

Philip Pilkington

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*A Deconstruction and
Reconstruction of Economic Theory*

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The Reformation in Economics

Philip Pilkington

The Reformation in Economics

A Deconstruction and Reconstruction of Economic
Theory

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To the students who know in their hearts that something is rotten. For when pupils grow wiser than teachers the light of knowledge grows dim and the acidic mists of ignorance corrode all that is good and true.

FOREWORD

In this lucid, extremely lively book Philip Pilkington offers a radical critique of economics from within the profession. He does not hesitate to pulverise the great panjandrums of the discipline like Paul Samuelson, chief architect of the neoclassical synthesis of Keynesian and pre-Keynesian economics. He reserves special scorn for the Nobel Laureateocracy, which closes the profession to heterodoxy. His heroes are John Maynard Keynes, Hyman Minsky, George Shackle, Nicholas Kaldor, Mikhail Kalecki, Wynne Godley and George Soros, who, in their different ways, have opened up new paths of thought.

Philip Pilkington's starting point is that economics is a 'contested subject firmly grounded in the humanities and should be taught as such'. This is in contrast to the usual division between politics and economics, in which politics is viewed as necessarily contested, whereas economics, being a science, leads to a 'shared consensus'. Pilkington has great fun demolishing economics' scientific claims, without denying that it can be useful in many contexts. In principle, economics should be as 'open' as any of the other humanities. But it retreats to closure via mathematics. The author emphasises the lure of mathematicisation, especially for 'men in lab coats'. Mathematics is a way of shutting down free enquiry, because the truth is contained in the mathematical model. The most famous of economists' constructs—Homo Economicus—is necessary to make mathematical models tractable. Pilkington quotes Robert Lucas: 'the game [is]

to get logically consistent mathematical systems of various degrees of complexity'. Whether or how they relate to the real world is secondary.

Pilkington attributes economics' dogmatic turn to the marginal revolution of the late nineteenth century, which sought to build the world in its image of perfect efficiency. It assumed that people have 'static preferences which they order in line with their marginal utility'. This ignores the heterogeneity of behaviour grounded in contexts, reflexivity and uncertainty—in short, the fact that humans, by acting, make economies what they are. By ignoring these things marginalism became a 'convenient fantasy'. But worse, by assuming that all agents are clones of a single utility maximising agent (the Representative Agent construct of contemporary rational expectations theory), marginalism is inherently totalitarian. It is ideological, not in the sense of being Left or Right, but in treating the economy as a machine whose parts can be perfectly known.

So how, then, can economics be 'opened out'? The author's main proposal is to start with the macro-economy, not the micro-economy. The latter starts from the individual. This is, in principle, liberating, but marginalism sees individuals 'as robotic calculators that act exactly as the economics models and equations tell them how to act'. Paradoxically—and this will be a paradox for many readers—macro-economics is much more open, and therefore neutral, about the desirable type of society because it makes no assumptions about individual behaviour. It classifies people into very large groups, which are treated for analytical purposes as homogeneous, and studies the relationships between them. It does not assume or prescribe behaviour, but investigates the stability properties of the system as a whole, as revealed by the movement of aggregate quantities and relationships. This, of course, was in the pre-marginalist tradition of Ricardo and Marx, who studied the growth and decay of economies in terms of the class divisions between workers, capitalists and landlords and the forces determining the allocation of national income to wages, profits and rent. The assertion that there are no political implications in starting from the collective rather than the individual can, of course, be debated.

This is the main plot; but the book surveys the whole field of economics, and readers should not miss the sparkling discussion of Money and Prices in Chap. 6.

Pilkington's attempt to recast economics is underpinned by his understanding of the fundamental uncertainty which humans face in making their choices, the respect they are owed as they struggle to make the best

they can of the situations in which they find themselves, and the need for a becoming modesty by economists as they themselves try to make sense of the human predicament. 'Everything we study as economists is ultimately the result of people making decisions in the face of an uncertain future'.

Robert Skidelsky
19 August 2016

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Introduction

For this prolepsis of being equal to God had blazed a trail for all philosophical knowledge and legislative justice. This forceful seizing was the first lie of the first attempt to displace our senses from simplicity in words, and to oversalt the peace of God on earth to the debauched taste of reason.

