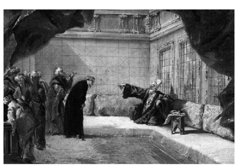
Experts on Trial: A Symposium



Introduction

By Orsola Costantini

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Widespread criticism of elites and their 'experts ' raises questions about how economists should perceive their role, and what role societies should give them. We invited four scholars to start an online conversation by sharing their perspectives

In a world where wealth and power are concentrated in very few hands, established intellectual elites — and the educational system that reproduces them — has been showing signs of structural weakness, diminished cultural and moral authority, and a widespread loss of credibility. To comprehend and respond to this crisis, we should consider how societies define themselves is by the status they accord to a body of received ideas, whether in the form of blind acceptance, rupture, or challenge and synthesis. Largely, this relation depends on the quality and openness of the established intellectual elite and the fitness of the education system to the task of fostering the new as an evolution from the past.

At the Institute for New Economic Thinking, we believe it has become a matter of urgency for economists to critically reexamine a discipline lacking both openness and realism. In that spirit, we present Experts on Trial, an online symposium as part of our ongoing research programs that critically analyzes the concepts, policy practices and methodologies in the tool-bag of the experts. (See for instance Antonella Stirati's work on NAIRU and the Phillips Curve; Lance Taylor's work on the 'natural' interest rate; my own work on the politics of cyclically adjusted budgets; andJames K. Galbraith's observations on politics and forecasting models).

"People have had enough of experts" is the provocative title of the first contribution to this symposium, in which Prof. **Sheila Dow** explains that the problem might lie in how economists have presented the extent of their expertise. Dow directly challenges the 'scientific' pretensions common among mainstream economists today — an orthodoxy which holds that the use of formal closed models enables precise forecasting. Embracing the interdisciplinary, institutional and complex nature of economics is the inevitably challenging job of the economist. "It is therefore immoral, not only to conceal value judgments, but also to present as scientific truth a conclusion which is approach-specific. It is incumbent on all economists to be prepared to explain their approach and defend it relative to others."

Prof. Alessandro Roncaglia, in the second article of this collection titled "The economist as an expert: a prince, a servant or a citizen?", asks how economists should place themselves in the cultural and political landscape. He recalls the historical roots of the idea of technocracy, arguing that it has always had an anti-democratic, authoritarian flavor. Instead, he postulates the idea of the economist as a socially and politically engaged citizen. The fact that the economist is not external to her subject of study implies the presence of different and sometimes rival visions in economics. As a further consequence, the mechanisms in place to select the best results in the discipline are far from— and never can be — value-free. In order to illustrate this concept, Roncaglia discusses two substantially different visions co-existing in the discipline, the Classical and the Marginalist approaches, as well as their different predictive and explanatory performance relative to the 2008 crisis.

This latter aspect receives an even deeper treatment in Prof. **Antonella Palumbo**'s article "Can 'It' Happen Again? Defining the Battlefield for a Theoretical Revolution in Economic Theory." She recalls that theoretical revolutions — such as the ones that transformed economics in the 1930s and in the 1970s — cannot derive only from social and political upheaval, or from the emergence of new empirical evidence. A new theoretical narrative must arise from within the discipline. Today's variety of mainstream models, and the menu of policy prescriptions they provide, derive from the same Neoclassical framework, which is usually not even "recognized, by mainstream economists, as the expression of a particular theoretical point of view" — instead, it is treated "as the language of economics itself." Yet, this framework limits and directs the analysis and critique of political economy to the assumption that all failures of the market are exceptions to an equilibrium norm. Alternatives can arise from a critical reconsideration of the whole spectrum of past approaches, especially those in which crises are considered endogenous product of the capitalist dynamics and from maintaining an overt sensitivity to the political demands of society.

Finally, we thought that a reflection on the role of experts, even if partial such as this one, could not prescind from a consideration of how our societies treat education, i.e. the production and transmission of knowledge and expertise from one generation to another. The article by Prof. **Alex Molnar** focuses on the United States where, much like in many other countries, continuous policies in the past 35 years have sought to "subordinate the democratic mission of public education to a theory of market-driven economic development and social organization." The result of this expert-driven process has has been to reduce access to quality education across social groups, and to undermine the standing of a key building block of democracy.

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'People Have Had Enough of Experts'

By Sheila Dow

FEB 6, 2017 | ECONOMIC HISTORY | HISTORY OF ECONOMIC THOUGHT | INCOME & WEALTH | GOVERNANCE | INSTITUTIONS, POLICY & POLITICS | REINTRODUCING ECONOMIC THEORY

As part of our ongoing symposium "Experts on Trial", Professor Sheila Dow argues that if voters have grown contemptuous of economists' expertise, that's because economics has been misrepresented as a technical subject separate from politics and moral judgments

"People in this country have had enough of experts." Thus the response of key 'Brexit' campaigner Michael Gove when confronted with the long list of expert bodies, such as the IMF, that were making the economic case for Britain to remain in the EU.

This is a shocking statement, particularly coming from a highly-educated former Minister of Education. As professional economists, we see ourselves as contributing to society precisely through our expertise. Yet, Gove was picking up on a trend in public discourse that gained further momentum during the US presidential election campaign, of disregarding expert opinion. Nor is it a transitory phenomenon. Empirical evidence of the gulf between expert and lay opinion on economic policy in the US has been provided by Sapienza and Zingales (2013), a gulf which was not affected when the lay subjects were made aware of expert opinion.

Out of the discourse on expertise have emerged two sequential characterisations of the zeitgeist: a "post-democratic" era which begat a "post-truth" era.

The "post-democratic" label described the trend for important policy decisions to be made on the basis of expert opinion rather than any democratic process. It refers to institutional arrangements that explicitly put executive power in the hands of experts, such as independent central banks and the European Fiscal Compact (see further Pühringer, forthcoming). The democratic deficit is further compounded by the extent to which policy-making institutions have been captured by vested interests (Morgan 2017). Seen in this light, some of the political developments of 2016 can be seen as attempts to reassert democracy.

But out of that effort has also arisen what is characterised as a "post-truth" era, implying that truth is popularly regarded as irrelevant to shaping the outcome of the democratic process. Assertions which "feel right" but have no basis in fact are accepted as valid on the grounds that they challenge the elite and its vested interests. Of course, this raises the question of what truth is, with a potential conflict between the understanding of experts and the understanding of the individual voter based on experience. Thus, for example, economists may claim that an economy is strong while individual experience is of economic vulnerability and hardship. If economic expertise is to contribute to policy debate, then the scope for different understandings needs to be addressed. But far from implying that any assertion is legitimate, this scope underlines the importance of *justification* of understanding, by reason and experience.

Where does this leave the economist as expert?

Gove (2016) elaborated further on why experts were being disregarded: they purport to "know what is best and get it consistently wrong". Here we examine the validity of these claims. We focus particularly on forecasting, since that is what is popularly perceived to be "consistently wrong". We consider the implications for the methodology and content of economic analysis, and the ways in which it is presented to policy-makers and to the public. This latter enquiry raises issues about the relationship between economic advice and the democratic process, issues which extend from the methodology and content of economics to institutional arrangements.

Economic Forecasting

A consistent refrain among participants rejecting opponents' economic forecasts in Britain's Brexit debates was that such forecasts are "consistently wrong". For an economist, that is not in itself an effective argument against forecasting: Econometric forecasts are always expressed in terms of a confidence interval around a central forecast, so that these forecasts can only be expected to be right on average. Of greater concern is disturbing causes which are not random, but rather are significant developments assumed away by the forecasting model. Then outcomes will be consistently different from the central forecast in one direction or another, as when the government's forecasts of improving public finances failed to materialise, resulting in increased fiscal austerity. With such tangible consequences of failed forecasts, the public's patience wears thin. But the failure of mainstream models to forecast the crisis had already primed the public to fundamental weaknesses in economic forecasting, engendering distrust of economic experts.

So, is the answer simply that economists need to try harder?

For most economists, that is the answer. Caballero (2010), for example, identifies the problem with 'core' dynamic stochastic general equilibrium (DSGE) macroeconomic models, which sought quantitative precision without adequate real-world understanding. Yet, he sees hope in this approach drawing on what he terms "peripheral" analysis that reflects a better real-world understanding at the micro level, but which is primarily non-quantitative. "We need to rework the mechanism the core currently uses to go from insights derived in the periphery to quantitative general equilibrium ones." (Caballero 2010: 98). Indeed much effort has been put into making the assumptions of DSGE models more realistic, but the fact remains that these models are by their nature incapable of predicting a crisis because of the way they are constricted to ensure settlement on equilibrium.

Some economists had predicted the crisis as imminent, though (consistent with Minsky's (1982, 1986) financial instability hypothesis) not the precise trigger or its precise timing. But these forecasts were drowned out by the output of the main macroeconomic models used by policy makers and by the financial sector. Caballero (2010: 85) dismisses the matter as follows: "To be honest, this inability to predict does not concern me much. It is almost tautological that severe crises are essentially unpredictable, for otherwise they would not cause such a high degree of distress." This attitude lends support to the view that general equilibrium theorising is satisfactory, except with respect to crises, regarded as aberrations. Greenspan (2009) argued that crises cannot be predicted, and central banks cannot diffuse bubbles anyway. So the best response is simply to establish preventative rules (such as capital requirements), but in such a way as to "enhance the effectiveness of competitive markets, not impede them".

But, had they been taken seriously, the crisis predictions would have prepared the authorities not only to develop a more robust regulatory framework (as Minsky had advocated; see Kregel 2014), but also to be alert to the danger signs. That the predictions of crisis were not precise is in itself telling. The question is whether it is even feasible to expect a macroeconomic model to yield useful precise quantitative predictions — if not, then efforts to produce a better model are misdirected. As Lawson (2009) argues, it is in the nature of economies as complex, open, evolving systems to evade capture by any one formal mathematical model. Any model requires assumptions, so that the onus is on the modeller to examine each context in order to decide whether these assumptions are reasonable. The differences of opinion on policy between economic experts and the general public identified by the Sapienza and Zingales (2013) study came down to the latter's greater willingness to question assumptions. At best, as Keynes had argued, any formal model can only be a partial argument, to be combined with other types of argument, and provisional in the face of the particular context of application (Carabelli and Cedrini 2014). More tellingly, Keynes argued that models should be aids to thought, not furnished with quantitative values (O'Donnell 1997).

