

Comment on ‘The Empirical Success of Keynesianism’ by Donald Gillies

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The study of how ideology impacts economic theory helps to shed light on the nature of economic theory itself. I have tackled these issues in my own PhD Dissertation (Almeida, 2019a), and I appreciate this opportunity to comment on Professor Gillies’ article which provides an interesting perspective from an author with training in philosophy.

Economists important to the development of the discipline have dedicated themselves to issues of ideology. Robbins (1932) and Friedman (1953), two of the most important trend-setters in economics, provided dialogue between economics and philosophy. Robbins, when he defined economics as ‘the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses’ (Robbins, 1932, p. 15), has allowed the expansion of the range of economic analysis through its method; Friedman argued for pragmatism in the models, in which results are more important than premises.

I believe that no discipline has ever persisted so *strongly* in its claims to be value-free as economics (cf. Aldred, 2009). This is true even of physics, often viewed as *the* ultimate science to be emulated by other branches of science, leading to accusations of ‘physics envy’ (Nelson, 2015). The attempt to make economics value-free has been a concern of economists, as early as the 18th century (Colander and Su, 2015; Waterman, 2020).

This has influenced how economists build their models. Jean-Jacques Laffont, one of the most important names in applying general equilibrium models to public economics, wrote that most economists have chosen to ignore the interaction between economic policy and politics because of ideology, and that ‘some even believe that it is not “politically correct” to develop policy recommendations altered by political considerations’ (Laffont, 2000, p. 5; Almeida, 2019a, p. 109).

Robbins established (neoclassical) economics as non-ideological and value-free (assuming we can consider ‘value judgements’ and ‘ideology’ to be synonyms). In essence, he helped economic theory to become what it is today, and this is the subject of Professor Gillies’ critique. Robbins wrote:

‘No less an authority than Gunnar Myrdal has devoted a whole book to the argument that, explicitly or implicitly, all propositions of economic theory, all classifications of happenings having an economic aspect, must involve judgments of value. I do not agree with this position. I don’t think that the proposition that, if the market is free and demand exceeds supply, prices will tend to rise, has any ethical content whatever’ (Robbins, 1981, p. 4)

And this is the view of many economists. The question is: why would Robbins be wrong?

Robbins himself made a distinction between value-free ‘economics’, and ‘political economy’ where one ‘should not only include, but should necessarily embrace’ values

¹ This is a modified version of the comment available at the site, adjusted in order to take into consideration the changes made by Professor Gillies. See my original comment at <http://etdiscussion.worldeconomicassociation.org/papers/ideology-and-science-in-economic-theory/>

(Colander, 2009, p. 438). Taking heed of Laffont's diagnosis, many economists working on political models (such as the ones in the New Political Macroeconomics tradition, for example) have attempted to make more 'ideology-free' models. They did this because they considered earlier public choice models to be too ideological in the libertarian sense,² and aimed for value-free models capable of describing political economy as it is (Almeida, 2019a, chapter 3). So, does Professor Gillies imply that their efforts have failed? Yes, 'the arguments of Robbins are not very convincing'.

I might be going off on a tangent, but it should be noted that the pendulum swings a lot: back in the 1950s, economics was more interventionist. In the socialist calculation debate, socialists used neoclassical tools to show the superiority of a centrally planned economy, and Jan Tinbergen's theory of economic policy developed models for optimal state intervention. Free-market economics was considered heterodox, even 'ideological' (Almeida, 2019b; Backhouse, 2010). Bockmann (2013) has shown that the economics of the capitalist West and the socialist Iron Curtain were similar, with the former trying to escape the politics of McCarthyism and the latter, the politics of Stalinism.³

Keynes himself was aware of the fact that economics is a moral science, therefore embedded in values. It was one of the main reasons why he criticised the budding econometrics movement (Keynes, 1939; Almeida, 2016). Keynes started to show his dissatisfaction early in the *Economic consequences of peace*, and this is present throughout his 1920s writings (Keynes, 1930; 1932). In his *Treatise on Money*, in a chapter he wrote in 1927, he gave his opinion on index prices:

'The Jevonian concept would have been intellectually delightful and of great scientific convenience if it had been based on a true analysis. It is one of the several quasi-mathematical economic conceptions, borrowed by analogy from the physical sciences, which seemed likely to be so fruitful when they first devised fifty or sixty years ago, but which have had to be discarded on further reflection, in whole or in part' (Keynes, 1930, v. 1, p. 78).

That being said, one of the main contributions of Professor Gillies's article is its exposition of the Kantian fallacy. From his reading, it seems Kant presented one of the earliest cases of 'physics envy'. The Kantian fallacy has a subtle presence in economic debates. V. V. Chari, in a Senate hearing on the causes of the 2007-8 crisis, said that 'If you have an interesting and a coherent story to tell, you can do so within a DSGE [dynamic stochastic general equilibrium] model. If you cannot, it probably is incoherent' (Chari, 2010, p. 32). Therefore, 'from this perspective, there is no other game in town' (ibid., p. 35). Large, robust and even beautiful models dominate the economic landscape, and yet they need to be built on the awareness that mathematisation is not the only feature that makes them scientific.

Model makers must be aware of the Kantian fallacy. This is behind Keynes's critique of Tinbergen and econometrics (Keynes, 1939). Proper econometrics must take into consideration both the proper style of mathematics, if any maths is necessary, and its empirical validation. However, even neoclassical economists are finally starting to realise that the use of mathematical and econometric models does not give full protection against ideology (Azam, 2019). 'Ideology' should not be grounds for rejecting any theory.

² Public choice theorists themselves have denied such accusations and have defended their approach as value-free as well (Boettke and Piano, 2019). I have argued elsewhere that public choice theorists have had little success in defending the value-free status of their discipline (Almeida, 2019a, chapter 6.2).

³ However, see Weintraub (2017) for a critique of the interpretation that the mathematisation of economics happened to escape McCarthyism.

As a final comment, Professor Gillies wrote that ‘the “positive” economics of both Friedman and Robbins turns out to involve a strong right wing ideology’. Although some authors would point to the fact that economists themselves are not openly right wing, even citing prominent leftist economists (e.g. Klein and Stern, 2007), it is the impression that remains. George Stigler recognised this, and, in a polemical essay (Stigler, 1959), he argued that economics turns people more conservative. Stigler’s essay is usually considered a curiosity in the history of economic thought nowadays, but I wonder if it is because of its provocative assertion? It can be said that it does not serve the cause of a profession, seeking to defend their discipline as value free, to call attention to it. Consequently, the structure of neoclassical economic theory continues rigid, enamoured by the serviceability of its method, at the cost of empirical confirmation.

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