—Johann Georg Hamann

This is a book about economics. But it is also a book about human limitations and the difficulty of gaining true insight into the world around us. There is, in truth, no way of separating these two things from one other. To try to discuss economics without understanding the difficulty of applying it to the real world is to consign oneself to dealing with pure makings of our own imaginations. Much of economics at the time of writing is of this sort, although it is unclear such modes of thought should be called ‘economics’ and whether future generations will see them as such. There is every chance that the backward-looking eye of posterity will see much of what today’s economic departments produce in the same way as we now see phrenology: a highly technical, but ultimately ridiculous pseudoscience constructed rather unconsciously to serve the political needs of the era. In the era when men claiming to be scientists felt the skull for bumps and used this to determine a man’s character and his disposition, the political discourse of the day needed a justification for the racial superiority of the white man; today our present political discourse needs a Panglossian doctrine that promotes general ignorance, a technocratic language that

can be deployed to cover up certain political aspects of governance and tells us that so long as we trust in those in charge everything will work itself out in the long-run.

But the personal motivations of the individual economist today is not primarily political—although it may well be secondarily political, whether that politics turns right or left—the primary motivation of the individual economist today is in search to answers to questions that they can barely formulate. These men and women, perhaps more than any other, are chasing a shadow that has been taunting mankind since the early days of the Enlightenment. This is the shadow of the *mathesis universalis*, the Universal Science expressed in the abstract language of mathematics. In this case, they aim at a Universal Science of Man. They want to capture Man's essence and understand what he will do today, tomorrow and the day after that. To some of us more humble beings that fell once upon a time onto this strange path, this may seem altogether too much to ask of our capacities for knowledge. And this book is undoubtedly written for them. But it is worth empathising to some extent with what these men and women seek in their daily activities. Is it a noble cause, this Universal Science of Man? Some might say that if it were not so fanciful, it might be. Others might say that it has roots in extreme totalitarian thinking and were it ever taken truly seriously, it would lead to a tyranny with those who espouse it conveniently at the helm. These are moral and political questions that will not be explored in too much detail in the present book.

What we seek to do here is more humble again. There is a sense today, nearly six years after an economic catastrophe that few still understand and only a few saw coming, that there is something rotten in economics. Something stinks and people are less inclined than ever to trust the funny little man standing next to the blackboard with his equations and his seemingly otherworldly answers to every social and economic problem that one can imagine. This is a healthy feeling and we as a society should promote and embrace it. A similar movement began over half a millennia ago questioning the men of mystery who dictated how people should live their lives from ivory towers; it was called the Reformation and it changed the world. But this book is not an updated version of Martin Luther's *Ninety-Five Theses*. We are not so much interested in the practices of the economists themselves, as to whether they engage in simony, in nepotism and—could it ever be thought?—the sale of indulgences to those countries that had or were in the process of committing

grave sins. Rather, we are interested in how we gotten to where we are and how we can fix it.

The roots of the problems with contemporary economics run very deep indeed. In order to comprehend them, we must run the gamut from political motivations to questions of philosophy and methodology to the foundations of the underlying structure itself. When these roots have been exposed, we can then begin the process of digging them up so we can plant a new tree. In doing this, we do not hope to provide all the answers but merely a firm grounding, a shrub that can, given time, grow into something far more robust. Some of the material in this book is new but much of it has been excavated from the best work done in economics over the past two centuries, much of which was buried deep in the crevices where academic libraries keep the books marked ‘Withdrawn’. Before we begin our journey, let us first briefly discuss some questions that the reader might have before proceeding.

DOWN WITH MATHEMATICS?

The reader of this book will likely have flipped through the pages and seen something that may well have put them off reading it, namely, equations, dreaded equations. There are not many in what follows but there are certainly a handful. If you are one of those people whose eyes glaze over when they see linear algebra, who find that mathematics is not generally conducive to understanding the social world, then I would implore you: *please read on*. You are, in a sense, the perfect reader. Economics needs more people who distrust mathematics when applying thought to the social and economic world, not less. Indeed, as will be argued in a moment, the major problems with economics today arose out the mathematisation of the discipline, especially as it proceeded after the Second World War. Mathematics became to economics what Latin was to the stagnant priest-caste that Luther and other reformers attacked during the Reformation: a means not to clarify, but to obscure through intellectual intimidation. It ensured that the common man could not read the Bible and had to consult the priest and, perhaps, pay him alms.