When Friedman (1953) argued that the goal of economics should be prediction (on the basis of assumptions which might well be false) rather than explanation, he caused a *furore*. The predominant view among the mainstream then was that explanation, or at least good description, should instead be the primary goal. But Friedman's position now dominates the mainstream. Of course policy-makers need guidance as to what to expect from implementing particular policy measures. But such forecasting requires understanding of causal mechanisms; since formal models are only partial arguments, they are not enough. Any particular context requires a theoretical account (of which a model may be one part) which is adapted to reflect the particular circumstances, and thus which assumptions are reasonable simplifications. By considering the various (at times countervailing) forces potentially at work, the expert economist can outline them and express a judgement as to their relative strength, justifying this judgement in relation to alternatives. In turn, judgements about alternative explanations for actual outcomes can be appraised using a wider range of mechanisms than simple comparison with a point forecast (Runde 1998).

The implication is that economists need to adopt a more pluralist methodology, drawing on different disciplines as well as different methods, where mathematical models form only a part. Otherwise, it will not be surprising if point forecasts continue to be wrong, and wrong systematically. GDP forecast errors may not unduly concern the general public since GDP is detached from personal experience. But there was widespread public scepticism when forecasts were made of precise changes in personal circumstances that would immediately follow a Brexit vote. Indeed, setting the goal as providing point forecasts based on single macroeconomic models is, itself, a substantial part of the problem.

A major hurdle is the presumption that economics should aim to be like the physical sciences, and that quantitative prediction is the hallmark of science. On the one hand, this philosophy of science has long been discredited and, in any case, the physical sciences are more complex than the version emulated by mainstream economics (Cartwright 1999). On the other hand, this view of the scientific method has led to mainstream economists ignoring methodological questions (Drakopoulos 2016). But the result has been on the one hand an unthinking insistence on formal mathematical modelling, and on the other an unsupported sense of self-confidence in economics as a scientific discipline. Mainstream economics has become an increasingly sophisticated technical subject, detached from considerations which cannot be fitted into the technical apparatus. Policy implications are typically drawn, but without reference to the complex network of assumptions which underpin the models in question.

Indeed, there is a range of alternative approaches to economics on which have been built critiques of the mainstream approach, and different ideas as to how to proceed such that economists would not "be consistently wrong". But why have these alternatives not been known about, far less taken up, by policy makers? The mainstream answer would be that they are less scientific, but alternative answers lie in the sociology of the discipline. Non-mainstream economists have long pointed out the mechanisms by which non-mainstream research is actively discouraged (through hiring, publication and funding). This argument has lately been reinforced by two analyses which are influential on account of being produced outside conventional economics academia: the sociological analysis of Fourcade et al (2014) and the analysis of students of economics drawn from the millennial age cohort: Earle, Moran and Ward-Perkins (2016).

We have argued here that economic forecasts have often been wrong because of their undue reliance on formal mathematical models that could not take account of developments assumed away, and which were unreasonably focused on equilibrium outcomes. Forecasting could be done better, as indeed is the goal of mainstream modellers, but we have questioned the usefulness of the single-minded focus on models. But the failure of this approach was paired with the perceived habit of economists to "know what is best". We turn now to examine this claim.

Economics and democracy

That economists "know best" follows from an understanding of economics as a specialist scientific discipline. Specialism in itself is no bad thing. Indeed, Adam Smith (1762-63: 347) first talked about the division of labour in terms of the development of ideas. But Smith (1759: III.2.20, VII.ii.4.14) also argued that, while mathematics and the physical sciences could proceed for long without public intervention because their subject matter was remote from personal experience, this was not the case for the social sciences. Smith anticipated that public discourse would ensure that social sciences remained grounded in experience. Yet, by aspiring to be scientific in the same way as the physical sciences and by privileging the mathematical method, economics has managed to a considerable extent to promote what Earle et al (2016: 9) call an "econocracy" — "a society in which political goals are defined in terms of their effect on the economy, which is believed to be a distinct system with its own logic that requires experts to manage it". Now, however, that expertise is being publicly challenged.

The technical nature of mainstream economics is emphasised by its presentation as being value-free. To the extent that textbooks discuss such things, economics is presented in terms of positive analysis using "the scientific method", with normative judgements left to policy-makers (see e.g. Mankiw and Taylor 2006) . But the constrained optimisation framework has values embedded in it — whether acknowledged or not — such as the assumption that workers in a competitive environment are paid the value of their marginal product, i.e. what they are worth. Gains from trade is another value-laden topic which loomed large in the US presidential debate. Mainstream theory concludes that more trade is always beneficial in aggregate, but it does so on the assumption that the DSGE structure remains unchanged, i.e. that there have not been irreversible changes in structures, behaviour and the exercise of power. What gained most attention in political debate was the other more obviously value-laden mainstream assumption, that aggregate gains benefit society even if the winners don't compensate the losers. There is no escaping the fact that economics continues to be a moral science. Economists therefore have a moral responsibility to be transparent about the value judgements embodied in their theories, and to be prepared to debate them. This would address any suspicion that economists were serving vested interests. But there is a more profound moral responsibility which arises from the nature of economic knowledge itself. Experience has shown that predictive success is an inadequate basis for appraising theories, such that different bodies of theory using different methodological approaches co-exist (even if most are discouraged by purveyors of the mainstream) . This is particularly the case for a field whose subject matter is a complex, evolving, open system. Knowledge about the economy is uncertain, severely limiting the scope for classical logic. Drawing instead on a range of lines of reasoning and types of evidence, what is required of the economist is reasonable judgement. As Marcuzzo (2010: 45) points out, reasonableness is a moral quality which addresses the collective good rather than the personal benefit sought by individual rationality.

It is therefore immoral not only to conceal value judgements, but also to present as scientific truth a conclusion which is approach-specific. It is incumbent on all economists to be prepared to explain their approach and defend it relative to others. Economists, as experts, know better than those who do not make an in-depth study of the economy. But no one economist can claim to "know best" without imposing her own value judgments on society and without arguing why her approach to economic knowledge is better than alternatives.

For experts to impose value judgments on society is also undemocratic. If economics is thought of as a purely technical subject, then the problem does not arise. In fact, with the increasing prevalence of viewing economics as a technical subject there has been an increasing tendency to set up policy-making structures that separate economic policy from political processes. A case in point is central bank independence, whereby an unelected Governor (usually with an unelected committee) makes decisions on monetary policy that can have far-reaching consequences, e.g. for income distribution. As a result of the policy of quantitative easing, for example, holders of marketable assets gained a huge windfall from the liquidity injected into asset markets, while holders of fixed-income assets lost out.

The moral challenge is underscored by the fact that governments justify unpopular economic policy by packaging it as prescribed by supposedly independent technical economic expertise. Thus real hardship is caused for society's poorest when austerity measures such as benefit cuts are justified by the need to reduce the fiscal deficit to a level acceptable to the economic experts who drive market sentiment (Dow 2014). Economic decisions are presented as separable from politics. But, like those who have for long advocated a political economy approach, the public has come to perceive the relationship between politics and economics. However since all that is visible to the public is economic experts who deny any connection, it is not surprising that this concealment is identified with vested interests. But to argue for a political economy approach is not to argue that there is no effective expertise, or that economics is simply "politics by another name". Rather, it is to argue that economies are not separable, but are social, political, technological systems that require an interaction of expertise of different kinds to build up reliable knowledge in spite of intrinsic uncertainty.

The institutional arrangements that privilege economic expertise in the "post-democratic" era were justified by a view of the economic expert as technician, operating independently of politics or ethics. What has been argued here is that economic analysis inevitably involves ethical judgments, whether or not they are acknowleged and made explicit. Ethical judgements enter even more into policy discourse. It therefore serves the democratic purpose well for economists involved in the policy process to discuss these judgements explicitly, as exemplified by Haldane's exploration of distributional questions (see e.g. Haldane 2016).

Conclusion

The retort that economic forecasts are often wrong in response to economists claiming to know best becomes understandable when we consider how economics has been (mis)represented to the public as a technical subject separate from politics and moral judgements. But if economists are honest about the limitations of any one analysis, about embedded moral judgements and acknowledging the scope for a range of understandings based on differing experience, then they would show that they know better only (but importantly) in the sense of having expertise. An understanding of economics as a separable technical subject became embedded in various institutional arrangements that gave economists significant power over policy decisions. A recognition instead that economics is more complex, subject to uncertainty and interrelated with other disciplines, needs to be reflected in institutional arrangements such that policy decisions are not made on "purely" economic grounds alone.

This is all more challenging than formal mathematical modelling (technically challenging though that may be). But by living up to its social responsibilities, economic expertise would again command more public respect. The implication of what has been argued here is that a different form of expertise is required than technical skills alone, and this has strong implications for the education of economists. Further, better public engagement is required. Earle et al (2016: ch. 6) propose a policy of promoting broad democracy by cultivating an "economic citizenry" with a view to making economics "a discipline which is open to public scrutiny and engages the public in a substantive, two-way dialogue" (Earle et al 2106: 129).

We have already referred to Keynes's theory of knowledge and his understanding of economics as a moral science. We end with his tribute to Alfred Marshall, which listed the attributes of a "master-economist". Few can achieve such a position, but here Keynes sets out what should be our aspiration:

"[T]he master-economist must possess a rare combination of gifts. He must be mathematician, historian, statesman, philosopher—in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near to earth as a politician." (*Keynes 1924:* 321-322)

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The economist as an expert: a prince, a servant or a citizen?

