CONTENTS

Introduction: Economics Today and Tomorrow 1

1 The Public Responsibilities of the Economist 15
   Intermission 83

2 The Economist as Outsider 87
   Intermission 112

3 Homo Economicus, AIs, Rats and Humans 116
   Intermission 131

4 Cogs and Monsters 135
   Intermission 163

5 Changing Technology, Changing Economics 168

6 Twenty-First-Century Economic Policy 182
   Afterword 211

Acknowledgements 217
References 221
Index 241
Introduction

ECONOMICS TODAY AND TOMORROW

Economics comes in for plenty of criticism. It is not hard to understand why, given that events like the 2008–2009 financial crisis, the Brexit vote in the UK, or even the rise of populism across the western democracies, seemed to catch the economics profession off-balance. Yet many criticisms of the subject long pre-date these specific events, while the substance of what most of them say has not changed since at least the early 2000s: economists make assumptions about people being selfish, calculating individuals; economics is all complicated mathematics and ignores the real world; economists only care about money and profit, not about truly valuable things like the environment. These are familiar accusations, given a new edge by events. Yet at the same time, economics has become more successful than ever in terms of its influence on policy-making, or more materially in terms of the incomes economics graduates can earn (Britton et al. 2020).

The unchanging critique is deeply frustrating to many of us in the economics profession because it sets up straw men, while
2 INTRODUCTION

ignoring deep-seated problems that are likely to present more significant challenges. Economics has changed a lot in recent decades. It needs to change a lot in future—but the critique needs to move on too, to address what really needs attention.

To take the issues with critique first, one of its standard elements is that economics uses abstract models written down in mathematical formulae. There is certainly abuse of mathematical formalism in economics (Romer 2015), but every discipline uses ‘models’ in the sense of selecting a small number of elements in the complex world to investigate causal relations. ‘The causes of the first world war’ is a model, just as much as Gary Becker’s (1965) theory of time allocation.

Another common criticism is that economics ignores history, including its own history of thought. Many of us would love economic history to return to its former place as a standard part of the curriculum—a trend that has already started in many courses. So too has the teaching of the links between historical events, the history of economic ideas, and policy choices (something covered in Chapter Six). Research in economic history is thriving currently, albeit from a small base, and so too is institutional economics, for which understanding historical context is essential.

This criticism therefore has merit but those who deploy it are somewhat ahistorical themselves in refusing to recognise that the discipline has been changing dramatically during the past thirty years. There has been a substantial turn away from theory to empirical work (Angrist et al. 2017). Most economists do applied microeconomic research, where data sets, econometric techniques, computer power, and a lively methodological debate about causal inference mean there has been an effective revolution in knowledge and practice since the 1980s. Economics is at the forefront of using new massive data
sets—‘big data’ (Athey 2017). None of the recent critics (such as Skidelsky 2020) acknowledge this. Indeed most critics only discuss macroeconomics (the study of the aggregate behaviour of the economy as a whole), which is an easy target because macroeconomic forecasting is genuinely difficult, far harder than weather forecasting.

A different type of criticism reflects mutually incompatible views about whether there can be advances in economic knowledge. Heterodox critics advocate pluralism in approaches to economics (for example, Earle, Moran, and Ward-Perkins 2016). They seem to see the subject as comparable to the humanities, where fundamental truths do not exist and ultimately researchers’ values determine their conclusions. The main body of the economics profession—label it mainstream or neoclassical or even neoliberal—believes that knowledge about economics does accumulate (although none want economics to be just like physics, as some critics continue to claim; true in the 1950s or ’60s perhaps, but not in the 2020s). All economists would agree that values and ideologies affect policy choices. Many think it possible nevertheless to separate empirical knowledge—how much is a higher tax rate likely to reduce demand for sugary drinks?—from political values—should the government protect consumers from their own bad choices?

To my mind, values cannot be wholly separable from empirical investigation, and yet it is important for economists to aspire to be as impartial as possible. Economic knowledge certainly accumulates. If we had not learned lessons from the experience of the 1930s, the consequences of the 2008–9 financial crisis would have been far more severe, and governments would not have introduced furlough schemes during the coronavirus lockdowns. If we had not created and learned from market design
INTRODUCTION

(defining the rules that make markets work well), far fewer of the apps on our phones could work.