So, why are there dreaded equations in what follows? Because—and I plead with the sceptical reader to give me the benefit of the doubt here—mathematics can, in certain very limited circumstance, be an opportune way of focusing the debate. It can give us a rather clear and precise conception of what we are talking about. Some aspects—by no means all

aspects—of macroeconomics are quantifiable. Investments, profits, the interest rate—we can look the statistics for these things up and use this information to promote economic understanding. That these are quantifiable also means that, to a limited extent, we can conceive of them in mathematical form. It cannot be stressed enough, however, the limited extent to which this is the case. There are always, as we shall see in this book, non-quantifiable elements that play absolutely key roles in how the economy works. We can only utilise mathematics productively and to some very limited extent if we keep this in the forefront of our minds. In what follows, I have tried my best to do this.

In addition to this, I have written the chapters that do have equations in such a way that I believe they can be understood by those who do not want to bother with the mathematics. In the section of his *General Theory* which had extensive mathematics, Keynes wrote in a footnote (much to the chagrin of certain other people in the profession at the time): ‘Those who (rightly) dislike algebra will lose little by omitting the first part of this chapter’ (Keynes 1936a, b, Chapter 20). We are here trying to do something similar. The mathematics is there if the reader cares to understand it. But it is secondary to the argument which is purely textual. And if your eyes glaze over when you encounter the equations, fear not because so long as you have understood the text (and perhaps a few simple numerical examples provided), you will lose little.

The mathematisation of the discipline was perhaps the crucial turning point when economics began to become something entirely other to the study of the actual economy. It started in the late nineteenth century, but at that time many of those who pioneered the approach became ever more distrustful of doing so. They began to think that it would only lead to obscurity of argument and an inability to communicate properly either with other people or with the real world. Formulae would become synonymous with truth and the interrelation between ideas would become foggy and unclear. A false sense of clarity in the form of pristine equations would be substituted for clarity of thought. Alfred Marshall, a pioneer of mathematics in economics who nevertheless always hid it in footnotes, wrote of his distress in his later years in a letter to his friend.

[I had] a growing feeling in the later years of my work at the subject that a good mathematical theorem dealing with economic hypotheses was very unlikely to be good economics: and I went more and more on the rules—
(1) Use mathematics as a shorthand language, rather than an engine of

inquiry. (2) Keep to them till you have done. (3) Translate into English. (4) Then illustrate by examples that are important in real life. (5) Burn the mathematics. (6) If you can't succeed in (4), burn (3). This last I did often. (Pigou ed. 1966 [1906], pp. 427–428)

The controversy around mathematics appears to have broken out in full force surrounding the issue of econometric estimation in the late 1930s and early 1940s. Econometric estimation, for those who do not know, is the practice of putting economic theories into mathematical form and then using them to make predictions based on available statistics. We will discuss this at some length in Chap. 10, but for the moment we should say that it is a desperately silly practice. Those who championed the econometric and mathematical approach were men whose names are not known today by anyone who is not deeply interested in the field. They were men like Jan Tinbergen, Oskar Lange, Jacob Marschak and Ragnar Frisch (Louçã 2007). Most of these men were social engineers of one form or another; all of them left-wing and some of them communist. The mood of the time, one reflected in the tendency to try to model the economy itself, was that society and the economy should be planned by men in lab coats. By this they often meant not simply broad government intervention but something more like micro-management of the institutions that people inhabit day-to-day from the top down. Despite the fact that many mathematical economic models today seem outwardly to be concerned with ‘free markets’, they all share this streak, especially in how they conceive that people (should?) act.

