The Irrelevance of Economists

By John Kozy
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Apologetics has a sordid history. Etymologically the term merely means defense, but the word has come to be applied to people who promote causes, justify orthodox views, or deny the existence of events, even crimes, by being deceptive, omitting negative and exaggerating positive information, and using reasoning that employs even well known fallacious logical principles. Although often temporarily successful, ultimately apologists are discredited when their arguments clash with reality.

The last thirty years of the 19th Century was financially difficult for the United States. The American economy, in trying to adjust to the rise of the railroad, iron, and steel industries, was beset by a concentration of ownership of and the use of predatory practices by these industries which came to be called "trusts". These trusts were opposed by agrarian interests and trade unions. In the 1880s, violence often resulted from the confrontations of capital and labor. Economists took sides, and a group of archconservative American economists, called the American Apologists, arose to defend the new industrial age and condemn unions and populist causes. They were apologists for the *status quo*, and they dominated the American university system much as neo-classical economists do today.

The apologists sought to defend industrial capitalism which was dominated by these monopolistic trusts. Destitute farmers, ruined craftsmen, and immigrant laborers were being forced into becoming low-paid industrial workers. These economists attempted to explain how the unrestrained greed, predatory practices, and ostentatious displays of wealth by the industrialists could still be ethical and why an almost openly corrupt government should be allowed to use its power to crush trade unions and farmers, place strict controls on the money supply, use regulations to minimize competition, and erect protectionist trade barriers.

The American Apologists often made appeals to specious religious and moral arguments. Their claim that the "eternal laws of economics" were divinely instituted was analogous to the claim of kings that they ruled by divine right. Some apologists were Social Darwinists who appealed to the theory of evolution to justify these "natural economic laws" that placed the fittest in positions of industrial leadership. Given this penchant for moral piety, the apologists were easily ridiculed, and when the orthodox economics of the American Apologists clashed with reality in the early part of the 20th Century, the orthodox view collapsed. Unfortunately it experienced a renaissance in the 1980s but once again has come face to face with reality. Now apologetics are again in vogue.

Once again, the United States is experiencing trying economic times, and conservative economists are again defending the *status quo*. The American government is again being called upon to use non neo-classical means to fix a broken economy without destroying the underlying neo-classical theoretical system that has again brought the nation's economy to its knees. And these neo-apologists have no qualms about using what they consider to be Satan to save what they consider to be God. It never occurs to them to ask whether they have their denotations reversed.

Dani Rodrik, professor of international political economy at the John F. Kennedy School of Government at Harvard University, recently posted a piece titled, *Blame the Economists, Not Economics* [http://www.guatemala-times.com/opinion/syndicated/roads-to-prosperity/887-blame-the-economists-not-economics.html] in which he presents a very curious argument.

So is economics in need of a major shake-up? Should we burn our existing textbooks and rewrite them from scratch?

Actually, no.…

The fault lies not with economics, but with economists. The problem is that economists (and those who listen to them) became over-confident in their preferred models of the moment: markets are efficient, financial innovation transfers risk to those best able to bear it, self-regulation works best, and government intervention is ineffective and harmful.

They forgot that there were many other models that led in radically different directions. Hubris creates blind spots. If anything needs fixing, it is the sociology of the profession. The textbooks at least those used in advanced courses – are fine. . . .

Economics is really a toolkit with multiple models – each a different, stylized representation of some aspect of reality. One's skill as an economist depends on the ability to pick and choose the right model for the situation. . . .

No economist can be entirely sure that his preferred model is correct. But when he and others advocate it to the exclusion of alternatives, they end up communicating a vastly exaggerated degree of confidence about what course of action is required.

Paradoxically, then, the current disarray within the profession is perhaps a better reflection of the profession's true value added than its previous misleading consensus. Economics can at best clarify the choices for policy makers; it cannot make those choices for them.

When economists disagree, the world gets exposed to legitimate differences of views on how the economy operates. It is when they agree too much that the public should beware.

The difficulty with this argument is its lack of consistency. Rodrik writes of "economics" but what that term refers to is unclear. Is it the neo-classical theory presented in most textbooks? Or is it a hodgepodged agglomeration, "a toolkit with multiple models," that various economists have devised? If it is a textbook theory that allows for diverse, conflicting, and contradictory models, it is inconsistent and illogical. If it is an agglomeration of models, the theory presented in the textbooks that "are fine" is irrelevant. If "one's skill as an economist depends on the ability to pick and choose the right model," how can anyone exercise that skill if "no economist can be entirely sure that his preferred model is correct"? If "the public should beware" when economists "agree too much," how can the public be assured "when economists disagree"?

What Rodrik has argued, without recognizing it, is that both the neo-classical theory presented in textbooks and the economists themselves should all be dismissed as irrelevant, since they and the theory can't be trusted when they agree and when they don't, the trustworthy models can't be identified. So how can economics and economists "clarify" anything? And if they can't, what good are they?

John Kozy is a retired professor of philosophy and logic who blogs on social, political, and economic issues. After serving in the U.S. Army during the Korean War, he spent 20 years as a university professor and another 20 years working as a writer. He has published a textbook in formal logic commercially, in academic journals and a small number of commercial magazines, and has written a number of guest editorials for newspapers. His on-line pieces can be found at http://www.jkozy.com/ and he can be emailed from that site's homepage.
