

Books & arts



US president Ronald Reagan based his tax cuts of the 1980s on questionable ideas.

The dangers of fringe economics

Governments need to heed the evidence. Three books warn of the perils of untested ideas. **By Ehsan Masood**

In November 2017, the economist Vera Shlakman died at the age of 108. Her 1935 *Economic History of a Factory Town* is a landmark in the field. Chronicling how textile manufacturing transformed Chicopee, Massachusetts, Shlakman zeroed in on working women's lives, vaulting beyond analyses of data on wages and shift lengths to include the value of dowries and information in letters and diaries. Ousted from teaching economics during the McCarthy era of the 1950s, she never published another book.

I thought of Shlakman, and how far we have strayed from such integrated analyses of economic realities, while combing through Simon Bowmaker's 2019 *When the President Calls*. Over the past half-century, Bowmaker shows, economic advisers to US presidents from Richard Nixon to Donald Trump have enabled central bankers and treasury officials to implement untethered ideas. Often described in terms borrowed from mathematics or physics (such as the 'velocity of money'), these concepts neither command

an expert consensus nor are they necessarily reproducible.

Two other new books, both by economics Nobel laureates, also capture the spirit of Shlakman's diverse thinking: Paul Krugman's *Arguing with Zombies*, and *Good Economics for Hard Times* by Abhijit Banerjee and Esther Duflo.

Banerjee and Duflo's book appeared a month before they were awarded the 2019 Nobel, which they shared with Michael Kremer. It encapsulates nearly two decades of research bringing field trials of policies in low-income countries into the mainstream – from improving educational outcomes, to uptake of vaccination. Krugman's tome, meanwhile, mulls over the mistakes of the past two decades. The 'zombies' of his title are economic theories and policies that should have been killed by evidence, but keep coming back – such as the idea that inequality is necessary for growth. In a world still reeling from the impact of the 2008 financial crisis, Krugman (who was awarded his Nobel that year) has harsh words for practitioners clinging to the old ways.



JIM DAVIS/THE BOSTON GLOBE VIA GETTY

Abhijit Banerjee and Esther Duflo advocate field trials of economic policies, notably in low-income nations.

A prominent example is the ‘Laffer curve’, named after Arthur Laffer, who later became Ronald Reagan’s economic adviser. Bowmaker clearly relished the chance to quiz Laffer, who is reported to have sketched the idea out on a napkin over a 1974 lunch with two White House officials: Donald Rumsfeld and Dick Cheney. If governments raise taxes for people with modest incomes and cut taxes for the wealthy, Laffer argued, they can raise revenue and boost growth. The former, because lower-income earners far outnumber the rich, thus amplifying their total tax contribution; the latter, because wealthy business owners are likely to use cash saved from tax cuts to invest in new products, more jobs or equipment, thus boosting growth.

Untested tax cuts

There is no consensus on whether the Laffer curve is accurate – even some leading conservative economists, such as Gregory Mankiw, are critical. Yet it became the basis for tax cuts, beginning with Reagan’s decision to slash the top rate of income tax from 70% down to 28% over the early to mid-1980s. Bowmaker found Laffer still buoyant. “That’s my baby and I just loved it,” Laffer said. “It was the best tax bill in US history.” Trump awarded him the Presidential Medal of Freedom in 2019.

As these three books reveal, however, the ideas that Laffer and others came to represent are now under severe pressure, even from the

When the President Calls: Conversations with Economic Policymakers

Simon W. Bowmaker
MIT Press (2019)

Arguing with Zombies: Economics, Politics, and the Fight for a better Future

Paul Krugman
W. W. Norton (2020)

Good Economics for Hard Times

Abhijit V. Banerjee and Esther Duflo
PublicAffairs (2019)

centre-right parties in high-income nations that initially backed them. Decades of falling or flat public spending, unrestricted free trade, relatively light regulations on financial institutions and low taxes on businesses and top earners have not translated into across-the-board prosperity. That is seen especially in the United States and Britain, now among the most unequal countries in their peer group. In 2016, six out of northern Europe’s ten poorest regions, as measured by gross domestic product per person, were in the United Kingdom.

Economic nationalism has emerged from these trends, under slogans ranging from “America First” to the UK “Take Back Control”. The real results are the Trump administration’s public disavowal and renegotiation of the North American Free Trade Agreement – and Brexit.

At the same time, the collapse of what were once seen as mainstream economic ideas by politicians right and left has opened up space for more conventionally green-left approaches to policymaking. That explains in part why the Italian American economist Mariana Mazzucato is being heard across political divides. In books such as *The Value of Everything* (2018), Mazzucato makes a strong case for the state as enabler in an economic policy that privileges well-being and sustainability. That is also the space into which Banerjee and Duflo enter in *Good Economics for Hard Times*. Like Krugman, they are critical of policies based on weak or non-existent evidence. But their approach is less argument than stepping back to let the research do the talking.

Consensus and controversy

The studies they cite probe hot topics such as climate change, immigration and the viability of continued economic growth. Banerjee and Duflo synthesize the literature on what is agreed and what is controversial in an accessible, often entertaining way. There are gaps, however. Mentioning the work of Kate Raworth and Tim Jackson on the environmental impacts of constant growth, and of Partha Dasgupta on the value of biodiversity, would have enriched and unified their thinking on the impact of consumption-fuelled growth on climate change, and on biodiversity and

ecosystem services.