There are other important differences between economics and its critics. One is whether it is ever acceptable to put monetary values on intrinsically good things like nature or human life. The economists’ answer is that there are implicit valuations made whenever people make choices about where to build roads or what safety features to require of new products, so is it not better to be explicit about those judgements? These are healthy debates, generally with constructive mutual engagement among the participants. Indeed, some leading economists have begun to argue for a closer dialogue between economics and ethics (Bowles 2016), and to identify the importance of identity (Akerlof and Kranton 2010), and narrative and persuasion (Shiller 2019). This engagement with the humanities is necessary and welcome (Morson and Shapiro 2016).

A number of studies have also noted the (unmerited?) ‘superiority’ or ‘imperialism’ of economics or, in other words, economists’ confidence that their approach is best when it comes to answering questions or addressing policy problems (for example, Fourcade, Ollion, and Algan 2015). This is slowly changing, albeit with further to go. One piece of evidence is the growing cross-citation among the social sciences (Angrist et al. 2020). Although it is still an unbalanced trade in the sense that economics is cited more by the other disciplines than vice versa, the trend is for more cross-fertilisation. Anybody supervising PhD students or mentoring younger colleagues will know about the geyser of interest in broad societal problems requiring interdisciplinary work across the natural and social sciences and the arts and humanities.

Another welcome change in recent years is the gathering pace of curriculum reform. As explained in the text, this was
prompted by a combination of some effective student protests in countries from Chile to the UK about the inadequacy of their economics courses in teaching real-world issues with unease among university teachers and employers about what economics graduates had learned. I have been part of the coalition of economists around the world devising and making freely available a curriculum significantly different from the Economics 101 norm, changing the benchmark way of thinking about the world that students learn in what is often their first encounter with economics (Bowles and Carlin 2020). Many universities are adopting the new framework.

This book reflects my frustration with the straw men arguments because, as well as ignoring welcome changes in economics and in the way it is taught, they have allowed economists to overlook or deny some things that are badly wrong with the discipline, both in its intellectual approach and in the ways economists are so unrepresentative of the societies we aim to study.

In recent years, in a succession of public lectures, I have addressed some of these issues. Economists do not introspect much about deep methodological questions. The lectures on which this book builds had as one thread some key philosophical issues in economics itself: to what extent is economics performative, or self-fulfilling? Can a social science ever aspire to objectivity when its practitioners are part of society? What policy conclusions can we possibly draw from economics when it assumes people have fixed preferences—an assumption torpedoed by the existence of the advertising industry? Has methodological individualism run out of road as the structure of the economy shifts to activities involving ever greater externalities and non-linear dynamics? A second thread is that the way in which the economy is changing, particularly because
of digitalisation, means that our analysis of it needs to change. These threads explain the title of this book, *Cogs and Monsters*: the cogs are the self-interested individuals assumed by mainstream economics, interacting as independent, calculating agents in defined contexts. The monsters are snowballing, socially-influenced, untethered phenomena of the digital economy, the uncharted territory where so much is still unknown (labelled ‘Here be monsters’, on mediaeval maps). In treating us all as cogs, economics is inadvertently creating monsters, emergent phenomena it does not have the tools to understand.

There are, though, yet more important criticisms of economics today, concerning the sociology and culture of the discipline, and its shocking lack of diversity (in a broad sense).

There is a persuasive body of knowledge about the importance of cognitive diversity in solving problems and running organisations (Page 2007). Many of us now live in societies that are more diverse than in the past in terms of backgrounds and experiences. Diversity of experience matters in any social science because the questions researchers even think to ask are shaped by their own experience: you don’t know what you don’t know, and most of us are not able to imagine the shape of that unknown territory.

Economics stands out as one of the least diverse disciplines, even as it wields great practical influence, particularly over government policies that affect everyone in society. The subject’s gender and ethnicity record is unacceptable. Economics is one of the most male-biased academic disciplines (Ceci et al. 2014). Although this has improved in US academia, just 14.5 percent of full professors were female in 2019, and 21.2 percent of all tenure-track academics; cold comfort that the former figure has doubled since 1994. The pipeline shrinks at each career stage, with 33.5 percent of economics undergraduate majors
being female, and 32.2 percent of PhD students.¹ For the UK, against a background of improvement over a 20-year period, 20 percent of the academic workforce was female by 2016, but just 16.6 percent of full professors (Sevilla and Smith 2020). A recent study of European departments based on web-scraped data (rather than surveys) found that the representation of women falls from about 40 percent at the entry level to 22 percent among full professors (Auriol et al. 2020). There is additionally a lack of ethnic and cultural diversity in economics, although fewer survey results are available. One US study found that in 2015–2016 15.6 percent of economics degrees were awarded to members of minority groups.² In the UK in 1999 the figure was 12 percent (Blackaby and Frank 2000); absent later data, experience suggests it has changed little since then. Social class is less well measured still, but it is likely that the social experience of economics students in the UK at least has been getting narrower because an increasing proportion of its undergraduate students attend private schools. In contrast to some other disciplines, including many of the natural sciences, there has been little improvement in diversity in economics.

