

# MANKIW'S TEN PRINCIPLES OF ECONOMICS PART 11: CONCLUSIONS

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This series is an outgrowth of a series of short essays [[links here](#)] on Thomas Kuhn's *The Structure of Scientific Change*. Economists desperately want people to think they are scientists, so much so that they will put on lab coats as in this delightful story.

Donning customized white lab coats, University of Delaware officials cut the ribbon on the new Center for Experimental and Applied Economics at UD's College of Agriculture and Natural Resources last week.

...

"Our experiments pay people cash to analyze their decisions," said Kent Messer, a professor ... .

Chapter 2 of Mankiw's introductory textbook has a section titled "The Economist as Scientist". He claims that just like physical scientists, economists "... devise theories, collect data, and then analyze these data in an attempt to verify or refute their theories." P. 22. Based on this section, I thought he was saying that the 10 principles I've discussed in this series were in

the nature of scientific principles. I suggested that with the addition of methodological ideas and some basic assumptions about the goals of a society, they could be treated as a paradigm in the sense Kuhn describes.

The goals of this series were: 1. to examine that possibility; 2. to see if these principles served as a structure for neoliberal economic theory, and 3. to see if there were other ways of looking at these principles that would be enlightening.

The first goal seemed perfectly reasonable. According to Kuhn, you don't write a physical science textbook unless the community of scientists who study that area agree on a paradigm of the discipline. But my brief looks at these principles makes me think that they are either vacuously true, reductive to the point of absurdity, or hotly contested by other economists. I think I have shown that these principles do not operate as a statement of agreed-upon ideas about the way the economy works. They barely describe individual activity in any useful way.

Consider Principle 4, People Respond to Incentives. Of course they do sometimes, and sometimes not. And sometimes they respond in wildly disparate but perfectly reasonable ways. You see a car advertisement offering a price break for buying right now. Does Principle 4 help you understand how I might respond? Here's a harder example. Interest rates go up. That creates an incentive to do what? Buy a house before rates go up further? Wait to see if higher interest rates cool off the housing market so houses are cheaper, so maybe even with higher interest rates your mortgage payment will be lower? Consume less and save more money? Wait for the stock market to go down and buy stocks? What conclusions can be drawn from this principle? How is it useful? Any time you might want to apply it, you have to look at the specifics of the situation, including the people who are supposedly going to respond to the

incentives. Also, lacking data, there is a strong tendency to assume other people think like you do.

The function of the paradigm for Kuhn is to provide a platform for further research in what he calls normal science. There is an economics example in Part 10, the effort to figure out the relation between inflation and employment. People like Laurence Ball and Sandeep Mazumder of the International Fund, whose work I quote, can make a living working on ways to find an historical relationship, regardless of whether it says anything about the future. But surely if the relationship cannot actually be specified usefully after years of effort, it isn't a real principle, and it doesn't form the basis for a sensible research program. More generally, Mankiw admits that in this blog post that there is much about macroeconomics that people don't know.

Kuhn says that there is a difference between physics and chemistry textbooks and social sciences textbooks.

In history, philosophy, and the social sciences ... the elementary college course employs parallel readings in original sources, some of them the "classics" of the field, others the contemporary research reports that practitioners write for each other. As a result, the student in any one of these disciplines is constantly made aware of the immense variety of problems that the members of his future group have, in the course of time, attempted to solve. Even more important, he has constantly before him a number of competing and incommensurable solutions to these problems, solutions that he must ultimately evaluate for himself. P 164

That does not describe Mankiw's textbook which reads just like the physics and chemistry textbooks Kuhn describes. There are summary remarks about historical figures in the field,

and the discipline is presented as a cumulative result of a steady progress of understanding. There is no question about the truth content of a single statement in Mankiw's text, no hint that respectable economists reject his conclusions. Any student who only takes intro to economics using Mankiw's textbook will never learn about the massive differences among schools of economics, will never learn that there are alternatives to the monetarist/neoliberal views implicit in the book, and will never have a way to examine economic policy problems from any perspective other than Mankiw's.

That is what makes this textbook approach so dangerous. Mankiw presents a finished survey of the field, with the imprimatur of authority, when there is no consensus. It's a fair reading of this book to call Introduction to Neoliberal Economics. It's not fair to call it a balanced presentation of a discipline shot through with contested assertions.

I think I've shown that the discipline of economics has not reached the stage at which it is possible to create universal principles. That is a waste of time, and I will not spend any more time thinking about it. But it isn't just that there aren't any universal principles. As Kuhn would point out, with so many schools of economics there is no platform from which to evaluate any principle. The various schools conflict with each other on every possible level, and there is no way to test any theory that will satisfy the proponents of the exact opposite theory.

The worst part is that the rich have a death grip on economic policy. They choose to support policies that benefit them at the expense of the rest of us, and they hide behind a veneer of economics professionals who say the things that they want to hear. Those people teach economics using textbooks like Mankiw's and that of Samuelson and Nordhaus. They control policy, because they have taught the leaders of today.

This and the preceding series have been really depressing to me. There is a tiny ray of hope. Bernie Sanders is the ranking minority member of the Senate Budget Committee. He appointed Stephanie Kelton as Chief Economist. She is the brilliant economist who chaired the Economics Department at the University of Missouri-Kansas City, and she is a noted scholar in the field of modern money theory. That is a completely different way forward, and one that works for progressives and frightens conservatives. That's got to be a good thing.