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Edited by David C. Colander and A. W. Coats

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## CHAPTER 1

**An introduction to the spread of economic ideas**

A. W. COATS and DAVID C. COLANDER

Given the importance of ideas it is strange that the process, and institutions, through which economic ideas are transferred from individual brains into the general inventory of ideas and eventually into policy has not been considered seriously. Upon reflection the reasons become clear. The concepts are vague, the institutions hazy, and the process messy. Studying the spread of ideas is like studying subatomic particles with half-lives of nanoseconds.

About the only way that we will be able to say anything meaningful is by limiting our focus, and the papers in this volume concentrate on the recent spread of ideas in the United States, within the profession and from the profession to the common reader. The popularization of economic ideas, as such, is not considered because it is too large and amorphous a subject. The volume is divided into four sections: Part 1 considers the nature of the economics profession, whether it has any ideas to spread, and how ideas spread within it; Part 2 considers the spread of ideas from economists to the lay public; Part 3 considers the spread of ideas from economists to politicians; and Part 4 considers how the funding of economic ideas influences their diffusion.

The difficulty of the subject is not the only reason for its previous neglect. According to standard scientific methodologies – positivism, falsificationism, and modernism – it is a nonsubject. These standard methodologies implicitly assume that the “best” ideas necessarily win out.<sup>1</sup> If this is the case, why study the process? The relevant issue is not how do ideas spread, but rather how to disseminate “sound” ideas.

<sup>1</sup>Joseph A. Schumpeter held that controversy between schools of thought is a waste of energy, for “There is no use fighting something which life will sooner or later eliminate anyway. . . . All we can say is that if in science something wins through it will have proved its right to exist, and if the thing is not worth anything, it will surely wither.” From his farewell speech at Bonn, June 20, 1932, “The Whence and Whither of our Science,” cited in Erich Schneider, *Joseph Schumpeter: Life and Work of a Great Social Scientist*, trans. W. E. Kuhn (Lincoln, NE: Bureau of Business Research, 1975), p. 40.

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Over much of the past century we see economists taking an active role in propagating “sound” economic ideas through such organizations as the Political Economy Club of London, the Anti-Corn Law League, and the Shalckenbach Foundation (devoted to Henry George’s doctrines). Although there remain a number of influential and well-endowed foundations devoted to the promotion of free enterprise and libertarian ideals and policies, recent developments in methodology have removed this sense of mission from many economists. Most modern economists are not preachers. They would rather see themselves and be seen as scientists, more interested in knowledge for its own sake than for its potential policy implications.<sup>2</sup>

With the emergence of rhetorical and sociological approaches to methodology the process by which ideas spread becomes an important subject. These alternative antipositivist methodologies allow for a potential difference between the “best” ideas and those that “win out,” and as soon as one accepts this distinction the dissemination process becomes an integral part of the discipline’s subject matter and attaches to its history. Whether “truth” is attainable, or whether unambiguous criteria of “best” ideas can be established, are matters that can, for present purposes at least, be left to the epistemologists and philosophers. The current view among students of economics is profoundly skeptical, for they are acutely aware of the persistence of popular fallacies.

As noted at the outset, the concept of economic ideas is elusive and it is advisable to begin with a definition. Unfortunately the dictionary versions cover a wide spectrum extending from carefully formulated and fully specified theories, doctrines, or intellectual systems through a miscellaneous variety of assumptions, postulates, statements, propositions, claims, and predictions to the most casual types of assertions, hunches, and speculative guesses. Concentration on strictly professional economic ideas narrows the range somewhat, but it raises problems of scope when the spread of ideas is under consideration. In order to avoid overintellectualization we consider that the processes of persuasion, simplification, translation, redescription, and distortion that are directly or indirectly alluded to in this volume are most fruitfully considered by reference to concrete examples. We therefore propose to define an economic idea narrowly as “a conception or notion of something to be done or carried out; a plan of action.” Examples include

<sup>2</sup>For perceptive and amusing comments on this topic, see the title essay and “Do Economists Matter?” in George J. Stigler, *The Economist as Preacher and Other Essays* (Chicago: University of Chicago Press, 1982), pp. 3–13 and 57–67.

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proposals for an industrial policy or tax-based incomes policies and deregulation. Advocacy of such proposals is obviously not confined to professionals; their proponents include many who do not fully grasp either the underlying logic or the practical political and social implications. Some of the economists' intellectual systems, such as Keynesianism, monetarism, or supply-side economics, have widespread currency among members of the public who lack the requisite professional knowledge and technical capacity to comprehend them. The permeability of the division between professional and amateur economics is one of the crucial problems economists encounter when they seek to influence public opinion or government action.

