics profession that hardly ever discusses its fundamental subject, “capitalism.”

Many economists say that what matters are questions like whether markets are competitive or monopolistic, or how monetary policy works. Using broad, ill-defined notions like capitalism invites ideological grandstanding and distracts from the hard technical problems.

There is a lot in that argument. Economists do much better when they tackle small, well-defined problems. As John Maynard Keynes put it, economists should become more like dentists: modest people who look at a small part of the body but remove a lot of pain.

However, there are also downsides to approaching economics as a dentist would: above all, the loss of any vision about what the economic system should look like. Even Keynes himself was driven by a powerful vision of capitalism. He believed it was the only system that could create prosperity, but it was also inherently unstable and so in need of constant reform. This vision caught the imagination of a generation that had experienced the Great Depression and World War II and helped drive policy for nearly half a century.

He was, as the economist Robert Heilbroner claimed, a “worldly philosopher,” alongside such economic visionaries as Adam Smith, John Stuart Mill and Karl Marx.

In the 20th century, the main challenge to Keynes’s vision came from economists like Friedrich Hayek and Milton Friedman, who envisioned an ideal economy involving isolated individuals bargaining with one another in free markets. Government, they contended, usually messes things up. Overtaking a Keynesianism that many found inadequate to the task of tackling the stagflation of the 1970s, this vision fueled neoliberal and free-market conservative agendas of governments around the world.

THAT vision has in turn been undermined by the current crisis. It took extensive government action to prevent another Great Depression, while the enormous rewards received by bankers at the heart of the meltdown have led many to ask whether unfettered capitalism produced an equitable distribution of wealth. We clearly need a new, alternative vision of capitalism. But thanks to decades of academic training in the “dentistry” approach to economics, today’s Keynes or Friedman is nowhere to be found.

Another downside to the “dentistry” approach to economics is that important pieces of human experience can easily fall from sight. The government does not cut an abstract entity called “government spending” but numerous spending programs, from veterans’ benefits and homeland security to Medicare and Medicaid. To refuse to discuss ideas such as types of capitalism deprives us of language with which to think about these problems. It makes it easier to stop thinking about what the economic system is for and in whose interests it is working.

Perhaps the protesters occupying Wall Street are not so misguided after all. The questions they raise — how do we deal with the local costs of global downturns? Is it fair that those who suffer the most from such downturns have their safety net cut, while those who generate the volatility are bailed out by the government? — are the same ones that a big-picture economic vision should address. If economists want to help create a better world, they first have to ask, and try to answer, the hard questions that can shape a new vision of capitalism’s potential.

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