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Life among the Econ: fifty years on

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Abstract

Almost fifty years ago, the Swedish econographer Axel Leijonhufvud (1973) wrote a seminal study on the Econ tribe titled “Life among the Econ”. This study revisits the Econ and reports on their current state. Life has gotten more complicated since those bygone days. The cult of math modl-ing has spread far and wide, so that even lay Econs practice it. Fifty years ago the Econ used to say “Modl-ing is everything”. Now they say “Modl-ing is the only thing”. The math priesthood has been joined by a priesthood of economagicians. The fundamental social divide between Micro and Macro sub-tribes persists, but it has been diluted by a new doctrine of micro foundations. The Econ remain a fractious and argumentative tribe.

Keywords: Micro, macro, economagicians, Keynesians, New Classicals, New Keynesians.

JEL ref.: A10, B00, B2, Z0, Z1.

Almost fifty years ago, the renowned Swedish econographer Professor Axel Leijonhufvud (1973), wrote a seminal study on the Econ tribe titled “Life among the Econ”. Back then the Econ were divided into sub-tribes which referred to themselves as the Micro and the Macro.¹

Both sub-tribes had a ritual which involved their elders crossing their hands and holding two carved sticks in front of themselves. The Micros called

¹ Professor Leijonhufvud refers to the Micro and Macro as castes. Based on my own econographic observations, I view them as sub-tribes. Each sees itself as superior to the other, which is at odds with the usual view of caste hierarchy. That said, over the last several decades some among the Macro have tacitly acknowledged a special standing of the Micro through their acceptance of the “micro foundations” doctrine, which is briefly touched upon later in this paper. That suggests we may be witnessing a gradual evolution whereby the Macro are slowly losing their identity and becoming a lower caste within the Econ tribe.

their sticks “supply and demand”. The Macros called their sticks “IS and LM”.

Professor Leijonhufvud (1973, p. 331) describes the ritual as follows:

“The elder grabs the LM with his left hand and the IS with his right hand and, holding the totem out in front of himself with elbows slightly bent, proceeds in a straight line.”

The sticks were totemic representations of the math modls developed by the math modl-rs who were the high priests of the sub-tribes. Those modls were believed to illuminate the secrets of the econoverse, and the stick totems helped operationalize those insights in a manner akin to a tool.

Life among the Econ has gotten more complicated since those bygone days. The cult of math modl-ing has spread far and wide, so that even lay Econs emphasize its centrality and practice it. Fifty years ago the Econ used to say “Modl-ing is everything”. Now they say “Modl-ing is the only thing”.

Professor Leijonhufvud predicted that the Econ were headed for an era of cultural decline owing to emergent political frictions between younger and older Econs. He also argued that the aesthetic heights achieved in modl-making were consistent with a picture of decay:

“Econographers agree that present modl-making has reached aesthetic heights not heretofore attained. But it is doubtful that this gives cause for much optimism. It is not unusual to find some particular art form flowering in the midst of the decay of a culture.... The present burst of sophisticated modl-carving among the Econ should probably be regarded in this light (Leijonhufvud, 1973, p.337).”

His prediction has not been borne out on either count. The rebelliousness of young Econs turned out to be a phase and the last fifty years have seen a further flowering of the art of modl-carving, especially among the Macro. To use an architectural analogy, the modl-form has moved from the Baroque to the Rococo.

The high priests of math modl-ing have also been joined by a new priesthood of economagicians that specializes in statistical modls. The new priesthood claims to be able to predict behavior and the future, giving it resemblances with the old school of astronomics. However, whereas belief in tea leaves was central in astronomics, that has been replaced by a belief in the centrality of trolls and gremlins.² It is the naughty behavior of trolls and gremlins which is said to explain why predictions seldom come to pass. Though no one has ever seen a troll or a gremlin, their behavior is described as both random and systematically normal. They are also said to be “noisy”. The belief is trolls and gremlins have a taste for partying.

Professor Leamer (2010), another renowned econographer, has written specifically about the travails of economagicians. Their holy grail is finding the lost world of Asymptotia in which the noisy behavior of the trolls and gremlins has been silenced by the law of large numbers. However, even in Asymptotia there is the danger that statistical modls fail to account for a causal factor (what economagicians call omitted variables bias). Worse yet, history has stopped in Asymptotia and the structure of the econoverse is forever frozen in place, which all know to be impossible. Consequently, the economagicians find themselves trapped in the same dilemma confronting the math modl-rs: they must choose between truth and mathematical beauty. Most prefer beauty because it pays better.

The Macro have always been prone to fractious dispute, and that is still the case. Fifty years ago, the Neo-Keynesians were the largest sect, and they

² The terminology of trolls and gremlins is attributable to Professor Paul Romer (2016).

confronted argumentative challenges from the Monetarists on the right and the Cambridge Keynesians on the left. Both the Neo-Keynesians and Monetarists are now widely viewed to be extinct as no adherents of either have been heard from for almost twenty years, while the Cambridge Keynesians are a shadow of their former selves.

Today's Macro consist of two large sects (the New Classicals and New Keynesians), and a host of smaller sects which include the Keynesians and Post Keynesians. Each sect claims to be the true descendant of the original Macro. The New Classicals have ancestral links to the now extinct Monetarist sect, and the Great Lakes region is their homeland. The New Keynesians claim to be the descendants of the Neo-Keynesian sect, and the Charles River is their homeland. Meanwhile, the Keynesians and Post Keynesians claim to represent the former Cambridge Keynesians. However, they have been stripped of their homeland on the banks of the River Cam in Cambridge, England, and are consigned to a peripatetic existence. That said, an off-spring colony thrives in Brazil.