As Richard Whitley has noted:

for the many intellectual fields whose vocabulary and concepts are quite close to ordinary language and whose results are of clear public interest, such as most of the social sciences and the humanities in many historical periods . . . lay standards and terms are involved in intellectual debates and controversies so that what counts as knowledge is often affected by successful mobilization of lay elites and/or diffusion of doctrines to a wide audience.<sup>3</sup>

The point can be amplified as follows:

[T]he topics which economics purports to deal with are important everyday issues and the terminology of economic analysis is close to ordinary language even if technical definitions of these terms are quite distinct. Profit, for example, has a technical meaning in microeconomics which is not the same as usages in conventional accountancy – which themselves vary. In their internal discussions and rankings of intellectual significance of contributions economists use their technical concepts and their own standards of evaluation, yet they also make policy pronouncements and seek to intervene in everyday debates and discussions where terms are not technically defined and they do not control usages. Indeed, it seems unlikely that economics would receive so much financial support if it was not thought that its subjects and problems were strongly connected with everyday phenomena. Thus, within the professional fraternity, performance and significance standards, and technical terminology, are fairly strongly controlled by the reputational elite but there is also considerable overlap with commonsense terms and concerns which legitimates public support and sometimes affects standards. As with the problem of demonstrating effective control over phenomena, this difficulty is resolved to some extent in economics by separating analytical economics from fields of application and insulating it from external influences to a very high degree.

<sup>3</sup>Richard Whitley, "Knowledge Producers and Knowledge Acquirers: Popularization as a Relation between Scientific Fields and Their Publics," in Terry Shinn and Richard Whitley, eds. *Expository Science: Forms and Functions of Popularization*, vol. IX of *Sociology of the Sciences* (Dordrecht, Holland; Boston and Hingham, MA: Reidel, 1985), p. 8.

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Thus economics is a hybrid science in which divergent features are combined so that the core exhibits different characteristics to the peripheral subfields.<sup>4</sup>

In the spreading of ideas language is crucial, and debates within the economics profession, as among the laity, can easily degenerate into misunderstandings and disagreements about the meaning of terms. Among professional economists the protracted controversy over the terms “savings” and “investment” provoked by Keynes’s *General Theory*, and the more recent confusion over the various meanings of Keynesianism and monetarism, are classic examples. Disputes of this kind, at times resembling medieval theological disputations, undeniably diminish the economists’ collective intellectual authority; but they may be unavoidable, and they have significant implications. The “politics of meaning” is a subject of growing interest to social scientists.<sup>5</sup>

An unusual, perhaps unique, example in economics was Alfred Marshall’s ability to shape the accepted terminology in use in neoclassical economics around the turn of the century. It was of direct importance in creating and strengthening the influence of the Cambridge school which dominated British academic economics from the 1890s to the 1930s, and it also had important implications for the reputation of British economists in the wider community, both at home and abroad.<sup>6</sup> Terminological agreement or disagreement is an important determinant of the degree of consensus among professional economists, a matter of some discussion in recent years. Samuel Brittan’s stimulating book, *Is There an Economic Consensus?*, reveals a substantial measure of agreement among economists on a range of politically charged and controversial topics, such as the pricing of public transport, air purification (antismog) policy, the provision of subsidized housing for low-income groups, and the relationships between private and public interests. He found that the disagreements among the economists were less than those between the economists and the “politicians,” and not because the questions posed were either esoteric or technical. Moreover, with respect to such objectives as employ-

<sup>4</sup>Richard Whitley, *Intellectual and Social Organization of the Sciences* (London: Oxford University Press, 1984), pp. 255–6.

<sup>5</sup>Peter Sederberg, *The Politics of Meaning: Power and Explanation in the Construction of Social Reality* (Tucson, AZ: University of Arizona Press, 1984).

<sup>6</sup>For discussion of this matter see A. W. Coats, “Sociological Aspects of British Economic Thought, Ca. 1889–1930,” *Journal of Political Economy*, 75 (Oct. 1967), especially pp. 710–11; also John Maloney, *Marshall, Orthodoxy, and the Professionalization of British Economics* (Cambridge: Cambridge University Press, 1985).

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ment, growth, the containment of inflation, and international monetary stability, on which there was apparently a strong political consensus, there was “a readiness to follow professional opinion if only it would point the way.”<sup>7</sup> However, according to F. A. von Hayek, as cited approvingly by Brittan,

those who gain the public ear consist of two elements: the communicators, who are expert at putting other people’s ideas or information across, but are amateurs in the substance; and professional people theorizing outside their own field, doctors reforming the political system, engineers putting the economy to rights, and so on. . . .