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In his contribution to our ongoing series "Experts on Trial", Alessandro Roncaglia argues that viewing economists as princes or servants of power is inherently authoritarian. We should instead see the economist as a socially and politically engaged citizen

When, in November 2008, Britain's Queen Elizabeth II asked at an LSE meeting why economists had not foreseen the world financial crisis, she implicitly considered them as servants to the political powers and the general public — servants who (in that instance) had failed to fulfill their duties. Shortly thereafter, when the President of the Italian Republic, Giorgio Napolitano, in a moment of severe crisis called on the Economics professor Mario Monti to take on the job of Prime Minister, he assigned to the economist a role of prince: a leader for society, though not subject to electoral democratic contest.[1]

Both notions – economists as servants or as princes – have deep historical roots, and as I will argue below, both should be avoided. We should, instead, see the economist as a citizen, socially and politically engaged – as any citizen should be – in fostering her own ideas about (at the same time) the common weal and her personal interest — which, as discussed by Adam Smith, is a complex notion distinct from pure selfishness.[2]

The expert-as-prince idea is reminiscent of Plato's partition of society into three classes: philosophers, soldiers and peasants. The Greek philosopher maintained that philosophers should be entrusted with the political leadership, because they're repositories of the knowledge necessary for best managing the community. Plato's idea of the 'government of the experts' has been re-proposed countless times since then, and (much less frequently) put into practice. Selected events in Italian contemporary history may illustrate some of the advantages usually attached to this function.

First, in periods of crisis, recourse to the expert may have a reassuring effect.

Monti's premiership, for instance, placated the financial markets: The interest rate spread between Italian and German treasury bonds fell from unsustainable levels, thus avoiding the risk of Italy following Greece down the path of a public debt crisis. But this effect did not derive from the quality of Monti's policies, which most Keynesian economists deem responsible for originating a new crisis in the real economy as a result of tax increases that reduced personal disposable income and, thus, consumption. Yet, the very fact of Monti's appointment was sufficient to obtain the desired effect on the spread, even before he was installed in his new position by the confidence vote of the Parliament.

Second, assumptions that the expert operates outside of politics may also help placate excessive partisan political fighting and achieve a policy consensus portrayed as in the national interest.

This was the role in Italian politics attributed to the prominent economist-turned-President Luigi Einaudi in the 1950s, and again more recently to Carlo Azeglio Ciampi, Governor of the Banca d'Italia, who was first appointed Prime Minister, and later also President: Ciampi's political actions, bargaining skills and international standing were critical to securing Italy's inclusion among the founders of the Eurozone, which had very significant positive effects on the Italian economy (among which a drastic fall in inflation and interest rates).

Yet, all this considered, the idea of the expert as the best leader for the community remains wholly undemocratic. That much has been true since the origins of the debate on the institutional arrangements of the polity, when government by the *demos* was opposed to oligarchic government, and when many ancient Greek philosophers and politicians favored the latter, or even a monarchic government, over the former. This majority opinion was reversed in relatively recent times. But, even after the French Revolution, the reaction to the Terror (as, later on, the reaction to the Paris Commune) favored the 'government from above'.

This is not the place to trace the rise of democratic views, but let us focus on three specific points:

First, even from our cursory overview it is apparent that the idea of a 'government by the experts' has been always present – with greater or lesser ascendancy – in the political debate, often in non-explicit and moderate forms.

Second, at least since the end of World War II, reference to experts has increasingly meant economists – or, perhaps more precisely, among the experts, economists have been playing a leading role. This is a delicate point, possibly deserving a separate treatment, because it needs a host of qualifications. For instance, because of the increasing cleavage between sociology and (mainstream) economics, economists engaged as advisors to the government have been increasingly relegated to 'technical' issues and excluded from debate on 'social' policy choices; their direct participation in the political debate on the 'big issues' is decreasing – migration policies or social cohesion policies, for instance, appear to be largely outside their field of competence. Thus, the economists' role is increasingly that of (possibly high and even very high level) servants to the political rulers: a role discussed in the next section.

Third, an important voice in opposition to the 'government from above' is that of one of the fathers of Classical political economy. Adam Smith (1759, p. 82) upheld that "Every man is, no doubt, by nature, first and principally recommended to his own care; and as he is fitter to take care of himself than of any other person, it is fit and right that it should be so". This passage has occasionally been interpreted as a plea for laissez-faire in economic matters, but it is not. As Viner (1927) clarified, Smith was far from being a passionate advocate of economic liberalism; it is, rather, a general plea for self-determination, namely political liberalism. Here, as elsewhere, Smith is possibly reacting to the *esprit desystème* in the Enlightenment culture represented inter alia by Bentham's idea of the enlightened sovereign or by the strictness of Rousseau's social contract; in any case, his diffidence towards 'government from above' is evident. We may perhaps notice here that – as Schumpeter stressed – political individualism should not be confused with methodological individualism; and we may add that political individualism does not logically imply economic individualism (laissez-faire), as soon as we recognize that 'the invisible hand of the market' is a myth.[3]

The idea of the expert as a politically neutral aide to government is widespread among mainstream economists, who maintain that there is only one 'true' economic science and only one correct policy response to any given situation, and therefore that the role of the expert is simply to clarify to politicians in power what that 'true' science requires they should do, or avoid doing. Disagreements may exist, but not concerning theory; only in the interpretation of the current situation, which in turn prescribes the specific policy model required in response.

This latter statement is of course an excessive simplification: many mainstream economists share more nuanced views. However, in some important instances there has been recourse to the extreme view in order to justify accepting the role of the expert advisor to dictatorial governments: One example would be the 'Chicago boys' in Chile taking advantage of the powers of General Pinochet's brutal dictatorship to suppress opposition to their preferred recipe, a free-market big bang.[4]

In any case, this view of the economist as a politically independent/neutral expert advisor to governments is marred on two accounts, discussed below: the difficulty of a rigorously objective interpretation of economic reality; and the existence (and importance) of approaches to economic theory different from the mainstream one.

First, when Keynes (and, before him, John Stuart Mill) say that economics is an art (hence, not a science),[5] he is drawing an implication from his methodological views: the role of uncertainty, and the refusal of 'long chains of reasoning' in favor of a 'piecemeal' approach whereby, when confronted with a problem, some bits of theoretical reasoning are chosen as the most appropriate ones to the issue in question. Thus, there may be different interpretations of each economic situation, and policy choices cannot be considered as univocally determined by deduction from economic theory.[6]

Second, and most important: there is not a unique worldview ('vision', in Schumpeter's terminology) underlying theoretical research in economics. Notwithstanding the attempts by mainstream economists to re-read in their own terms authors belonging to different traditions — or simply to ignore their existence — such different traditions do exist, and have been and are quite important.[7]

Sraffa (1960, p. 93) sums up the contrast between the classical (and Keynesian) and the marginalist-mainstream approaches with two images: the "picture of the system of production and consumption as a circular process" versus a "one-way avenue that leads from 'Factors of production' to 'Consumption goods'." This points to the different 'visions' of the two approaches. Within the Classical approach, the economic problem is conceptualized as analysis of those conditions that guarantee the continuous functioning of an economic system based on the division of labor; for the marginalists, in contrast, the economic problem concerns the optimal allocation of scarce available resources to satisfy the needs and desires of economic agents.

This has a series of implications for the theory of value and distribution, of output and employment, and so on. Specifically, the central role of equilibrium between supply and demand in marginalist-mainstream economics implies a tendency, in a fully competitive economy, to full employment of all resources, including labor – namely, an automatic tendency to full employment. By contrast, though the news may surprise mainstream economists accustomed to thinking in those terms, Classical theory does not rely on equilibrium between supply and demand in its theory of price and income distribution, while the theory of output and employment is a separate game (so that the Keynesian notion of persistent unemployment is fully compatible with the Classical approach, while not with the marginalist-mainstream one).[8]

Obviously, when confronted with persistent unemployment, marginalist-mainstream economics seeks to explain the causes of such a situation in the distance between the real world and the model of perfect competition. As a remedy, they propose 'structural reforms' aimed at bringing the real economy into conformity with the perfectly competitive model — especially in respect of the 'labor market', which implies wiping out, as far as possible, the bargaining power of trade unions. As the recent experience of the European Union shows, insistence on these policies negatively affects income distribution while having minor effects, of uncertain sign, on employment.

By contrast, a Classical-Keynesian economist will look in other directions for an explanation of persistent unemployment: not only in deficiency of effective demand, but also in the world-wide institutional arrangements that are conducive to policy asymmetries favoring restrictive over expansionary policies (as in the constitutive rules of the euro area) and the dominance of financial speculation in determining the path of the economy.

Once again, let us refer to Keynes (1937, p. 159): "Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done". The role of expectations is particularly important in the Keynesian perspective, with the possibility of self-fulfilling expectations: As Soros (1998, 2008) highlighted with his notion of 'reflexivity', expectations coupled with the dominance of finance played a crucial role in the events leading to the 2007-8 financial crisis, and later again to the euro-area crisis in 2010-11.

The differences between the two approaches is particularly evident in this latter respect. Rational-expectations theorizing and the theory of efficient financial markets express, in their purest form, the implications of the marginalist approach; other theories, such as the neoclassical synthesis or the 'new-Keynesian' theories, are obtained by adding specific restrictive assumptions (imperfect competition, imperfect or asymmetric knowledge, and the like) up – or better down – to menu costs. It is from that vantage point that the impossibility of a crisis was maintained (for instance, by Nobel laureate Robert Lucas in 2003).While it is from a Classical-Keynesian viewpoint that a few economists foresaw the impending crisis (for instance Sylos Labini 2003; or the articles by Kindleberger, Volker, Godley and Izurieta, Tonveronachi, Reati and Toporowsky) reprinted in a special issue of *PSL Quarterly Review*, 2009; or the writings quoted in Roncaglia, 2010 (among these, Hyman Minsky, 1982, deserves particular mention). After drawing a parallel between the situation in 2003 and the American situation in the early 1920s, and illustrating the various elements conducive to a very severe crisis, Sylos Labini concludes stressing the social tensions which are an unavoidable consequence of such crises: "The squalor of the economic prospects is accompanied by squalor in our civil life". This points to an element that mainstream economists acting as advisors to politicians often forget to mention, possibly as being outside their restricted area of competence: the social tensions engendered by unemployment and highly unequal income distribution. Keynes, who considered such elements as important in his reasoning and policy advice, feared that social tensions could favor the rise of fascism and communism (Keynes, 1931); the present political predicament, *mutatis mutandis,* is evidence of a similar risk.