Grand narratives, which smack of the old economic thinking, are not the goal of Banerjee and Duflo. The authors do, however, need to articulate their approach in narrative terms, or they will struggle to be heard. As Bowmaker demonstrates, US presidents want to hear happy endings, rather than sit through a menu of options communicated seminar-style. Harry Truman is reported to have said that he preferred one-handed economists, because he didn't like hearing "on the other hand". Barack Obama was an exception, making decisions after hearing arguments pro and con.

"There is strength in numbers and robustness in diversity."

Sadly, neither *Arguing with Zombies* nor *Good Economics for Hard Times* tackles in depth what I feel is the defining challenge for newer generations of economic policy advisers. That is, how to mitigate the risks of expert-shopping by policymakers. If researchers with fringe ideas continue to validate untested theories, yet more zombies will invade the corridors of power.

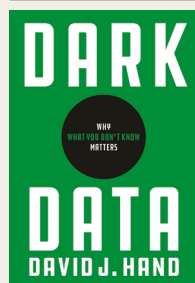
This happens to scientific advisers, too – although perhaps less often. In the 1990s, governments with significant oil and gas interests joined the powerful fossil-fuel industry lobby in seeking experts who could cast doubt on human influence on climate change. The consensus view of the Intergovernmental Panel on Climate Change – backed as it was by a huge number of heavyweight researchers – was essential in preventing such dubious ideas from penetrating the mainstream (although it has not stopped Trump's withdrawal from the 2015 Paris climate agreement).

Economists need to organize similarly across different schools of thought – and to include development economics as well as ecological and environmental economics and feminist economics. There is strength in numbers and robustness in diversity. That can go some way towards curbing the unworkable concepts that continue to emerge.

As these three thoughtful, timely books demonstrate in their own ways, a space has opened up for new ideas in economics at a time of widespread inequality, social and cultural schisms, and environmental crisis. That is an opportunity to avoid another 50 years of theories that inform the highest levels of policy as if evidence didn't matter.

Ehsan Masood is Editorials editor and bureau chief for the Middle East and Africa at *Nature* in London. His latest book is *The Great Invention: The Story of GDP and the Making and Unmaking of the Modern World*.

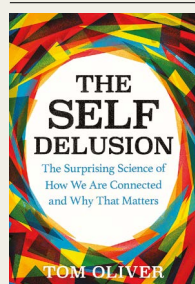
Books in brief



Dark Data

David J. Hand Princeton Univ. Press (2020)

We are deluged with billions of bytes of data, yet much crucial information goes unseen and unreported. So reveals statistician David Hand in this penetrating study of missing ('dark') data and its impacts on decisions – skewing stats, enabling fraud, embedding inequity and triggering preventable catastrophes. Advocating "data science judo", Hand offers expert training, from recognizing when facts are being cherry-picked to designing randomized trials. A book illuminating shadowed corners in science, medicine and policy.



The Self Delusion

Tom Oliver Weidenfeld & Nicolson (2020)

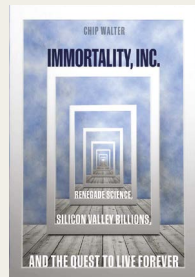
Humans are less discrete entities than mash-ups of microbiota and shifting beliefs, declares ecologist Tom Oliver in this rich, intriguing book. We are, he shows, so interfused with the environment that all life might be seen as a web of genes, and all minds a web of memes. Oliver reframes the self as a fleeting union of molecules, a target for manipulation by parasites, a cooperative co-creator who is also destroying the biosphere. But by recognizing our connectedness, he argues, we enable needed societal and environmental change.



Uncanny Valley

Anna Wiener Farrar, Straus and Giroux (2020)

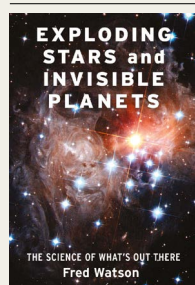
Start-ups have long been seen as a geek-driven, idealistic antidote to corporate culture. Anna Wiener's unsettling memoir may muddy that image. In 2013, a 20-something Wiener was drawn to the digital economy of California's Silicon Valley. Soon enough she recognized it as a reckless, male-dominated world of barely regulated surveillance. She witnessed the boom in online abuse and political trolling from the inside, and the growing inequity in San Francisco fuelled by venture capitalists. An acute eye on a dystopia in the making.



Immortality, Inc.

Chip Walter National Geographic (2020)

Extreme longevity might seem a seductive concept to some. To a handful of prominent researchers, it's an experimental goal. Venturing into that rarefied world, journalist Chip Walter interviewed stars such as biotechnologist J. Craig Venter and X Prize founder Peter Diamandis. Their eventful stories are woven through Walter's tour of biotech research centres Calico and Celularity, and fields from cryopreservation to regeneration. Results remain broadly inconclusive, but this witty look at 'curing' death is worth the ride.



Exploding Stars and Invisible Planets

Fred Watson Columbia Univ. Press (2020)

Astronomer Fred Watson is a science communicator par excellence. Here, with infectious enthusiasm, he plunges the reader into the science on sky-watching and space observation. Kicking off with a nuanced discussion of twilight – covering everything from crepuscular rays to the 'green flash' – he moves on to meteor showers, the potential contamination of the Solar System's ice moons by earthly microbes, the mystery of a hypothesized Planet Nine and the real origins of the Moon. **Barbara Kiser**