

Paul Beckerman on Bresser's "Academic Manifesto"

I hope your paper will help bring a better economics better

De Paul Beckerman, 23.12.2010

Dear Professor Bresser:

Thank you very much for including me in your mailing list. I have looked quickly through the paper ["For a modest and heterodox mainstream economics: an academic manifesto"], and, while I mean to have a closer read, I can see that it has that quality in papers I like best: it says things I know I have been believing for some time but hadn't the skill to put into the right words. Congratulations and thank you!

I've been quite sure for years that there is something seriously wrong with our discipline. I felt quite certain, well before the 2008 crisis, that our discipline is troubled. I believe, believed, the problem has been about the way the economics discipline engages with the reality it at once describes and aims to affect. It has something to do with the nature of the discipline -- after all, physics cannot affect the reality it studies. It also has something to do with the "political" character of economics -- interesting economics, after all, is only about what matters for policy.

It also has something to do with the way economists engage with political and institutional power. As a discipline, we surely need a new kind of disinterestedness, a more empirical, less presumptuous approach, more of a sense among ourselves that we may be -- probably are -- quite wrong most of the time.

My own professional toolkit, given my training, is essentially neo-classical. I am not sorry about that, but I have always been deeply skeptical about neoliberalism. In the places I have worked, I have always had to fight the idea that neoclassical economics implies neoliberal policy prescriptions. This idea still reigns almost unquestioned in the IMF and World Bank, and it is very hard to question it in specifics, must less in general. It seems to me that the first step toward a better economics really has to be to break this idea -- to begin to make the profession stop believing that neo-classical economics always implies neo-liberal policy.

I did some work on Bolivia in which I tried to make this kind of point. Why did neoliberalism fail there, I tried to ask? Because, I argued, in a Dutch-disease economy, when the price array moves to its general equilibrium, it will set a low and diminishing real wage, in effect telling workers that they should emigrate there is no employment here for you -- because, in a Dutch-disease economy, labor-intensive activities are (by definition) unlikely to be economically viable. The prices that "express" this reality, that convey this "signal," will be stable in a general-equilibrium sense. The trouble, of course, is that the workers who prefer not to emigrate but then have no place to work are likely -- as it turned out -- to dedicate their very considerable

free time to overthrowing the government and establishing a non-liberal regime. To put it mildly, the World Bank wasn't interested in this possibility ex ante – nor ex post, for that matter: the World Bank still thinks that the Bolivian ingrates are just unwilling to bear the pain of the right policies.

The one good thing about the 2008 crisis -- which has been a dreadful affair, a matter of very real human suffering for a very large number of people in my country -- is that now the economics profession, if only out of politeness, has to pretend not to be impatient with criticism of its ways. I don't know how long this will last. But I hope this is the time to start having this kind of discussion, and formulating a good, constructive critique that gets to the right point in specific terms.

Thank you again for your paper. I hope your paper will help bring about a better dialogue on how economics can make itself a better, more genuinely useful, discipline.

Very best holiday and New Year's wishes for you and your family!

Best regards,

Paul