To sum up the reasoning, there is no unique 'true' economic science – and, if anything, the Classical-Keynesian approach fared much better, in the face of the crisis, than the marginalist-mainstream one has done. When confronted with different approaches, there is no possibility of an 'objective' choice of the expert: different economists will provide different interpretations of the economic situation and different advice on what to do. Often, success of one among contending viewpoints depends on its advocates' relative institutional power — as reflected in their degree of access to research finance, the media, etc. — rather than on its relative explanatory or forecasting power.[9]

Economists are (or should be) social scientists, not applied mathematicians. This is not to deny the usefulness of mathematics in economic theorizing, but mathematics is a tool to be applied to an underlying 'vision' — and this vision should not be kept invisible, nor be considered as unique and obvious; it should be at the center of the economic debate. (The role of the history of economic thought in this account is crucial, as I tried to maintain in other writings.) Again and again, from Adam Smith to Deirdre McCloskey, economists have suggested that the method of the rhetorical debate is better adequate to economic enquiry than judgment from a (majority held) specific point of view. This implies an ethical attitude — in research, in advising policy makers, and in debate both theoretical and policy-oriented, which should be pursued in a systematic way, for instance by attributing full importance to conflicts of interest.[10]

Existence of different underlying ‘visions’ calls for an open debate between economists. As part of this debate, economists should recognize that they are not ‘external’ to the object of their research; they are part of the society they study and, because of this, their views, even their theorizing, are influenced by their own position in society.

Thus, the economist cannot be considered either as a servant to the politician in charge, or as the prince to be summoned to rescue the state in difficult times. The economist should rather be recognized as a citizen — which means, in a democratic society, allowing for different views on what is right and wrong for society. As a citizen, the economist will take part in the policy debate, with the specific abilities characterizing each specific economist, but also with her specific ‘political’ views — trying to get support for her views but intellectually open to the different views proposed by other economists.

This may seem somewhat abstract, but it is, in fact, the very concrete experience of a group of economists active in Italy in the early 1960s, when a new centre-left government took over. The economists participating in the events were politically active, with explicit political orientations: Fuà and Sylos Labini were Socialists, Lombardini was a Christian-Democrat, and so on. They were recognized as good economists, whose advice was to be listened to; but they also took (very) active part in the political debate.[11]

This is how I see the economist: a citizen of our society, more than a savior or a hired expert-advisor to the political leaders of the country.

Footnotes

[1] In what follows, I shall focus on the economist as an expert; however, most of what I shall say also applies to experts in other fields, such as law or the military.

[2] Cf. Roncaglia, 2005a, pp. 121-6, 149-52.

[3] Cf. Roncaglia, 2005b.

[4] Cf. Valdes, 1995.

[5] “Economics is a science of thinking in terms of models joined to the art of choosing models which are relevant to the contemporary world. It is compelled to be this, because, unlike the typical natural science, the material to which it is applied is, in too many respects, not homogeneous through time.

The object of a model is to segregate the semi-permanent or relatively constant factors from those which are transitory or fluctuating so as to develop a logical way of thinking about the latter, and of understanding the time sequences to which they give rise in particular cases." (J. M. Keynes to R. F. Harrod , 4 July 1938, CWK XIV: 296-7).

[6] On the Keynesian notion of uncertainty, cf. Roncaglia, 2009; on the refusal of 'long chains of reasoning' (a point Keynes inherits from Marshall), cf. Roncaglia, 2005a, pp. 359-60, 393.

[7] Indeed, as I argued elsewhere (Roncaglia, 2010), the crisis should have led to abandonment of the mainstream in favor of a return to Keynes.

[8] For a full elaboration of this point, cf. Roncaglia, 2005a, 2009; Roncaglia and Tonveronachi, 2014.

[9] In Italy, for instance, the economics sector of Anvur, the national research evaluation agency, adopted evaluation criteria (different from those adopted in other sectors, as in the absence of normalization among research sub-areas and approaches) which gave a huge competitive advantage in career and research funding to the mainstream, and to such areas as econometrics and applied macroeconomics compared to the history of economic thought.

[10] Cf. Roncaglia 2016.

[11] Interest in their policy proposals has recently been revived by an Accademia Nazionale dei Lincei conference co-sponsored by Economia Civile held on 18 November 2015; the papers presented at the conference (by Alessandro Roncaglia, Mario Libertini, Roberto Weigmann, Maria Chiara Malaguti, Filippo Cavazzuti, Terenzio Cozzi, Michele Salvati, Aldo Montesano, Antonio Pedone, Michele De Benedictis) have been published in a special issue of *Moneta e Credito* (vol. 68 n. 272, Dec. 2015). The June 2015 issue of the same journal reprints an important testimony to a special parliamentary committee of enquiry on competition by Paolo Sylos Labini of February 8, 1962, together with articles on the centre-left government reform policies and their persistent relevance, by Roncaglia, Gianfranco Pasquino, Cavazzuti. (Moneta e Credito is freely available on the web, at www.monetaecredito.info). An important document of that period is also Fuà and Sylos Labini, 1963.

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Alessandro Roncaglia

Can “It” Happen Again? Defining the Battlefield for a Theoretical Revolution in Economics

By Antonella Palumbo

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As part of our “Experts on Trial Series”, Antonella Palumbo argues for stripping away ‘scientific’ shibboleths that mask social and political choices

The political earthquake represented by the election of President Donald Trump and the UK’s Brexit vote has fueled a belief that political and intellectual elites have lost sight of where society is going, and that the relationship between them and the rest of society is gripped by a crisis of representation. Signs of distress and impatience are multiplying amid fears that the French and German elections will produce further shocks.

Politicians, quite obviously, are the first culprits. They are perceived as both incapable of realizing how deeply the economic transformations of recent decades have affected everyday life of the majority of people, and as utterly indifferent to the losses they have suffered. But economists, also, are regarded with increasing skepticism, given that much of the profession has been more interested in celebrating the gains from globalization than in analyzing with open mind the complex transformations it implied – and their consequences.

The role of experts

Signs of such distrust may be read not only in the vote for Brexit (despite the majority of economists warning that this would bring dire consequences), but also, for example, in the rebellion against the euro, spreading in growing parts of the continent's electorate.

European public opinion represents however an interesting case. The prevalent public attitude towards economists has until very recently, in fact, been basically one of trust and respect, contrasted with the universal disdain for politicians. It may even be said that part of the European intellectual elite (using the media) have actually contributed, in recent decades, to fueling the distrust in politics and politicians, especially in Southern European countries. One recent example would be mainstream economists (and journalists in their wake) explaining the sudden rise in interest rates on government bonds in Italy and other European countries in 2010-11 as caused by the sheer size of public debt. This debt load was blamed on corrupt politicians failing to heed the analyses and policy prescriptions of economists (calling instead for austerity). In this narrative, the politicians were not only corrupt and self-serving, but also irresponsible and prone to populism. Politicians were the villains, while economists tended to portray themselves as the true defenders of general interest.[1]

The view of the economist as a politically impartial arbiter of the general interest remains prevalent among European elites (particularly in Germany), and is deeply ingrained in the so-called 'Brussels Consensus'. It pervades the very design of many European institutions that limit discretionary power and subordinate political stances to the decisions of technical bodies (such as the European Central Bank) or to standing rules, both of which are shaped by the economists' supposedly superior knowledge.

If the popular consensus over the wisdom of economists is now wavering, this is due to the growing social distress brought about by austerity policies, and by the growing inequality of incomes and opportunities that characterized these decades of globalization – with the great numbers of losers it produces.

Distrust in the experts' authority has been building slowly. Already a few years ago, the outbreak of the great financial crisis in the USA and its worldwide consequences began challenging the reputation of economists. The fact that the size and depth of the crisis took the great majority of economists by surprise, and that many of them were completely at loss on how to manage it, were regarded as a sort of intellectual scandal. In the academy, unease has even taken the form of open protest, as testified by a number of students’ initiatives[2] and on-going discussions about alternative curricula also involving academics of critical orientation.[3] At the same time, for the most active and informed parts of the public it is clear that the desire for a change in politics also implies deep rethinking of economic relations and rebalancing of economic powers (these themes have been central, for example, in the ‘Occupy’ and ‘Indignados’ movements).

Both conscious criticism and less conscious unease are directed towards the corpus of economic doctrines that support the ideology of neoliberalism. Deregulation of markets, reduction in labor protection, abolition of trade barriers, retrenchment of welfare state and reduction of public expenditure, are all policy prescriptions that derive from the theoretical premise that free markets possess self-adjusting properties which ensure automatically optimal results, while regulation and state intervention are ineffective, distortionary, or worse. The economic profession has played a non-secondary role in fostering the general adoption of such policies, whose effects are increasingly perceived as ruinous and divisive. At the same time, quite puzzlingly, such straightforward policy implications are generally derived from very abstract models. An accusation often leveled at economics is that it deals with an imaginary world, instead of studying and explaining the real economic processes that affect people’s lives.

If so many economists in the last four decades have embraced this attitude and this point of view, however, it would certainly be unfair to assume that this can be entirely explained in terms of either intellectual conformism or complacency toward the interests of the powerful. The neoliberal faith in the self-adjusting properties of the market finds indeed profound theoretical justifications at the theoretical core of the economic discipline – it is what students are taught in virtually all introductory economic classes.