Unfortunately [Brittan continues], partly as a result of growing specialization and technicality within the subject, there has been, as Stigler has pointed out, a retrogression in the ability of economists to communicate with other intellectuals. The difficulty is not just that economists are bad popularisers or that their message is unwelcome. It goes much deeper. The real trouble is that economists are no longer sure what it is that they wish to communicate to a wider public. Individual economists feel passionately on particular subjects in opposition to other economists. But they are far less sure of what it is that they can put forward which would both reflect a professional consensus and also convey a relatively simple message to the educated laymen.<sup>8</sup>

Brittan’s views are debatable, but they are worth quoting, however impressionistic, for he is probably the most distinguished and influential contemporary British economic journalist. There have also been two other more-or-less systematic efforts to gauge the degree of professional consensus among economists, one a multinational study of agreement, disagreement, and uncertainty on a range of specific propositions, the other a study of views on free trade among economists in a single large economics department, at Michigan State University.<sup>9</sup> The latter study illustrates both the need to ascertain the reasons why economists hold the views they profess, as well as the actual views held.

<sup>7</sup>Samuel Brittan, *Is There an Economic Consensus? An Attitude Survey* (London: Macmillan, 1973), p. 74.

<sup>8</sup>Samuel Brittan, *Capitalism and the Permissive Society* (London: Macmillan, 1973), pp. 11–13. Supply-side economics is cited as an example of economists’ uncertainty about what they wish to communicate in Philip Mirowski, “What’s Wrong with the Laffer Curve?” *Journal of Economic Issues*, 16 (Sept. 1982), p. 823.

<sup>9</sup>They are, respectively, Bruno S. Frey, Werner W. Pommerehne, Friedrich Schneider, and Guy Gilbert, “Consensus and Dissensus among Economists: An Empirical Inquiry,” *American Economic Review*, 74 (Dec. 1984), pp. 986–94, and Warren J. Samuels, “Economics as a Science and Its Relation to Policy: The Example of Free Trade,” *Journal of Economic Issues*, 14 (March 1980), pp. 163–85.

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The “plan of action” definition of an idea adopted above is associated with the American pragmatists, Peirce, James, and Dewey, who avoided Hume’s skepticism by abandoning the “image” theory of thinking. However, pragmatism has been a minority view in the history of philosophy, and although it is currently enjoying a vigorous revival, especially in the United States, it should not be allowed to obscure the duality involved in the term “idea,” which covers both the representative percept (the mental image) and the object of conceptual thought. In the current philosophical climate there is a strong tendency to blur the distinction between ideas as such and the properties of things in the physical world.

It is usually risky to assert that a given idea is generally held, for there are differences within the economics profession and among members of the general public, and between these two categories. Thus it is obviously sensible in principle to differentiate the various forms or stages of an idea and follow it through from one group to another. However, this is more easily said than done. Tracing the history of ideas is an intellectual activity usually associated with the work of A. O. Lovejoy and his followers, who focused on “clusters” of “unit ideas” such as “nature,” “reason,” “romanticism,” and “being,” a type of study that has been described as the “cartography of ideas.” This approach produces “thread” accounts of what Schumpeter termed the “filiation of ideas.” The intellectual history approach to ideas is, by contrast, a much broader, less well-defined field of research. It can be a form of retrospective sociology of knowledge, dealing with either or both the history of the intellectual classes and the spread of ideas among ordinary as well as educated people. It includes studies of the relationship among ideas, drives, and interests, that is, intellectual and nonintellectual factors in individual and social psychology, and while encompassing such vague notions as “the spirit of the age” or the “climate of opinion,” it also considers the role of ideas as the driving forces in history, an issue that links history with the social sciences.

