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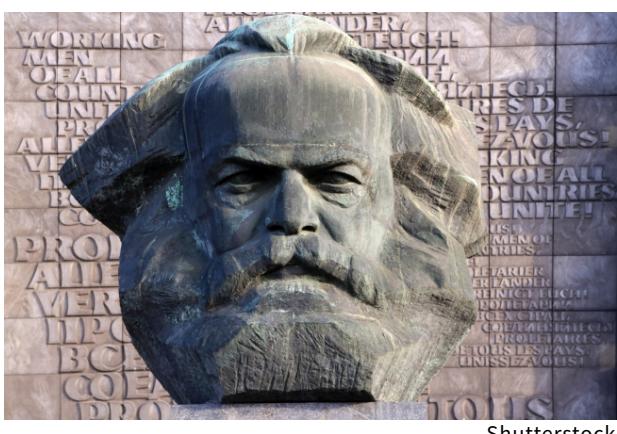
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THE CHRONICLE REVIEW: HOW ECONOMISTS BECAME SO TIMID

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How Economists Became So Timid

The field used to be visionary. Now it's just dull.



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By Eric Posner and Glen Weyl | MAY 06, 2018

The late-18th and 19th-century field of "political economy," from which arose the modern fields of economics, sociology, and political science (among others), contrasts sharply with its contemporary offspring. Political economists drew on all the streams of academic speculation — they were as much

philosophers as social scientists, and they recognized none of the distinctions among the various contemporary social sciences. Moreover, they saw themselves as reformists, often radical reformists. The great figures in this tradition include Adam Smith, John Stuart Mill, and Karl Marx. They and their followers searched for solutions to the major economic, social, and political crises of their times. In the process, they gave birth to most modern social ideologies and much of the shape of our present world.

Self-styled American and European radicals, for example, helped end monarchy and expand the franchise. The free-labor ideology of European radicals and American Radical Republicans helped abolish serfdom and slavery and establish a new basis for industrial labor relations. The late 18th and 19th centuries also witnessed the liberal reformism of Jeremy Bentham,

Smith, James and John Stuart Mill, and the Marquis de Condorcet; the socialist revolutionary ideologies of Pierre-Joseph Proudhon and Marx; the labor unionism of Beatrice and Sydney Webb; and, influential at the time but now mostly forgotten, the competitive common ownership ideology of Henry George and Léon Walras. This ideology shaped the Progressive movement in the United States, the "New Liberalism" of David Lloyd George in Britain, the radicalism of Georges Clemenceau in France, even the agenda of the Nationalist Chinese revolutionary leader Sun Yat-Sen. The Keynesian and welfare-state reforms of the early 20th century set the stage for the longest and most broadly shared period of growth in human history.

Today, economies around the rich world have stagnated, while inequality has sharply increased. Most citizens in wealthy countries have seen their incomes languish for a generation and have lost faith in the promise of widely shared social progress that has underpinned political stability since the Industrial Revolution. Disillusioned with the status quo, voters from the United States to Italy and beyond have joined reactionary populist movements of the right and left.

So where are the heirs of the political economists? Political economy has fragmented into a series of disparate fields, none of which has the breadth, creativity, or courage to support the reformist visions that were crucial to navigating past crises.

Economics has transitioned from a field of creative social visionaries to one of specialized technocrats.

The demise of political economy began in the late 19th century. As academia became more professionalized and specialized, political economy gave way to its successor disciplines — economics, sociology, political science, and the like. By its midcentury nadir, economists hardly interacted with researchers in those other fields.

The transition from a field of creative social visionaries to one of specialized technocrats is epitomized by the story of Alfred Marshall and his star student, John Maynard Keynes. Each had a foot in both worlds and was ambivalent about the change. In many ways, Marshall was the archetype of the 19th-century political economist. Keynes eulogized him, writing that he exemplified the economist who was a "mathematician, historian, statesman, philosopher. ... No part of man's nature or his institutions must lie entirely outside his regard ... as aloof and incorruptible as an artist, yet sometimes as near to earth as a politician."

Ironically, Marshall's 1890 *Principles of Economics* — for three generations the field's definitive textbook — marked a decisive transition from this comprehensive vision of political economy. Marshall worked to professionalize and eventually narrow the field. Keynes, despite his flirtations with probability theory and philosophy and his bold vision for transforming economic policy, cemented the position of economists as technocrats — the furthest thing from the aloof, incorruptible artist. The macroeconomic management he advocated requires expert technicians; accordingly, the mid-20th century saw the profession churn out a class of specialized workers. History, politics, sociology, philosophy, and law all drained out of economics.