Neoliberalism and economic theory

Despite the unease it produced within and outside of the economics profession, the shock of the 2007-9 crisis has not caused any radical change of theoretical paradigm in mainstream economics research and teaching. True, there has been some pragmatic re-discovery of Keynesian policies (in the USA more than in Europe), and some attention, for a limited period of time, to economists who had doubted the solidity of financial markets and predicted that some big trouble was likely. But the core of mainstream theory has not changed much. Now, as in recent decades, it is dominated by a unique framework of thought, which is recognizable despite the great plurality of theories, models and specific fields of application that characterize the discipline. According to this framework, economic problems are to be analyzed in terms of the maximizing choices of rational individuals, who act based on their preferences and resources, and interact in the market with other individuals who, on the basis of different preferences and resources, make different choices. Such interaction establishes the equilibrium prices, understood as those prices that equate demand and supply of each good and each factor of production. This structure of thought is so basic that it is usually not recognized as the expression of a particular theoretical point of view, but as the language of economics itself. Even macroeconomic modeling is currently based on such framework, which extracts aggregate economic laws and policy prescriptions from hypotheses on and analysis of the individual behavior.[4]

This framework is supposedly sufficiently general and flexible to allow for different results and different policy implications, which can be derived through suitable hypotheses, such as, for example, imperfect or incomplete markets, liquidity constraints, and rigidities of any sort. [5] As a consequence of the crisis, in fact, an increasing number of models have taken into account various kinds of financial and real shocks, and non-optimal outcomes. In addition, some themes, like inequality, have received more attention than before.[6] However, the basic theoretical framework has not changed.

In actuality, this basic theoretical structure is less flexible and general than is usually depicted. One relevant consequence of assuming that economic behavior is the product of maximizing choices of rational (and free) individuals is that the market solution envisaged by the theory is naturally endowed with optimal properties. Rational agents are assumed to choose the best possible allocation of their resources; if market forces are free to operate through flexibility of prices and rates of remuneration, the system tends spontaneously to reach an overall efficient solution, which also implies no waste of resources. As a consequence, any sub-optimal result, as for example the presence of involuntary unemployment, has necessarily to be explained in terms of some obstacles (like the above-named imperfections and rigidities) that hinder or halt the equilibrating mechanisms. Ultimately, the purpose of economic policy, according to this view, should be simply that of removing those obstacles.

Thus the faith in the self-adjusting properties of the market is very basic to economics – or, at least, to the approach that currently dominates it.

Change in Economics

The conceptual framework described above is proper to neoclassical theory, the approach that has dominated economics from the last decades of the 19th century until today. As is well-known, in the

1930s Keynes attempted (and in part managed) to challenge this approach, by showing the chronic tendency of aggregate demand to be insufficient to absorb full-employment production, and thus the need for public investments to correct the sub-optimal results of the market.

The impact of Keynesianism on the economic profession and on economic policy was so great that it became the consensus view in the following decades, but the neoclassical habits of thought did not disappear. They continued to dominate microeconomics, while Keynes had focused attention on macroeconomic relations, with the consequence that the two branches of economics often offered divergent (and even contradictory) results. Besides, Keynes' theory was very soon re-interpreted in an imperfectionist fashion, so that, although his contention about the systematic appearance of unemployment and waste of resources was basically accepted, such outcomes were seen as the product of rigidities, especially that of money wages. Thus, Keynes' theoretical revolution was partly defused, while hybrid models increasingly tried to couple Keynesian analysis of macro-aggregates with neoclassical foundations, often reaching the conclusion that the self-adjusting mechanisms of the system would be restored in the long run.

In the 1960s and 1970s, monetarism successfully challenged such theoretical compromise and re-established the supremacy of the neoclassical view, not only in the most abstract part of the theory but also in macroeconomic modeling and policy, thus founding the modern consensus.

The historical development of economic thought shows not only a succession of different dominant theoretical paradigms each superseding the previous one (as happens in all fields of human knowledge), but also, in such a succession, the temporary disappearance and subsequent resurgence of previously abandoned modes of thought. It may in fact happen, in social sciences, that a particular theoretical approach is abandoned not because the accumulation of knowledge has rendered it obsolete, but for other reasons such as its policy implications or the vision of society it entails. The same approach may thus be rediscovered in a different historical moment, when its potential for analysis is once again appreciated.

At the same time, given the well-known impossibility to prove or disprove a theory by means of controlled experiments, the emergence of new empirical evidence is never sufficient, alone, to induce a change in the dominant intellectual paradigm.

Even when facts are very difficult to reconcile with theory and seem to pose ineludible theoretical questions, a good theorist may invoke the category of exception, or may identify the intromission of additional factors that altered the conditions observed in reality with respect to the hypotheses of the theory, thus explaining away the lack of consistency between facts and theoretical predictions.

On the other hand, a widespread unease towards the current state of economics, even when it takes the form of conscious and organized protest, may well feed heterodox strands of thought, but it is usually considered too ideological to seriously question the mainstream 'scientific' view.

Changes of theoretical paradigm happen, and have happened, at times when the perceived incapability of mainstream theory to address what are felt as the most urgent economic problems by society at large coincides with a theoretical challenge that rises within economics itself — as was the case with both the Keynesian and the monetarist revolutions.

A first implication of the above, is that the critical economist cannot count on the sheer force of facts to make her/his point of view prevail; s/he will have to fight the theoretical battle. A second implication is that, when looking for new theoretical paradigms that may shatter the prevailing consensus in economics, one may well look to the past.

In search of alternatives

A deep change in economic theory requires turning to a completely different structure of thought.

The emphasis on individual preferences and choices at the center of the neoclassical paradigm reflects the ambition of what, in the late 19th century, was a new framework of thought: to base the explanation of economic phenomena entirely on the psychic forces of the human mind, thus interpreting them as *natural* rather than *social* phenomena. Together with the use of mathematical language (differential calculus), this implied that political economy – which just at that time changed its name to economics – could claim a theoretical status analogous to that of the natural sciences. The object of this science was the behavior of the abstract and undifferentiated individual who interacts with other individuals in the market, also conceived abstractly. This implies an ahistorical conception of the economic process, which is seen as linear, i.e. proceeding from the endowments of original factors to production to exchange and consumption, with the latter regarded as the ultimate purpose of economic activity.[7]Equilibrium prices automatically ensure market clearing and ultimately reflect the relative scarcity of resources; the distribution of income between wages and profits is also governed by the market mechanism and reflects the natural equilibrium of the system.

This theoretical conception of the economic process is, however, by no means the only possible one. Actually, it historically superseded a completely different approach, the classical political economy of Adam Smith and David Ricardo, which had flourished until the first decades of the 19th century. At the core of the classical system of thought there was the notion of surplus, which is the part of the economy's product that can be freely devoted to any use (consumption, accumulation or mere waste) without prejudicing the possibility of reproduction of the economy.[8] The classical theory of distribution analyzes the way such surplus is divided among the participants in production: it is based on the idea that one distributive variable is determined, independently of the other, by social rules, while the other emerges as a residual. Classical economists regarded real wage as the independent distributive variable, and generally conceived it as determined at the subsistence level. Such determination was the product of social conflict and reflected the imbalance of power between classes that allowed profit (and rent) to appropriate the whole surplus.[9]

Classical theory thus highlights the social (that is to say, arbitrary) character of distribution and its conflictual nature. Historically, such theory of distribution was based on a theory of value that conceived the value (relative price) of the commodity as independent of distribution itself, and as determined by the technical conditions of production. Thus, in contrast to neoclassical theory, classical political economy sees relative prices not as indexes of scarcity, determined by the equality of demand and supply. Instead, prices represent the cost at which a commodity may be produced.

Classical theory sees the economic process as circular rather than linear; the emphasis is on production (and thus accumulation and development) rather than on exchange. The center of analysis is not the behavior of the undifferentiated abstract individual, but the interaction between individuals, groups, social classes, who act in a specific historical context.

The implications of all this are less abstract than might appear at first sight, if — following the suggestion of one of the greatest economists of the past century, Piero Sraffa — the analytical core of classical political economy is taken as a basis on which to found a modern theoretical view of the working of the economic system. The system of relative prices identified in the classical approach depends on the technical conditions and the socially determined rule of distribution; it ensures compatibility and reproducibility of the system, but has no properties of optimality. [10] That is to say, public intervention does not necessarily have to be seen as distorting an otherwise ‘natural’ equilibrium.

At the same time, the independence of the factors that determine prices and those that determine quantities in the classical approach constitutes an ideal framework to re-propose Keynes’ fundamental insight about the potential plurality of levels of output that an economic system is able to attain on the basis of given resources, and to found an analysis of accumulation and growth that does not assume the tendency to full employment. The relevance of social and historical factors, which according to the classical approach are prime determinants of economic magnitudes, also implies that economics, if re-founded on classical bases, would no longer make such a massive use of the kind of abstract and ahistorical models that currently dominate the discipline.

New theoretical foundations for economic policy

If it is agreed that a deep and radical change of paradigm in economic theory is desirable, what the discussion above shows is that such a change is also possible. The idea that the root of economic phenomena is to be found in the free choices of independent individuals, and that economic magnitudes are determined by the interplay between demand and supply, may be deeply entrenched in our habits of thought, but this is by no means the only way to analyze the inner working of the economic system. Different approaches have existed and do exist, and altogether new ones may be conceived, without assuming that the only ‘scientific’ conception of economics is the dominant one.

Obviously, such a theoretical revolution is not easy to accomplish. Apart from the difficulties of winning over the profession to the new modes of thought (and the new language they entail), there is the question of what capacity any alternative body of critical economic thought in economic theory has to provide government bodies and policy-makers with a fully developed and comprehensive package of policy prescriptions, apt to address the various problems and circumstances.

As regards the general principles, the alternative paradigm has a great potential to provide solid theoretical foundations for an active economic policy. If no optimal result is automatically attained by market forces, and there is no spontaneous tendency to full employment, public intervention is both possible and desirable. The state may either provide the demand necessary for ensuring full employment of the labor force; or drive the innovation process; or foster specific sectors and products; or disincentivize through taxation and regulation the production of particular goods; all without violating any supposedly ‘natural’ economic principle.

Another question, however, is whether such an alternative approach is able to provide clear policy prescriptions to address the different possible problems. The question has both a qualitative and a quantitative dimension. From the first point of view, the conception of the economic process as deeply influenced by social and historical conditions and the conflict view of distribution imply the awareness that policy decisions generally favor some groups while damaging others, and so the virtual impossibility of objectively defining any sort of ‘collective’ interest. Thus, contrary to the ‘technocratic’ view, no policy decision may be taken in the name of abstract economic principles without making a clear choice about which social groups to favor. From the second point of view, the conception of the economic process as affected by a complex set of forces, including social and historical factors, implies the difficulty, if not impossibility, of assessing precisely the quantitative effect of any policy measure (although not, generally, its sign).