There is now a growing body of research showing that female economists are at a disadvantage. We publish less than male economists on average, and female-authored papers at some elite journals are subjected to extended review times (Hengel 2020). Card et al. (2020, 14) write: ‘Editors appear to be gender-neutral in the value they place on the recommendations of male


and female referees. . . However, all referees appear to hold female-authored papers to a higher bar than male-authored papers, if we measure paper quality by citations. All-female-authored papers receive about 25 percent more citations than similar male-authored papers.’ Women work on average with smaller networks of co-authors, which also tends to result in fewer publications (Ductor, Goyal, and Prummer 2020). The evidence for cumulative career disadvantage is powerful.

This lack of diversity matters for several reasons. One consequence is that academic economics in particular has a more aggressive culture than most other disciplines—reinforcing the gender bias in the profession. Any of us attending economics seminars will have experienced the frequent, challenging interruptions of speakers right from the start, making it impossible for them to present their work and get a constructive discussion, and silencing many voices in the room. Women presenters in seminars are asked more questions, and more that are perceived as unfair, than do men (Modestino et al. 2020). This alpha male, aggressive culture spills over into unacceptable behaviour more widely: Alice Wu made global headlines with her study of the macho, misogynist website Economics Job Market Rumors (Wu 2018). Other female economists and economists of colour have widely reported experiences ranging from constantly being patronised to outright harassment (for example, Sahm 2020).

Furthermore, the male domination of economics seems to shape the intellectual character of the discipline in ways that are unhealthy for a social science with so much influence on policy and society. The narrow frame of reference due in part to a limited range of life experiences shapes economists’ ideas about which research questions are important and interesting. These ideas, and what gets researched, determine government
policies, which in turn affect people’s lives and choices. Yet women and people of colour will generally have different experiences, challenges, and priorities than affluent white men. More subtly, the values of economists and those of the population as a whole seem to diverge. Surveys show wide gaps between economists’ views and public opinion on a range of policy questions, including politically contentious ones (e.g., Johnston and Ballard 2016). Economists have been found to be more individualist and even to be less pro-social than their peers (Bauman and Rose 2011; Frank, Gilovich, and Regan 1993), with some debate as to whether these types of people self-select into economics or whether learning the subject makes them this way.

The #metoo and #BlackLivesMatter movements have had an impact here as elsewhere. Professional organisations including the American Economic Association and the Royal Economic Society have responded to the lack of diversity and inclusivity in just the last two years or so. Their initial focus has been on gender and ethnicity. Change is clearly intended, with campaigns to attract students from a wider range of backgrounds,\(^3\) new mentoring programmes, codes of conduct,\(^4\) and above all much discussion and a growing awareness of the cultural and intellectual issues among the largely middle-class white male profession. How far this reaches inside the discipline is another matter: changes in social norms always take some time. Powerful male elites in top-rank American universities, gatekeepers to publication in the ‘Top Five’ journals necessary for good jobs and promotion, are adept at self-perpetuation.


Economics still needs to confront these questions, ranging from the social make-up of the profession to its substantive intellectual content. I care deeply about these; but this book reflects on the broader character of economics, not only its lack of inclusivity, and how the subject needs to change to be relevant for the rest of the twenty-first century. The issues covered here concern the fundamental paradigm—the subject’s philosophical roots in utilitarianism, the validity of the distinction between positive and normative economics, the character of dynamic socio-economic systems that do not conform to the standard assumptions, the role of social influence in a discipline built on methodological individualism, and the scope for a powerful social science to alter its own subjects of study.