Most pertinent to this volume is the new light intellectual historians are shedding on the transmission of ideas through various media and to differing audiences. Generalized expressions of concern or dissatisfaction with economists’ relations with the public, including the busi-

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ness community and government, are abundant, especially in the institutionalist and left-wing literature.<sup>10</sup>

*Previous work on the spread of economic ideas: some examples*

Our introductory observation that the spread of ideas in economics has not been seriously considered was an overstatement since some interesting exploratory work has been undertaken. For example, some twenty years ago a group of scholars examined the transmission of economic ideas among cultures,<sup>11</sup> and more recently there have been similar studies and investigations of the variety of roles economists play in particular societies.<sup>12</sup> Fritz Machlup's monumental project on the production and distribution of knowledge is also highly suggestive.<sup>13</sup> A preliminary effort to provide an analysis of the spread of economic ideas was made by Craufurd Goodwin who distinguished twelve possible unidirectional linkages. The most important of these were between economic theory and professional views on economic policy; economic theory and nonprofessional opinion; and among public opinion, events, and professional economists' interests and activities.<sup>14</sup>

<sup>10</sup>Underlying the discussion of these issues is the sensitive issue of the relationship between professional or scientific economics and ideology. An unusually well-argued example of the critiques of economics is Edward S. Herman, "The Institutionalization of Bias in Economics," *Media, Culture and Society*, 4 (July 1982), pp. 175–91. He "suggests the possibility that the entire drift of the science . . . may be decisively shaped by market forces" (p. 285; also see pp. 288–9). For more general treatments see Warren Samuels, "Ideology in Economics," in Sidney Weintraub, ed., *Modern Economic Thought* (Philadelphia: University of Pennsylvania Press, 1979), pp. 467–85; and Benjamin Ward, *The Ideal Worlds of Economics: Liberal, Radical and Conservative World Views* (New York: Basic, 1979).

<sup>11</sup>J. J. Spengler, "Notes on the International Transmission of Economic Ideas," *History of Political Economy*, 2 (Spring 1970), pp. 133–51, and references cited therein; and Craufurd D. W. Goodwin and I. B. Holley, Jr., eds., *The Transfer of Ideas: Historical Essays* (Durham, NC: Duke University Press, 1968).

<sup>12</sup>For example, A. W. Coats, ed., *Economists in Government: An International Comparative Study* (Durham, NC: Duke University Press, 1981); George Rosen, *Western Economists and Eastern Societies: Agents of Change in South Asia, 1950–1970* (Baltimore: Johns Hopkins University Press, 1985).

<sup>13</sup>Fritz Machlup, *The Production and Distribution of Knowledge* (Princeton: Princeton University Press, 1962); and his incomplete series of studies, *Knowledge, Its Creation, Distribution, and Economic Significance*, 3 vols. (Princeton: Princeton University Press, 1980–4).

<sup>14</sup>Craufurd D. W. Goodwin, "Economic Theory and Society: A Plea for Process Analysis," *American Economic Review*, 62 (May 1972), pp. 409–15.



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Unfortunately, this model has been largely ignored by historians of economic thought.

In a recent collection of essays on the popularization of scientific ideas there are two essays on economics, one by Max Goldstrom, dealing with the popularization of classical economics in school textbooks, based on an earlier book-length study, and one by Gregory Claeys, on the concepts of productive and unproductive labor, both of which reveal the complexity of the multilevel processes involved.<sup>15</sup> There is also a scattering of relevant articles and books and a wealth of occasional and anecdotal material relating to professional conduct and ethics, but no systematic effort has been made to collect and analyze this material. The possibilities for revealing research on the dissemination of economic ideas to the wider community are considerable, as revealed by T. W. Hutchison's studies of British economists' public pronouncements (often pontifications) on major policy issues.<sup>16</sup> Using a wide range of contemporary newspapers and magazines, sources unduly neglected by most historians of economics, and comparing economists' statements before and after the events, he produced an account highly embarrassing to many of the authors cited. "The publishing outrage of the year!" one victim expostulated. But the serious side of the exercise was its implications for the profession's reputation and for the question of professional responsibility. Somewhat similar issues arise in discussions of the roles of professional economists and economic journalists.<sup>17</sup>

An adequate understanding of the spread and influence of scientific or professional ideas is directly dependent on knowledge of the structure and functioning of the discipline in question, matters on which sociologists of science have made significant advances in the two decades since the publication of T. S. Kuhn's masterly *Structure of Scientific Revolutions*. As Richard Whitley has observed, until recently the views of the dissemination of scientific knowledge have rested on an inadequate and ahistorical conception of the sciences that exaggerates both their unity and their privileged status. In reality,

scientific fields vary considerably in their degree of internal cohesion, of intellectual pluralism, of standardisation [*sic*] of research procedures, of control

<sup>15</sup>Shinn and Whitley, *op. cit.*

<sup>16</sup>See his *Economics and Economic Policy in Britain. Some Aspects of Their Interrelations* (London: Allen and Unwin, 1968), and *Knowledge and Ignorance in Economics* (Oxford: Blackwell, 1977), Chapter 5.