Thus, something is lost with respect to the view of economic policy that derives from current mainstream theory in terms of clear-cut prescriptions and simple recipes. At the same time, however, the critical approach allows due consideration of the complex interrelations that form the economic system. It requires an unpretentious conception of economic policy – made of a continuous attempt to obtain the socially chosen result, with the possible need for corrections and adjustment of the chosen measures. What is relevant is that such an approach opens up the possibility of regarding the economic performance of a country and the inequalities it may produce as strongly influenced by deliberate social choices.

Coming back to the current political situation, and the possible role of critical economic thinking in influencing the changes that are taking place, it is quite clear that the difficulties facing neoliberal elites do not necessarily amount to a definitive decline of the neoliberal ideology, nor that societies are necessarily choosing progressive ways out of such crisis. Critical economic thinking may, however, play an important role — both in exposing the unwarranted conclusions and false truths of mainstream thought, and in providing the progressive parts of society with analytical tools necessary to understand the complexities of reality and to try to govern them.

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[1] I am not maintaining, of course, that politicians are generally innocent of self-interest and corruption. The systematic media campaign against the political class as a whole, however, often takes the form of an indiscriminate attack against public intervention in the economy (and especially public expenditure) as such. See the illuminating analysis in Serrano and Melin (2015), discussing the case of Brazil.

[2] Such as, for example, the International Student Initiative for Pluralist Economics and Rethinking Economics, involving economics students from various countries (see https://www.theguardian.com/education/2014/may/04/economics-students-overhaul-subject-teaching).

[3] Such as the CORE project (see http://www.core-econ.org/).

[4] Although there are strands of thought that try to challenge the traditional notion of rationality and propose a more complex view of human behavior, the theoretical mainstream is entirely dominated by methodological individualism.

[5] Macroeconomic modeling is currently dominated by the so-called ‘dynamic stochastic general equilibrium models’, which model individual choices in conditions of uncertainty. Given the obvious difficulty of modeling the behavior of a multitude of different agents, macroeconomic results are usually obtained in these models on the basis of very heroic simplifying assumptions, such as the existence of a single immortal agent (see the critical discussion in Romer, 2016). In the supposedly ‘Keynesian’ variety of such models, some kind of rigidities or particular values of some parameters imply the result that the system undergoes non-optimal fluctuations.

[6] It may perhaps be maintained that the widespread interest aroused by Piketty’s book is one of the effects of the crisis. Apart from the novelty of the theme, however, Piketty’s discourse is entirely cast in terms of standard economic theory (see for example Aspromourgos, 2014, Stirati, 2016).

[7] Precisely this linear conception of the economic process, it is worth noting, is at the basis of the analytical difficulties than undermine the validity of neoclassical theory from a logical point of view. As is known, these are connected to the impossibility of a consistent analytical treatment of capital, which neoclassical theory tends to consider as equivalent to the original factors of production, while it is made of produced means of production (the theme has been treated extensively in the capital controversies of the 1960s; see Kurz, 1987, for a brief account).

[8] A very synthetic exposition of the classical approach is to be found in Garegnani (1987).

[9] Subsistence itself had in the analysis of classical economists a historic determination, its measure being influenced by the social norms and institutions that concurred to define a basic standard of living in any specific historical context. It is worth noting that not only the product of the social conflict may be a higher-than-subsistence real wage, but also that, analytically, it is possible to regard the rate of profit as independently determined and the real wage as the residual, as for example in the system of Sraffa (1960).

[10] Sraffa's solution to the problem of value actually implies, differently from classical authors, a simultaneous determination of relative prices and the residual distributive variable. This solution, which gives analytical consistency to the classical system, preserves however its basic feature of a determination of relative prices entirely on the basis of the technical conditions of production and the social rule of distribution, with no reference to the demand-and-supply apparatus.

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Dismantling Public Education: Turning Ideology into Gold

By Alex Molnar

MAR 1, 2017 | INCOME & WEALTH | HUMAN CAPITAL AND ECONOMIC OPPORTUNITY | INSTITUTIONS, POLICY & POLITICS | PHILOSOPHY

Policies based on faith in the "market" as a principle of social organization have wrought havoc with a founding principle of American democracy

Introduction

Nowhere is the toxic effect of privatization on America's public wellbeing more evident than in the sphere of education. Today, politicians in thrall to neoliberal ideology seek to subordinate the democratic mission of public education to a theory of market-driven economic development and social organization. The phantasmagorical belief in neutral "scientific" expertise as the primary basis for policymaking has, therefore, profoundly antihuman as well as antidemocratic implications.

The major education reforms of the past 35 years —education vouchers, charter schools, tuition tax credits, and education savings accounts — all seek to remove public schools from the control of elected bodies; to subject them to the "laws" of the "market"; and to put them at the service of the economic elite.

Who does privatization serve?

Power concedes nothing without a demand. It never did and it never will. …The limits of tyrants are prescribed by the endurance of those whom they oppress.[1] *Frederick Douglass*

On January 15, 2017 the Green Bay Packers defeated the Dallas Cowboys to win the National Football League NFC divisional playoff game. I live in Wisconsin and I'm a Packers fan, so I read the *New York Times* account of that victory with great pleasure. What really caught my attention, however, were the many comments posted by readers highlighting the ownership structure of the Packers. Here are some unedited samples that capture the tenor of multiple posts.[2]

> *I became a Packers fan because they are owned by the people and not some entitled billionaire!*
>
> *Let's hear it for the PUBLIC OWNED gb packers. as a part owner (2 shares) i take immense pride in knowing that a team that doesn't have to suffer an obnoxious, cynical billionaire in the owners' box can do these great things. overall aaron rodgers is a better quarterback than tom brady. and the packer franchise is better than the rest of them, not threatening to move every time a one-percenters gets a greedy itch. let's talk them ALL public, get rid of the racist nicknames and have a truly democratic sports network in this country.*
>
> *During the TV broadcast, the camera cut to the sky booth of the billionaire owner of the Cowboys, Jerry Jones, as he celebrated his team advancing. However, there was no camera shot of the Packers' owners during Aaron Rodgers' magic or Mason Crosby's kick—because you have to do a satellite shot of the entire state of Wisconsin celebrating. And that's why the Packers are truly America's Team—they are owned by your everyday Joe and Jill, not a greedy billionaire.*

These are not the kind of sentiments generally expressed on the sports pages, yet many Packers fans hailed the victory as a triumph for public ownership and a negation of the values that rationalize the systematic exploitation of the majority for the benefit of the few. In the case of the National Football League, many wealthy owners enrich themselves in part by leveraging their exemption from anti-monopoly statutes to demand taxpayer subsidies under threat of moving their teams to a different city. As a result, sports stadiums now claim billions of tax dollars in cities across the U.S., even as public services and needed infrastructure repairs and improvements languish for lack of funding.

To understand why privatization is a regressive policy, it is helpful to consider that despite the growth in national wealth in recent decades, less and less money is available for purposes that benefit the public. Understanding this dynamic requires cutting through the ideological fog to locate privatization within the framework of beliefs, values, and assumptions that have made it appear rational, necessary, and inevitable. Fortunately, to paraphrase Bob Dylan, you don't need an economist to figure out where the money goes (and how it gets there).[3]

Nowhere is the toxic effect of privatization on America's public wellbeing more evident than in the sphere of education.

The historical development of public education in the U.S. resulted in an egalitarian institution that was redistributive in its effects. The American public school ideal is thus the antithesis of neoliberal ideology. As a result, public education provides a useful lens through which the transformations sought and achieved by three decades of privatization may be viewed.

At the time of the U.S. Revolutionary War, the colonial population was already well educated by the global standards of the day. After the revolution, the new nation's leaders were explicit about public education serving as a "bulwark" of democracy. Educating the population was considered essential because a "mob" of ill-educated, impoverished citizens would be easy prey for demagoguery. Intended as a cornerstone of U.S. democracy, then, the system of public education evolved out of the nation's founding political principles. The fledgling U.S. democracy stood in contrast to Europe, where the ruling elites regarded education above one's station as a threat to elite economic, political, and, social power. In Report Number 12 of the Massachusetts School Board (1848) by Horace Mann, a key architect of the "common school," wrote that "the establishment of a republican government, without well-appointed and efficient means for the universal education of the people, is the most rash and fool-hardy experiment ever tried by man." [4]

Mann saw public education as key to his state's (and the nation's) wellbeing, writing:

"The people of Massachusetts have, in some degree, appreciated the truth, that the unexampled prosperity of the State, — its comfort, its competence, its general intelligence and virtue, — is attributable to the education, more or less perfect, which all its people have received; but are they sensible of a fact equally important? — namely, that it is to this same education that two thirds of the people are indebted for not being, to-day, the vassals of as severe a tyranny, in the form of capital, as the lower classes of Europe are bound to in the form of brute force."

Public education in the United States has from its earliest days been structured to embody and strengthen representative democracy by inculcating democratic values and by providing the knowledge necessary to secure economic wellbeing. As wave after wave of immigrants entered the U.S., public education was one of the principle mechanisms by which they were to be "Americanized."

Under the U.S. Constitution, education is not a power vested in the federal government; therefore, it falls to the states to organize and fund public schools. The right to a free public education is enshrined in every state constitution. In practice, states have delegated a great deal of their authority to local school boards to make policy for the community's schools and to levy local taxes to support those schools. From the inception of U.S. public education, the nation's public schools and the content of their curriculum have been embroiled in controversy. These conflicts reflect disagreements over the character of U.S. democracy — battles over public education are struggles over how society should be organized.