Most of the economists at the time were vehemently opposed to this. This was not a particularly left-wing or right-wing issue. On the left, John Maynard Keynes was horrified by what he was seeing develop, while, on the right, Friedrich von Hayek was warning that this was not the way forward. But it was probably Keynes who was the most coherent belligerent of the new approach. This is because before he began to write books on economics, Keynes had worked on the philosophy of probability theory, and probability theory was becoming a key component of the new mathematical approach (Keynes 1921). Keynes’ extensive investigations into probability theory allowed him to perceive to what extent mathematical formalism could be applied for understanding society and the economy. He found that it was extremely limited in its ability to illuminate social problems. Keynes was not against statistics or anything like that—he was an early champion and expert—but he was very, very cautious about peo-

ple who claimed that just because economics produces statistics these can be used in the same as numerical observations from experiments were used in the hard sciences. He was also keenly aware that certain tendencies towards mathematisation lead to a fogging of the mind. In a more diplomatic letter to one of the new mathematical economists (Keynes, as we shall see in later chapters, could be scathing about these new approaches), he wrote:

Mathematical economics is such risky stuff as compared with nonmathematical economics, because one is deprived of one's intuition on the one hand, yet there are all kinds of unexpressed unavowed assumptions on the other. Thus I never put much trust in it unless it falls in with my own intuitions; and I am therefore grateful for an author who makes it easier for me to apply this check without too much hard work. (Keynes cited in Louçã 2007, p. 186)

This book is written in the spirit of Keynes. There is no inherent problem with jotting down a formula or an equation if this helps us clarify matters. But this must always be kept firmly in perspective, and these should never be relied upon as a crutch; indeed, it would be preferable for the reader to skip the equations than to take them up as something to lean their entire weight on. It is for this reason that much of the first half of the book is implicitly or explicitly about how we think about the economy and to what extent certain tools that work in other sciences work or do not work in economics.

Mathematics, like the high Latin of Luther's time, is a language. It is a language that facilitates greater precision in some instances and greater obscurity in others. For most issues economic, it promotes obscurity. When a language is used to obscure, it is used as a weapon by those who speak it to repress the voices of those who do not. A good deal of the history of the relationship between mathematics and the other social sciences in the latter half of the twentieth century can be read under this light. If there is anything that this book seeks to do, it is to help people realise that this is not what economics need be or should be. Frankly, we need more of those who speak the languages of the humanities—of philosophy, sociology and psychology—than we do people who speak the language of the engineers but lack the pragmatic spirit of the engineer who can see clearly that his methods cannot be deployed to understand those around him.

Before we proceed, a quick note on two of the formal expressions used in this book. The great Polish economist Michał Kalecki once said that economics was the ‘science of confusing stocks and flows’. If he were alive during our time—the economic Dark Ages—he might have gone on to say that it was also the ‘science of confusing identities and causal arguments’. This has a lot to do with the nature of the mathematical formalism that economists use. You see, there are two types of mathematical expressions in economics. One expression are what we call ‘identities’, while the other are what we call ‘causal arguments’. An identity is a tautology that is true by definition. It is like an accounting norm. We use these a lot in macroeconomics. For example, the calculation of GDP is an accounting norm. Once we agree on what make up its components, there is no real debate about what the GDP figure for any given year is. Thus the GDP accounting norm is an identity. Think of it this way: if I hand you \$100 and you perform work for me, my spending is equal, *by identity*, to your income. I spend \$100 and you receive \$100 in income. There is really no debate to be had here. When we equalise something in the form of an identity—that is, something true *by definition*—we will use the mathematical identity sign: \equiv . As the reader can see, it is sort of like an equals sign but with an extra bar. So, in the example where I spend \$100 and you receive it as income:

My Spending? Your Income

Causal arguments are entirely different. They imply that one side of a given equation is determining the other side of the equation in some sort of causal manner. These are not true by definition but are rather hypotheses we form about reality. If I say that the interest rate offered by the bank will determine (or ‘cause’) the amount of money that you save at that bank, then I am making a causal argument, one that is not true by definition and depends if your behaviour responds to the interest rate offered by the bank. These sorts of arguments are the ones we debate in economics and we will denote them in this book by the standard equals sign: $=$. So, in the case of our example above:

$$\text{Bank Interest Rate} = \text{Your Savings at the Bank}$$

Note that we also try to keep the ‘variable’ that causes the behaviour on the left-hand side. So, we read the equation from left-to-right. In the case of the above, we read: ‘The bank interest rate causes you to save at the bank.’