This is not to say that economics did not incubate any new ideologies after Keynes. University of Chicago economists such as Friedrich Hayek, Milton Friedman, and George Stigler were central to inspiring the "neoliberal" ideology that defined the political careers of Ronald Reagan and Margaret Thatcher. Like the political economists of old, their perspectives were far broader and bolder than those of their contemporaries. But unlike the political economists of old, they did not offer radical social reform or innovation. Instead they advocated a return to institutions that had prevailed in the 19th-century Anglo-Saxon world. All the other major novel ideologies of the period — mostly associated with the New Left: environmentalism, feminism, civil rights, anti-colonialism — developed with almost no input from economics, though they did connect to some currents in sociology, anthropology, and philosophy. And by the 1990s even neoliberalism had transitioned from an insurgency into a consensus governing philosophy administered by a new technocratic class, one that was not much different from the liberal technocracy of the postwar period.

The narrowing of economics took many forms. Academic work shifted away from policy design and toward a combination of formal mathematical theorems and rigorous empirical analysis. Even the areas of economics (public economics and mechanism design) most focused on questions of policy and design sought to address clearly specified problems rather than the complex mishmash of concerns relevant to most practical policy. Similar formalization characterized other fields, like political science and linguistics. The reasons were not always bad ones, and they mirrored broader patterns of professionalization. Economists sought to develop a science on the model of physics because they believed that scientific methods were most conducive to discovering the truth.

Economics has played virtually no role in the major political movements of the past half-century, including civil rights, feminism, and anticolonialism.

Yet even as economists retreated from visionary social theory, the power they wielded over detailed policy decisions grew. A notable feature of this policy guidance was that it shared the narrowness of economists' research methods. Policy reforms advocated by mainstream economists were almost always what we call "liberal technocratic" — either center-left or center-right. Economists suggested a bit higher or lower minimum wage or interest rate, a bit more or less regulation, depending on their external political orientation and evidence from their research. But they almost never proposed the sort of sweeping, creative transformations that had characterized 19th-century political economy.

How to explain this timidity? As with many professions endowed with power (like the military), economics developed strict codes of internal discipline and conformity to ensure that this power was wielded consistent with community standards. While political economists from Smith to Marx drew on a vast range of philosophical influences, economics became one of the most regimented and conformist fields in the academy. Economists have maintained this narrow range of methodological and political commitment through their control of academic journals, hiring, and teaching — as well as through the informal enforcement of community norms. We see this in the treatment of the ideological extremes, the "Austrians" (on the right) and the Marxists (on the left), who have been ostracized from the profession.

The upshot is that economics has played virtually no role in all the major political movements of the past half-century, including civil rights, feminism, anticolonialism, the rights of sexual minorities, gun rights, antiabortion politics, and "family values" debates. It has been completely unprepared for Trumpism and other varieties of populism, having failed to predict those developments just as it failed to predict the financial crisis of 2008. And, until very recently, it has shrugged at one of the most politically charged and morally troubling issues of our time — the rise in inequality.

Even the recent attempts of the field to live up to its heritage have fallen flat. Thomas Piketty's *Capital in the Twenty-First Century*, while widely perceived as a successor to Marx's *Capital*, ends by half-heartedly proposing a modest global tax on capital. Where is the modern Smith, Marx, George, or Keynes? Other fields have not stepped up to fill the void left by political economy's collapse. Sociologists and political scientists largely eschew specific policy proposals. And political philosophers, while offering bold visions of ideal societies, usually avoid dirtying their hands with the details of feasible policy design.

Calls for more interdisciplinary work, common as they are, often lead to muddle. What's missing from the social sciences is a willingness at a large scale to revisit the roots of the intellectual traditions that have given rise to the current system of silos in which researchers make incremental advances along familiar paths, proposing modest reforms rather than reimagining our basic institutions. After decades in which fundamental questions were neglected but technical and empirical insights accumulated, political economists have a rich store of material to work with. In an era threatened by rising inequality and authoritarian populism, we hope that boldness rather than caution will be the new watchword of these fields.

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