'There is No Such Thing as Society'

Today, politicians in thrall to neoliberal ideology seek to subordinate the democratic mission of public education to a theory of market-driven economic development and social organization. Policy deliberations are now dominated by of econometric modeling and production function research. This modeling and research is often used, inappropriately, to make decisions about the value of education reforms. The mathematical models used by researchers are made to "work" only by assuming away much of the real world in which people live and students learn. The phantasmagorical belief in neutral "scientific" expertise as the primary basis for policymaking has, therefore, profoundly antihuman as well as antidemocratic implications — a topic Sheila Dow takes up in "People Have Had Enough of Experts."[5]

The major education reforms of the past 35 years — education vouchers, charter schools, tuition tax credits, and education savings accounts — all seek to remove public schools from the control of elected bodies; to subject them to the "laws" of the "market"; and to put them at the service of the economic elite. The world being called into existence is based on the belief that anyone, but not everyone, can succeed—a world of winners and losers, each of whom has earned his or her fate. Thus, as British Prime Minister, Margaret Thatcher, one of neoliberalism's foremost champions, proclaimed:

"There is no such thing as society. There is living tapestry of men and women and people and the beauty of that tapestry and the quality of our lives will depend upon how much each of us is prepared to take responsibility for ourselves and each of us prepared to turn round and help by our own efforts those who are unfortunate."[6]

This is a world in which the poor must be judged by the rich to be "deserving" of private charity rather than one that allows collective action through the democratic political process to secure the common welfare.

My life illustrates the trajectory of the transformation of Franklin Roosevelt's world into Margaret Thatcher's. My parents had each immigrated to the U.S. following the First World War. I was born in Chicago in 1946, which makes me a charter member of the so-called baby-boom generation. The country into which I was born possessed political, economic, and military power unprecedented in world history. From the time I entered elementary school until I was awarded my Ph.D. 21 years later, every school I attended was under construction. Public investment in schools was booming. Even for students who dropped out of school or who didn't go to college, well-paying jobs were plentiful. When my father died in 1955, Social Security Survivor's Benefits provided cash to my mother to help care for me. My first two years at a publicly funded city junior college cost me $30.00, while my further education was highly subsidized by scholarships and cheap government loans under the aegis of the "National Defense Education Act." The name reveals how tightly schools and education were tied to the nation's understanding of its national security interests. I was born into and grew up in a world dominated by New Deal redistributive social policies, and by the economic advantages of being a citizen of the dominant economic, political, and military power on the planet.

At the time I was awarded my Ph.D. in 1972 and took my first academic position as an assistant professor of Curriculum and Instruction, few realized that American economic hegemony was cresting. Being blissfully unaware of what lay before us, forward-thinking educators in the early 1970s took up the topic of "leisure education." Not being economists allowed us to naively imagine that since humankind had, for the first time in history, the productive capacity to eliminate material deprivation and the means to do so with ever fewer hours of labor, it would be necessary to develop education programs and curricula to help large numbers of people figure out how to best make use of their new-found leisure time. As the Swedish doctor and statistician Hans Rosling was reportedly fond of saying:

"My mother explained the magic with this [washing] machine the very, very first day… She said: 'Now Hans, we have loaded the laundry. The machine will make the work. And now we can go to the library.' Because this is the magic: You load the laundry, and what do you get out of the machine? You get books out of the machines, children's books. And Mother got time to read to me.

"Thank you, industrialization… Thank you, steel mill. And thank you, chemical processing industry that gave us time to read books."[7]

Rosling's anecdote is set in the post-war years in Sweden, a small, economically developed country that emerged from World War II relatively unscathed. Unfortunately, today, washing machines (to use Rosling's example) no longer produce the leisure time to read books that they once did — not for the people who make them, or for the people who use them. How do we explain the contemporary reality that in the U.S. more and more people are working more and more hours for less and less money, and are doing so with less and less economic security in a world that is vastly richer than the world in which I grew up? This reality is revealed in the data on income and wealth inequality that Thomas Picketty amassed in *Capital in the Twenty-First Century*.[8]

I'm not an economist, so I might be forgiven for failing to grasp when I started my career that the period from 1945–1970 had been a historical anomaly. I might also be forgiven for not foreseeing that once other countries were capable of creating powerful modern economies, they would lay claim to an expanding share of the world's economic pie. I could not imagine that to preserve their power and wealth, the moneyed elites would seek to dismantle redistributionist New Deal policies. The New Deal was built on a system of progressive taxation and public investment. If U.S. elites were to retain their relative wealth and power as the rest of world began to compete with the U.S. economically, then the progressive edifice that Roosevelt had constructed would have to be set aside, taxes on wealth and profits reduced, wages suppressed, and a greater share of government costs shifted to the working class. The problem faced by the elite powerbrokers was how to do this under the noses of a population whose interests were very much in opposition to those of the moneyed classes. As John D. Rockefeller's propagandist Ivy Lee would have framed it, the neoliberal "story" needed to get "believed."[9]

The American propagandist Edward Bernays, regarded as the father of the U.S. public relations industry, argued that "engineering consent" was at the heart of democratic social control. He makes his case in the 1928 book *Propaganda*:

"The conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element in democratic society. Those who manipulate this unseen mechanism of society constitute the invisible government, which is the true ruling power of our country."[10]

"…economic power tends to draw after it political power…the industrial revolution shows how that power passed from the king to the aristocracy to the bourgeoisie. ***Universal suffrage and universal schooling*** *(emphasis mine) reinforced this tendency, and at last even the bourgeoisie stood in fear of the common people. For the masses promised to become King. Today, however, a reaction has set in. The minority has discovered a powerful help in influencing majorities. It has been found possible so to mold the mind of the masses that they will throw their newly gained strength in the desired direction."[11]*

The election of Ronald Reagan marks a reasonably good starting point for understanding how neoliberal political and economic strategy was used to shape public opinion to accept a market-based system of public education. A system that, to appropriate Hirschman's terms, replaced the citizen's democratic right to a "voice" in shaping their public schools with a consumer's choice to "exit" schools.[12] Under the banner of "school choice," public education would thus be removed from democratic control and reformulated as a commodity to be "chosen." Engineering this transformation would be no easy task, because although public schools were always controversial, they were also very popular.

By 1984, the U.S. had moved past the recession of Reagan's first two years. The economic and policy trends were clear enough, however, for Walter Mondale, the Democratic nominee for president, to declare in his acceptance speech:

"Four years ago, many of you voted for Mr. Reagan because he promised you'd be better off. And today, the rich are better off. But working Americans are worse off, and the middle class is standing on a trap door."[13]

Mondale was right; nevertheless, he lost by a landslide.

With the economy seemingly recovered from the recession of the early 1980's, a confection termed "supply side economics" ("Reaganomics" in the vernacular) was ascendant. State and federal policy began to shift the tax burden from corporations and wealthy individuals to lower and middle class working people. At the state level this meant that school financing relied more and more heavily on real estate taxes paid by people whose incomes were stagnant or declining, and whose pensions and job security were disappearing. For the next two and a half decades, the hollowing out of the U.S. working class was obscured by continued government spending in spite of tax-cut-fueled deficits; the entry of large numbers of women into the labor force; the explosion in the availability of consumer credit; and successive financial, technology, and real estate bubbles culminating in the catastrophic global financial collapse of 2008. It was against this backdrop of regressive economic policy that the war on public education began in earnest.

In its initial phase, the assault on public education relied on the myth of school failure, complemented by the argument that the U.S. economy was suffering and losing market share to foreign competitors, such as Japan, because American schools were failing to properly educate students to compete in the emerging global economy. The alleged "skills shortage" of American workers became an element of the received wisdom of U.S. policy making, and nicely complemented elite support for multinational neoliberal economic agreements such as the North American Free Trade Agreement (NAFTA) in 1994 and the World Trade Organization (WTO) that in 1995 replaced the General Agreement on Trade and Tariffs (GATT). These agreements favored capital over labor, setting up adjudication mechanisms that restricted the ability of democratic political institutions in the signatory states to control the impact of those agreements on their laws, economies, labor practices, and the environment.

The resulting destruction of manufacturing jobs in the U.S. was characterized as an unfortunate but necessary sacrifice to promote a more vibrant and richer global economy. It was argued that these manufacturing jobs would never come back, but prosperity awaited workers with skills needed by the modern economy. The "remedy" for the economic dislocation of blue-collar workers was re-training. Future workers would need schools that trained them for success in a transformed labor market. The alleged "failure" of public education to prepare students for the high-skilled global economy was the focus of Berliner and Biddle's *The Manufactured Crisis*.[14] The result of their close examination of the central arguments made about the so-called education crisis and its impact on the U.S. economy is captured in the book's title: the "crisis" had been manufactured. The school failure story was propaganda cynically deployed to obscure the reality that the specter haunting public education was poverty and inequality.

Manufacturing Consent

Irrespective of the data, the myths of a "skills shortage" and of widespread school failure became articles of faith among policy makers. This policy fantasy might be aptly termed "supply side economics in a *Field of Dreams*," a phrase I jotted on a napkin while listening to Clinton Administration Secretary of Labor Robert Reich explain the "skills shortage." In the movie *Field of Dreams,* a farmer is moved by hearing a voice whispering, "If you build it, he will come,"[15] to turn a cornfield into a baseball diamond — and, sure enough, the mythic baseball player turns up. Beginning in the 1980s American policy makers argued, in effect, "If you give them the skills, the jobs will come." For three and a half decades, retrained workers in blue-collar communities across the U.S. have waited in vain for the jobs to appear. Meanwhile the public services upon which they rely have continued to deteriorate and their communities are collapsing around them for lack of public funds to support them. For an excellent discussion of white work class support for Donald Trump see Joan C. Williams "What So Many People Don't Get About the U.S. Working Class."[16]

Field of Dreams was lighthearted entertainment. The 1987 movie *Robocop* provided a dark glimpse at the privatized world at the heart of neoliberalism. Set in Detroit, the script opens:

"New technologies have left Detroit behind. In the wake of this changing economy has come poverty, social decay and crime."[17]

In *Robocop* every aspect of human life — every need, every sorrow, every hope — is an opportunity for profit in a corporate-dominated world in which even crime has been privatized. The main character, Murphy (Robocop) is literally transformed into a product to be sold. I used *Robocop* in my urban education classes in the late 1980s to discuss the future of public education in a world dominated by neoliberalism's privatizing ideology. For many of my students, the idea of a privatized education system was, at the time, so alien that they found it difficult to see the connections I was trying to make. I doubt that would be the case today.