These may seem like very simple issues, but they account for a lot of confusion in economics debates. Most economists are not properly trained to think about the difference between these in any meaningful way and this gives rise to a lot of needless confusion and sloppy thinking. Again, the profession has a tendency not to understand, in a shockingly large number of cases, what their mathematics actually purports to say. This has been noted in the past by many prominent economists like Joan Robinson, John Eatwell (Eatwell and Robinson 1973, pp. 216–217) and G.L.S. Shackle (1965, pp. 8–9). But contemporary economics has yet to reform itself in the teaching of many of these very basic aspects of the discipline. This accounts for much confusion, especially surrounding policy debate.

DID KEYNES *REALLY* SAY THAT?

The reader will perhaps already have noticed that this book will contain a lot of historical contextualisation. Indeed some chapters, like Chap. 3, will be predominantly concerned with this. This is first and foremost to give the reader a sense of what has gone wrong in economics and why it has gone wrong. Those who do not know history will only end up repeating it. This is one key reason why we must be clear about what forces were pushing towards the contemporary style of economics and what forces were pushing against. Without understanding this, we will be lost. Another reason we do this is because, frankly, those who have been buried six feet deep by the mainstream of the profession today sometimes had some wonderful insights. The plurality of thought that existed in economics from roughly the turn of the twentieth century to the 1960s was impressive and rather beautiful to behold. Reading books from that era not only give the reader a vision of what economics had been and what it could potentially be again but also opens doors to so many novel ways of thinking about things.

Today the manner in which the mainstream represses these insights is by claiming that ‘True Science’ proceeds through the diffusion of semi-anonymous, formalised ideas and that anything else is only so much religious exegesis.¹ To an outsider looking in this can quickly strike one as a

tactical manoeuvre: a conscious decision to repress insights from the past that might undermine what has been taught today. While this may be the functional result of the repression, it is not the cause of it. Rather, many in the profession are too busy learning about and applying the latest mathematical gadgets to what they already know. New ideas are not really valued highly today in the profession; rather, what interests those who inhabit it is new ways of applying the old ideas. The more technically intimidating these are the better because this assures the profession that they are in a perpetual process of ‘catching up’ with other sciences.

But this is not the nature of the ideas or the material we deal with in economics. Because these ideas deal with humans engaged in decision-making, they must be treated for more like the material we deal with in other social sciences like psychology, sociology and philosophy. In these social sciences, it is well established that keen insights can be picked up in the work of previous thinkers. It is also keenly emphasised that different thinkers have different approaches to different problems and that these are not necessarily mutually exclusive. Thus, a person specialising in Kant and a person specialising in Hume can still argue today over whose ideas are superior, but, so long as we have no dog in the fight, we can see that what is really at issue here are two entirely different ways of looking at the world. What way we choose to look at the world is a personal matter, and, in relation to economics, the work of the past can inspire us in how we think. The effective book burning that has been undertaken by many within the profession today is one of the most vulgar intellectual activities on this side of the Dark Ages. The reason that we seek in this book to get a fairly firm grasp of who thought what and where ideas came from is that we are trying to push a more pluralist, humanist, Renaissance approach to the study of economics. At the time of writing, it is a dead discipline—cold, unable to move, lifeless—but it can be reinvigorated and made to flourish if people treat it as it should be treated.

Finally, there is the problem of cultic hero worship. This is another accusation that the mainstream throw at those who wish to have a diverse, historically informed discipline. When we point out that they are bastardising ideas by misinterpreting them and tearing them out of the context that they were originally cast within, we are accused of being in some sort of cult. ‘Oh, so we should believe that Keynes was correct in his interpretation of “animal spirits” and that my approach is wrong’, the besmirched mainstream economist will say on cue to criticisms of poor scholarship. ‘But that is just an argument from authority. You say that

we should believe that because Keynes said it. That is ridiculous.’ It is true that we should never take what any given writer said as Pure Truth, but that does not mean that we should read a book and not understand what that writer means. In a sense, the latter is almost worse. Most of the criticisms based on poor scholarship have two targets. The first is to set the historical record straight. The second is to bring to the table certain important debates that were never truly resolved but that the mainstream of the profession acts as if they were.