<sup>17</sup>Leonard Silk, Bernard D. Nossiter, Henry C. Wallich, Richard F. Janssen, and John Schnittker, "Economists Consider Economic Reporters and Vice Versa," *American Economic Review*, 62 (May 1972), pp. 373–90.



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over performance and significance standards and of formalization of symbols.<sup>18</sup>

Consequently, it is no surprise that while some parts of economics are of greater interest and are readily communicated to a lay audience, others are more esoteric and protected from public scrutiny.

There are numerous methods by which ideas can spread – mental telepathy, dreams, communication, printed words, conversations, reported conversations, and so forth. Tracing and evaluating the spread of ideas requires an understanding of these lines of communication and the institutions which control them. Though there are many means of communication, the most important institutions are colleges and universities, publishing houses, the press, research institutes, foundations, political parties, and lobbying organizations.

Individuals in these institutions have a variety of agendas. For example, academic economists need to publish articles to enhance their status within the scientific reputational system and they tend to choose media and forms of presentation that achieve that end. Journalists need stories which fit into their space constraints and they are obliged to adopt a style designed to capture and hold their readers' attention. Politicians need new ideas to get themselves elected. Research institutes need to be financed and unless they have an adequate permanent endowment they will tend to choose research agendas which achieve that end, or go out of business. All these spheres interact, for there are overlapping media and styles of presentation. The study of the spread of ideas is the study of this complex interdependent network of communications.

As ideas move from the originator toward acceptance in theory or in policy, there is a constant interchange among individuals at these various institutions. For example, universities train legislative assistants, reporters, editors, columnists, and foundation staffs. Once these students graduate into the real world their decisions determine what articles will be written, what ideas will get funding, and what ideas will eventually become enshrined in laws. Thus, over time and indirectly, the teachers of ideas, not all of whom are in academic institutions, influence the choice of policy. But the flow also goes the other way. What the press reports influences what economists study, often with a substantial time lag. When a former student, now a legislative assistant, calls and suggests that some idea is interesting to her boss, the professor may redirect his or her research interests. Foundations influ-

<sup>18</sup>Whitley, in Shinn and Whitley, *op. cit.*, p. 11.

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ence ideas even more directly. By channeling money to certain scholars they can influence which ideas are spread.<sup>19</sup>

When we consider this complicated set of interdependencies, a central question is whether the agendas of these institutions interact in such a way that the outcome is, if not the ideal, at least an acceptable method of spreading ideas. Answering that ill-specified question is not easy. Often, contradictory ideas exist simultaneously. For example, graduate schools have long since stopped teaching ideas such as the balanced budget multiplier or the consumption function, but these Keynesian ideas still figure prominently in introductory teaching. Similarly, textbooks used in high schools focus on institutional economics whereas in college neoclassical economic ideas predominate with little or no discussion of institutional influences and conditions.

A final general comment is that ideas evolve: at one point in time a set of ideas might be considered outlandish but subsequently become accepted as orthodoxy, or part of the conventional wisdom. For example, in the 1930s and 1940s, “liberal” interventionist economic and social ideas were in vogue; in the 1980s conservative economic ideas moved from kooky to respectable. However, rather than an evolutionary process, this may simply reflect changes in fashion.

The foregoing general reflections raise a variety of other questions: Is there a competition of ideas? Do the “best” ideas win out? Is there a natural process through which all ideas proceed? Is there a cycle of ideas so that the same ideas reappear in different form every so often? Generally speaking, intellectual historians shy away from these comprehensive issues, and we will do likewise.

### Three models of the spread of ideas

Apart from bibliometrics, most studies of the spread of ideas have followed a humanistic approach, arguing that the more precise the elements compared and measured, the more potentially relevant infor-

<sup>19</sup>Serious research on the role of foundations in economics is now, at last, under way. See, especially, Earlene Craver, “Patronage and Directions of Research in Economics: The Rockefeller Foundation in Europe, 1924–1938,” *Minerva*, 25 (Summer–Autumn 1986), pp. 205–22; and David M. Grossman, “American Foundations and the Support of Economic Research,” *Minerva*, 20 (Spring–Summer 1982), pp. 59–82. For earlier, more impressionistic, observations from two Nobel prize winners, see George J. Stigler, “The Foundations and Economics,” in Warren Weaver, ed., *U.S. Philanthropic Foundations: Their History, Structure, Management, and Record* (New York: Harper & Row, 1967), and Theodore W. Schultz, “Distortions of Economic Research,” in William H. Kruskal, ed., *The Social Sciences, Their Nature and Uses* (Chicago: University of Chicago Press, 1982), pp. 122–33.