In the early 1980s it was not yet obvious how neoliberals would make use of the economic crisis in impoverished communities — and the argument that school failure was the leading cause of economic misery — to make their case for a radical transformation and privatization of public education. The publication of *Politics, Markets, and America's Schools* in 1990 helped clarify things. The case made by authors John Chubb and Terry Moe rests on the idea that poor academic performance is a product of schools being under the direct control of democratic institutions, and that the remedy lay in a market-based approach that offered parents choice between competing school options.

Popular culture has helped "manufacture consent" for these neoliberal talking points. The Hollywood movie *Stand and Deliver (1988)* encouraged the belief that a "star" teacher who makes "no excuses" can overcome the impact of poverty, while *Waiting for Superman (2010)* and *The Lottery (2010)* touted the transformative potential of school choice.

If movies provided the sizzle, *Politics, Markets, and America's Schools* provided the beef, offering a concise guide to the strategic logic that steered U.S. school reform from the 1990s to the present. The solution to problem of democracy, Chubb and Moe argue, is the "creative destruction" of marketplace competition touched off by implementing voucher programs. To which we may add neo-voucher reforms such as tuition tax credits and education savings accounts, along with charter schools. Under pressure from and with the aid of charitable foundations, wealthy philanthropists, and ideologues, government policy makers have steadily shifted control of the schools from locally elected school boards to appointed governing bodies. A for-profit school sector has emerged that depends entirely on taxpayer and philanthropic funds. Accountability has been shifted from government regulatory oversight mechanisms to "market discipline." To sell their ideas, neoliberals promise that heroic teachers and "no-excuses" principals combined with competition, technology, and high-stakes student, teacher, and school evaluations, will "disrupt" sclerotic bureaucracies, rein in unions, and liberate oppressed impoverished urban communities from "failing" schools.

Getting this myth "believed" meant new opportunities to turn tax dollars into profits — profits from, for example, paying a few teachers more and many teachers less; profits from designing standardized tests; profits from renting school facilities; profits from managing schools; profits from data management systems and test-scoring systems; and profits from selling software platforms and computing devices. Best of all, these profitmaking opportunities came with little or no government oversight to thwart self-dealing and ferret out fraud and abuse. Oversight and regulation had by this time been successfully characterized as innovation and achievement killers. Baker and Miron provide a useful introduction to some of the ways in which charter operators, for example, generate profit by running schools.[18]

Hedge funds were now at the schoolhouse door. The stage was set for what Diane Ravitch has termed the "Billionaires Boys Club"[19] to turbo-charge neoliberal education reform in the early twenty-first century. As the privatizing reforms grew in scope and gathered in intensity, the lack of evidence that these reforms had an appreciable effect on student achievement or that they mitigated inequality[20] didn't deter the Gates, Walton, and Broad Foundations, among others, from aggressively selling their basket of favored neo-liberal reforms.

The successes of these reforms were not found in systemic improvements in educational outcomes. Instead, what these measures actually succeeded at was concealing under a veneer of idealism and public service the power relationships responsible for the misery of students in working class and impoverished communities; establishing efficient mechanisms for leveraging public capital investments in school facilities, and capturing public funding for instruction and student services; and launching a private education sector large enough to export American educational products and services to a world ready and waiting, thanks to the framework provided by the WTO agreements.

In 2001, when George W. Bush's signature "No Child Left Behind" (NCLB) education legislation was passed (with the support of Democratic Senator Ted Kennedy), "disruption," "markets," "accountability," "no excuses," and "choice" were an established part of the bipartisan vocabulary of school reform. And for-profit firms dominated the expanding charter-school sector.

The NCLB legislation contained plans for a significant expansion of the privatization of public education. The law made huge investments in tutoring and other remedial services—services it prohibited local school districts from providing. It required and provided funds for standardized testing and grading schools, and mandated that schools report on the yearly progress of their students on those tests. It promoted common academic standards across schools and required "remedies" for "failing" schools—concentrated in impoverished communities of color—such as converting them to charter schools or having them run by private firms. All of these measures were justified as a way of confronting what George W. Bush was fond of calling "the soft bigotry of low expectations."

Education reform was now firmly in the hands of people for whom, doing well by doing good, was axiomatic. "Strategic philanthropy" became their modus operandi. I doubt the world has ever produced such a large pool of rich education "visionaries," "disruptors," and "revolutionaries." These are the people whose world is represented at the Davos World Economic Forum under a banner that reads "Committed to Improving the State of the World." The *New York Times* reported that the 2017 Davos meeting yielded insights such as the need for people to take more ownership of upgrading themselves on a continuous basis and the need to free the "animal spirits" of the market. According to the *New York Times* article, there was, however, not much interest in inequality or redistributionist policies.[21] The Davos class is fast losing even the appearance of providing a social benefit that justifies its enormous wealth. Its neoliberal ideological fig leaf is slipping. What is now on display is something more primitive and feral: avarice and greed. They do what they do simply because they can. And, they will keep doing it until they are stopped.

Over the past two and a half decades, the poor in privatized urban schools have been successfully harnessed to the delivery of reliable profits to investors and munificent salaries to executives. At the same time, the working class has discovered that schools in their communities often cost more than they can afford to pay. The decades of wage stagnation, unemployment, and tax shifting have taken their toll. Teachers and the unions that had won them the relatively high wages, job security, and benefits that are a distant memory for many blue collar workers became a useful target for the ideologues and politicians pursuing neoliberal reforms.

The neoliberal argument is that public schools cost too much (the largest item in a school budget is for teacher salaries) and performed too poorly to justify the tax dollars they commanded. If "star" teachers could be freed from the union wage scale to earn what they were worth, the resulting competition would create incentives for better teacher performance. Mediocre teachers would earn less, and low performing teachers would be fired. The mechanism proposed for measuring teacher performance was assessing the performance of their students on standardized tests. So began the policy embrace of "Value Added Assessment" (VAA). In the kind of methodologically sophisticated, intellectually fatuous study that has become all too common, Chetty, Friedman, and Rockoff claim to have found long-term economic benefits for students whose teachers have higher "value added" scores.[22] Their conclusions offer a glimpse at the disconnect between the neoliberal policy and research agenda and the economic reality of working class and impoverished families:

*"Each child would gain approximately $25,000 in total (undiscounted) lifetime earnings from having this teacher instead of the median teacher***.** *With an annual discount rate of 5%,* ***the parents of a classroom of average size <u>should be willing</u>to pool resources and pay***

this teacher approximately $130,000 ($4,600 per parent) to stay and teach their children during the next school year *(Emphasis mine)."*[23]

In Milwaukee, Wisconsin, where I live, the median annual household income is $37,495, for a four-person family the median annual income is $41,050.[24]What should Milwaukee families do with a recommendation so stunningly obtuse? This is the kind of research that has understandably produced a populist democratic backlash against the unaccountable power, influence, and arrogance of experts. In "Fed's 'Gold Standard' Produces Fool's Gold" Glass discusses the consequences of "scientific" expertise run amok in education policy making.[25].

By suppressing teacher wages, and reducing their benefits and job security, the privatizing agenda creates space for profits in school budgets, shifting funds to owners. Privatizing "failing" schools rarely delivers the promised school performance gains or saves money. Mathis and Trujillo provide a useful overview of the context, the issues and the results.[26]

The neoliberal reengineering of America's education system is not a partisan affair. Throughout the Bush and Obama presidencies, the privatization of education continued apace through school "restructuring" and charter "conversions." In New Orleans, the Hurricane Katrina disaster provided an opportunity to privatize virtually the entire school system by creating a "recovery district." Many urban superintendents now manage a decentralized system of "portfolio" schools, some privatized and some not.

In many ways, the "liberal" Obama administration was a more aggressive advocate of neoliberal education ideas than the "conservative" Bush administration that it succeeded. Obama's "Race to the Top" program, for example, put heavy pressure on the states and created financial incentives to create more charter schools and push privatizing initiatives. The election of Donald Trump and his appointment of Betsy DeVos as Education Secretary promises to accelerate the privatizing trend. DeVos, the sister of Erik Prince, founder of the notorious private security company Blackwater USA, is an ardent supporter of private school vouchers and charter schools.

After the U.S. Constitution had been drafted, Benjamin Franklin commented that the framers had given Americans a republic, "if you can keep it." [27] The founders also provided the nation with a deeply democratic ideal of public education. We're not likely to keep it. In the next decade the distinction between public and private will likely continue to blur, and ever more public tax dollars will be syphoned into private coffers. Public schools will limp along, underfunded and struggling to educate ever larger numbers of students with needs too great to be profitable. Vast amounts of student data will be collected, sliced, diced, and sold for private gain again and again. Technology, marketing, and finance will fill the pockets of a tiny minority, and their well-paid retainers and experts will continue to obscure this reality. Or, if it can be contrived, they will celebrate the successful exploitation of public resources as the desired and virtuous triumph of talent and "vision." Entertainments, spectacles, service jobs and manual labor will keep the masses busy and in debt. The "market" will devour partisan politics, fashioning political parties as brands and politicians as ambulatory logos. Everything will be new and nothing will change — until it does.

As Aloe Blacc sings:

…Whatever you believe it's easy to see
The whole world's sitting on a ticking bomb…
…And It's about to explode[28]

** I would like to thank Barbara Lindquist and Faith Boninger for their generous assistance. Their edits, insights, and thoughtful criticisms have improved this essay immeasurably*

Footnotes

[1] Douglass, F. (1857, August 3). *West India Emancipation*. Address delivered in Canandaigua, New York. Rochester, NY: University of Rochester Frederick Douglass Project. Retrieved February 16, 2017.

[2] Macur, J. (2017, January 16). Packers Bury the Memories of Playoff Failures. *New York Times*. Retrieved February 17, 2017.

[3] Dylan, B. (1965). *Subterranean homesick blues*. *(Original lyric: "You don't need a weatherman / To know which way the wind blows")*

[4] *The Horace Mann League* (2012, November 19). Report No. 12 of the Massachusetts School Board (1848) Horace Mann

[5] Sheila Dow "People Have Had Enough of Experts" Institute for New Economic Thinking, February 6, 2017.

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