Nevertheless, if you take the approach that the present author is taking, there will be good guys and bad guys. This is inevitable in trying to argue that something has gone terribly wrong with economics. What is more much of what could have been a more promising direction for economics is today associated for many people with the name John Maynard Keynes. This is because, if you examine the work of Keynes in any detail, he really did have a new conception for how economics should be done: conceptually, methodologically and technically. This new conception was not always clearly stated and it was not always internally consistent, but the bones of it were there. Of course, being people who care about the history of ideas, we will all suspect that Keynes did not lack predecessors, and some people who came after him made important contributions that were entirely absent in his work. All this is true. But, nevertheless, the man has become a sort of rallying point around which people who are interested in reforming economics gather.

There is an element of the need for a strong identity here. When you are entirely marginalised within your own profession, it can get rather lonely, and to be able to look to a figure in the past that the mainstream of the discipline pay lip service to as the most important economist of the twentieth century without understanding is something of a comfort. Perhaps this is a weakness of the critics but I would prefer to see it as a source of strength. There is always a danger that it can tip into cultic worship and that should be resolutely avoided. If anyone makes an argument not because of the quality of the arguments but because it can be found on page X of the *General Theory*—there are a few who do this, but they are very few indeed—they should be distrusted. If they, however, are making the argument because it is a good argument and are simply trying to give it historical context, this should be applauded for its consistency of scholarship, not subjected to derision for being some sort of religious devotion.

TOWARDS A REFORMATION

Moving forward, how can a reformation of economics be carried out? Certainly, it will not be the result of one man, living or dead. Still less will it be the result of one book. But the forces do seem to be aligning today. Students are becoming increasingly aware that what is being taught to them in the classrooms is suspect. More than that: it is boring and unengaging. Those who are drawn to mainstream academic economics are typically not the type of people, frankly, who I would want working as economists (there are many exceptions to this rule, of course, but the truth must here be told).

The reformation will begin, it seems to me, as a renaissance. It will begin with people who distrust what the authorities of the educational system are teaching and who instead seek out learning on their own. They might be able to navigate the mainstream curriculum with some degree of irony to get their credentials. But their thoughts will be formed from outside of the academic institutions. There is a grand tradition of this, of course. Such people will be following in the footsteps of Da Vinci and Descartes and of the men who, spurned by useless doctors in the Middle Ages, worked hard to give us modern medicine.

The political institutions will change faster than the academic institutions in this regard. Fewer and fewer people in positions of power will believe in the old fairy tales. Rather, they will seek out new ways of looking at the world that actually prove to them useful and cogent. This is already taking place to an enormous degree at the time of writing. The internet is opening the way for this massively. The old factions are still with us at the time of writing, inhabiting some dark (and some not so dark) corners of the net, but they are stuck in an echo chamber of their own making. Students seem to be more interested in other avenues of pursuit and they are using the internet to form communities and study groups. What more than this can we say except that by the time we know that the reformation has taken place, it will have already have passed. So, the best thing to do is to focus on the here and now.

NOTE

1. This argument appears to have been generated by the current gatekeeper of the status quo, Paul Krugman (see Krugman 2012). The irony being, of course, that Krugman has readily admitted elsewhere

that much of his own work is based on ideas he had read in older books. This leads to many questions about how what might be called ‘intellectual property’ functions in the profession today.

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PART I

Ideology and Methodology

Economics: Ideology or Rationalistic Inquiry?

They don't realize that we are bringing them the plague.

—Sigmund Freud to Carl Jung as the two men arrived in the USA.

Every age has its ideology and every political system its dogma. These ideologies and dogmas are systems of symbols that are endowed by those who uphold them with a mystique or aura of power. This mystique is drawn, during any particular period in history, from whatever field the educated public assume to have a monopoly on Truth. For centuries this field of Truth was religion; today it is increasingly so science. In saying this we are not equating religion and science. These are two entirely different systems of symbols which enquire into entirely different spheres of human existence—religion enquires into the otherworldly and what might be called the spiritual, while science enquires (most of the time) into the worldly and what might be called the physical. Rather, we are making the case that elements taken from either can be used to bolster an ideology. Elements from either can be turned into self-justifying tautological modes of reasoning the function of which is to put people firmly in their place, to tell them to shut up and to do what they are told. What results may superficially seem like religion or like science but is in fact no such thing. Ideologies properly understood, no matter how seemingly different the particular sources they draw upon, have more in common with each other than they do with their sources of authority.