The new sectarian make-up of the Macro can be traced back to the doctrines of "K" and "M" which Professor Leijonhufvd identified fifty years ago. The doctrine of K concerns itself with what is the productive essence of the econoverse, and whether K is malleable putty that can be lumped into a dough ball or whether it is baked clay. It is associated with the Post Keynesians. The doctrine of M concerns itself with what powers the econoverse. It too raises many questions, including how to measure M? Whether more M is a necessary condition for more power (the crowding-out controversy)? Whether more M does

anything at all (the neutrality controversy)? And whether M can be home grown or only drops like mana from heaven (the endogeneity controversy)? Though general interest in the doctrine of M has fallen off considerably, the core doctrine is still considered existentially important by the New Classicals.

The New Keynesians are probably today's largest sect, but a formal census has never been conducted. No one is sure about the size of the Post Keynesian sect. There is also much confusion over the difference between being Keynesian and Post Keynesian. The sects are also quite antagonistic to each other, though the nature of their antagonism differs significantly. The Post Keynesians are openly antagonistic to the New Keynesians and New Classicals, but they reserve their greatest disdain for the Keynesians (who, ironically, are closest in spirit to them) whom they sometimes call "bastard Keynesians". The New Keynesians and New Classicals are passively antagonistic to the Post Keynesians, simply ignoring them and not even bothering to dismiss them.

New Keynesians and New Classicals are theonomically narrow and rigorous, and Post Keynesians accuse them of suffering from "rigor mortis". Post Keynesians are theonomically eclectic, to the extent of risking further splitting of their already thin ranks. Keynesians are equally eclectic but they seek to surface theonomic commonalities, whereas Post Keynesians focus on theonomic differences. The Post Keynesians often refer to themselves as "Pure Keynesians" and are scornful of others.

All except the New Classicals claim to be the true intellectual descendants of the Great Keynes, who is credited with being the spiritual godfather of the

Macro. The New Classicals think the Great Keynes was an important theorist, but they believe the true meaning of Macro was only established by the Great Friedman and his disciples, Lucas and Sargent.

Today, the totems of “Supply and Demand” and “IS and LM” figure less prominently. The IS/LM is associated with the extinct Neo-Keynesian sect, which explains the decline in its use. However, Keynesians and a few New Keynesians still believe it provides valuable insights into the complexity of the econverse. Balanced against that, the vast majority of Post Keynesians reject the IS/LM. They claim it is an odious heresy that distorts the teachings of the Great Keynes and misleads regarding the econverse. Occasionally, a Post Keynesian says something nice about the IS/LM, but that risks immediate denunciation.

As for the supply and demand totem, it continues to be used by New Classicals and also by New Keynesians. Both believe it provides valuable modl insights. The interesting feature is not its continued use, but rather the evolution of its use. Fifty years ago it was the totem of the Micro. Today, it is used by New Classicals and New Keynesians, both of whom claim to be members of the Macro tribe. That shows how the micro foundations evangelism of the Micro has made great inroads among the ranks of the Macro.

Today, all the many sects of the Macro engage in modl-carving, believing it to be the highest form of thought. However, the modls of the Keynesians and Post Keynesians are viewed by the New Classicals and New Keynesians as being crude and primitive. Behind that aesthetic judgement lies a profound issue – “reality”. The New Classicals and New Keynesians believe reality is irrelevant for

modl-carving, whereas the Keynesians and Post Keynesians believe it is central. That difference in belief traces back to a division between the Great Keynes and the Great Friedman, with the latter (Friedman, 1953) dismissing the need for “realism” in modl-carving.

Fifty years ago the doctrines of “K” and “M” significantly defined the fracture lines defining the sects of the Macro. Today, the fracture lines derive from differences in assumptions, which links back to the question of realism in modl-carving. The Keynesians and Post Keynesians have paid a heavy price for their attachment to reality. Given their disinterest in realism, the New Classicals and New Keynesians use sunny representations in their modl-carving, reflecting their belief that the econverse produces Party Optimal outcomes. Such outcomes are named after the famous theonomist Vilfredo Partito. In contrast, the Keynesians and Post Keynesians believe reality bites. They are said to specialize in depression theonomics, according to which the econverse produces outcomes that are non-Party Optimal. That depressive tendency may have diminished the political appeal of their modls and may, in part, explain their decline in popularity.³

The tragedy of the Macro is their argumentativeness and intolerance. The powerful New Keynesians and New Classicals are dismissively indifferent to the Keynesians and Post Keynesians. Meanwhile, many among the Post (Pure) Keynesians are prone to intolerant infighting amongst themselves. That state of

³ Recently, there have been rumblings of uncertainty among New Classicals and New Keynesians about the significance of reality. The Australian econographer Professor Steve Keen (2017) reports that some believe the outbreak of concern with reality may be related to a new strain of virus. If that hypothesis is right, it means reality denial is biologically based rather than culturally based.

affairs has rendered adoption of mixed intellectual sympathies a heresy in most of the many sects of the Macro, and it is punishable by ostracization.

Fifty years on, the Econ are still not a happy people and other tribes sometimes refer to them as the “Dismals”. The Econ believe they are unhappy because they study the econoverse which they claim is a tough neighborhood. However, to the econographer’s eye their unhappiness is better explained as being a product of their difficulties accepting theonomic differences.

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