The object of inquiry of science is, broadly speaking, to form an understanding of what we might provisionally call the physical world. Ideology, on the other hand, does not really have an object of inquiry. The true goal of ideology is to channel and canalise thinking, to dictate what can and what cannot be said about how we live our lives at any given moment in time. This is how ideology overlaps with politics. Every good politician has some sort of story that he or she is telling his or her constituents about why things are the way they are and why we should be moving society in the direction that they dictate. When ideology enters politics, it typically does so in a most watered-down form. But there must always be a source, a fountainhead of learning from which the sound bites of the politician emerge. It is from this fountainhead that ideology exists in its most concentrated and powerful form and it is at this point in the ideological food chain that the limitations we place upon how we think exert the most of their power.

AGAINST CHANGE

The peculiar thing about ideologies is that they cannot, by the definition we here give them, point in the direction of change. Ideologies cannot militate for change because they are all about ordering and structuring how we think. To open the door to change would be to interfere with the tidy structure of thinking that the ideology seeks to impose. A political ideology may well vie against a rival political ideology for power—and in that sense it may try to produce an historical shift in the relative power balance between political ideologies—but it will not, by its very nature, seek out change in any meaningful sense. Rather, it will try to bend the historical winds to its own peculiar political whims. This is why, as we shall soon see, ideologies that have very similar, if not identical, foundations and structures can be used to justify political discourses that are the polar opposite of each other.

In a sense the message behind ideology as such is something akin to ‘do not think’. An ideology seeks to provide the answers in such a way that there is no longer any point in asking questions. An ideologue, in a very real sense, is someone who seems to have all the answers but who does not appear to be very good at asking questions. Again, this puts the ideologue on a very different footing to the scientist, the philosopher or even the theologian. These people live to ask questions, to probe their fields of inquiry and to never let down their guard against the fact that we probably do not

have all the answers. Ideologues may appear to ask questions, but they do so in such a way that presupposes the answers. Ideology poses questions in such a way that the answers flow naturally from the premises of the question. The manner in which ideology operates is rather similar to the pollster who biases their questionnaire by structuring the questions in such a way that they elicit a pre-determined answer. If a mother is asked by a pollster ‘would you or would you not like for your child to receive excellent public education if we consider that the countries with the best public education systems have the highest scoring children?’, she is likely, at that moment in time, to favour public education unless she has very strong views to the contrary. Likewise, ideology calls forth the answers to the questions it allows to be asked, more often than not, without the ideologue even realising it.

If people cannot ask questions, then change cannot take place. A regime that has all the answers can be imposed—and, indeed, if such a regime is thought to exist what on earth would be the point of questioning it? Questions that require answers can always be imposed from within the regime. The opposite of ideology then is inquiry proper. Inquiry proper is not driven by a desire to uphold the status quo but rather to pry away at it and see if it holds firm. Inquiry asks about the modes of thought themselves and tries to see whether they are operating in such a manner as to ensure a certain functionality in the way we live our lives. Are these modes of thought functioning to tie us down and hold us in place or are they helping us to move into the future? When they are doing the former, surely some sort of shaking up is required by those who can see that doctrines preaching Absolute Truth probably contain no inherent truth at all.

The first and foremost goal of an ideology is to provide a cover for what is really going on. History is nothing if not a series of events and ideologies try to capture these events in their totalising net. No contingency should be allowed to escape; every event must be firmly tied down and branded with the insignia of the ideology in question. Such a process distorts history in a very peculiar manner. It deprives it of its complexity and its lived reality and closes down discussion as to its meaning. When Orwell wrote of Winston Smith throwing offensive events down the memory hole in *1984*, he was really engaged in constructing a metaphor as to how ideology functions. But ideology is not a bureaucrat tossing newspaper articles into an incinerator. Rather, it is a mode of thinking that encourages people to screen their lived experiences and their memories and have them fit into a pre-established mould. In that sense, ideology is far more powerful than any particular bureaucrat covering up for a given government’s excesses.

The key manner in which ideologies tie down history is to assume that it is deterministic. That is, to assume that it is subject to some Law or series of Laws. The ambiguity of the word ‘law’ becomes immediately obvious here. Is a law something that society imposes upon itself to promote order or is it something that is objectively true in the sense that the law of gravity is objectively true? Ideology is where these two distinct meanings of the term ‘law’ blend into one another. An ideology claims that history has objective laws akin to the law of gravitation, but in practice what it seeks to do is hand down laws as a King would to his subjects. Ideology says ‘we must do this because it is inevitable’, but what it means is ‘we must do this because I say that we must do this’. The fact is, and this will be much explored in the following pages, that history is not subject to laws in the gravitational sense. Rather, it is a series of events upon which we must impose interpretations and which we must act in the face of. History is a process of change that human beings must navigate by coherently formulating their goals and trying to figure out the best way to achieve these. When ideology rules the day, people can no longer ask themselves what they want to achieve and are instead lured into a slumber and forced to dream dreams of being mere puppets of pre-determined processes that play out behind their backs. In this sense ideology seeks to take away from people the power to make their own decisions and formulate their own desires in a wholly free manner. If freedom of thought means anything, it is the freedom to think outside of ideological constraints.

IS ECONOMICS AN IDEOLOGY?

Since its inception economics has, more often than not, been deployed as an ideology rather than as a mode of inquiry. This is rather unfortunate because it need not be an ideology at all but it would seem that the nature of the material that it deals with gives to economics a terrible tendency to degenerate into ideology. Economics deals very directly with how we should structure one of the most important sectors of our societies, namely, the sector of our societies that deals with production, consumption and distribution. Historically this has been tied up with all sorts of political questions and so economics has a tendency to fall quite regularly into ideology—whether that ideology be left-wing or right-wing is a secondary concern. But this need not be so. There is much in economics, properly conceived, that allows us to think quite freely. If we shun the idea that history is a deterministic process that plays out behind our

backs, there is much of interest that economics has to offer. But this initial assumption, this assumption that history is not playing out according to some fixed Law or Laws, is key to ensuring that economics does not degenerate into ideology.

At the time of writing, economics has become more ideological than it has ever been in the past. Today it seeks nothing but to shut down questions and tell people to shut up. Even the manner in which it is taught has a certain greyness about it that reminds one of the authoritarian structures of a mid-century boy's boarding school. The problem sets that students are forced to work through, complete with silly puzzles about utility-maximising agents, have an aura of brainwashing to them: a sense of schoolmasterly disciplining of the mind for the sake of disciplining the mind. It is almost as if the student is being coerced into identifying with the utility-maximising agent within the puzzle and then working out what they *should* do given a certain set of choices. Such exercises cannot be anything but exercises in ideological training. The mystique generated by clothing them in mathematics gives them an authority that the student is cajoled into trusting. But at base they are simple ideological stories about how 'rational'—read: 'well-behaved' in the moral sense of the term—people *should* behave in any given situation. This becomes particularly obvious to anyone who has ever witnessed an instructor chastise him or herself for not living up the 'rational' ideal when they are questioned as to whether this is how they themselves behave. 'Alas!' says the devotee, 'This is not how I behave in my day-to-day life! If only I could be more rational! If only I were not a Fallen Being!' The religious-like tones of penance are rather striking indeed. In psychological terms, the student is required to substitute the utility-maximising agent fantasy into the psychic space where their ego-ideal operates.¹

The roots of the ideological turn that economics has taken today can be traced back to the late nineteenth century and, not uncoincidentally, to the emergence of the image of the utility-maximising agent who we will deal with in more detail in a later chapter. This late nineteenth-century event is generally known today as the turn towards what we call 'marginalism'. Marginalism derives its name from the fact that it conceives of the economy as a means of allocating scarce resources in such a manner that the 'marginal' use of a given resource—that is, the last unit of this resource 'at the margin'—is used in the most effective manner deemed socially desirable. Marginalism might thus be defined as being the idea of how a society, given a number of scarce resources, might allocate these