Although building on a number of public lectures given between 2012 and 2020, the material has been updated and set in a narrative arc illustrating the significant changes in economics that have occurred during the past decade. The book is aimed at general readers, not just economists. This is not only to focus attention on real challenges for economics rather than the straw man critiques, but also because the public appetite to understand the economy is intense. This is an extraordinary time in world history. The coronavirus pandemic means that people in every country have been experiencing an unprecedented economic shock, more sudden and severe than the Great Depression. It has galvanised the economics community, prompting a vast amount of new research and policy analysis, and stimulating many economists to engage with epidemiology and the biomedical sciences (Coyle 2020a). I

have been closely involved in this effort in the UK, particularly in the creation of an online observatory, ECO, synthesising the state of knowledge about the crisis.\(^6\) Economics has a lot to offer in insight and advice to the policy-makers grappling with immense societal problems—not just the pandemic and its aftermath but also global environmental emergencies, and slow growth in economic opportunities along with unsustainable inequalities. This is the moment for economics to rise to the challenges set out here.

The book begins with the questions raised by the 2008–9 financial crisis. Chapter One explores the extent to which economics—specifically financial economics in this case—actually shapes the world rather than just analysing it. In other social sciences this phenomenon is called performativity. It is not unrelated to the more widespread notion of ‘reflexivity’ or the feedback between causal actor and effect. Many economists argue that economics played only a minor role in the crisis, upstaged by greed, or bad regulation. This is not the perception of non-economists, who also question why so few economists—with notable exceptions—predicted the crisis. Many critics do believe economics has shaped our societies for the worse, and whether you agree with them or not, this question should be confronted. The chapter puts the question of the responsibility of economics for events (in part I) in the context of the responsibilities of economics given the increasingly powerful role of economics in public policy (in part II). Even if you do not think economics is in any way performative, the latter responsibilities need to be taken more seriously than ever in an era when expertise is doubted or challenged. Economics is really once again political economy, just as it used to be known.

\(^6\) www.economicsobservatory.com/.
Chapter Two amplifies the theme of how hard it is to analyse the society you are part of, looking particularly at macroeconomics—the study of the economy as a whole, the behaviour of inflation, unemployment, interest rates, and growth. It was more justifiable to criticise macroeconomics in 2012 than it is now. There has been substantial subsequent change, prompted by the shock of the financial crisis. While there has undoubtedly been significant progress, my doubts about macroeconomics—unpopular among many colleagues—remain, for reasons explained here. In the public mind, too, it is macroeconomists who represent the technocratic elite.

The book then turns to the areas that are the bread and butter for a majority of economists, whether in the academic world or in policy, namely applied microeconomics. Most of us do not do macroeconomic forecasting, high profile as it is. Rather we are concerned with specific areas such as how competition in the food retailing industry works, what the effects of specific tax or benefit changes will be, which policy interventions will do most to help children struggling at school get better grades and life opportunities, or how firms learn about new production technologies and what makes them invest. The aim is often to figure out whether there is a better way of doing things in the specific context. Chapter Three questions some standard presumptions about what we take to be ‘better’, concerning assumptions we make about the way individuals take decisions, our own role as analysts of society in trying to change society—not only whether objectivity is possible (or do our own values always come into play?) but also what it means for things to be getting better? What does ‘better’ mean and for whom?

Chapter Four extends this to a world where policy decisions are increasingly being taken algorithmically, by machine learning systems which are programmed to decide as we economists
assume individuals decide: by seeking the best possible outcome for ourselves individually, on a well-specified definition of ‘best’. Machine learning systems are being created in the image of the famous (or notorious) *homo economicus*, the calculating, self-interested individual. The chapter introduces the question of data—the facts we think we know in analysing the economy or making policy decisions. In the world of artificial intelligence, the evident problems of data bias mean people are becoming well aware that available data sets are in no way an objective picture of society but rather a portrait that is painted by society, its power structures and classifications. Although economists are big users of data, including big data, paying impressively careful attention to questions of causality and bias in data samples, fewer have thought about the construction of the data they use. My preoccupation has largely been macroeconomic data, and the fact that the variables we read about in the news all the time—GDP and inflation—are ideas. We can try to measure these concepts more accurately, for sure, but they are not natural objects in the world. The same is true of many of the constructs in empirical social science.

The final two chapters pull together the threads—do we shape the society we analyse, can we hope to be objective, what do we mean by economic progress or policies making things ‘better’, is the individualism we assume valid?—in the context of the digital, twenty-first-century economy. Chapter Five concerns the economic analysis and Chapter Six the implications for policy applications. I argue here that the ways technology is changing the economy make these questions more acute. It is becoming harder to understand from existing data whether or not there is economic progress when the available statistics present a fixed portrait of a changing landscape—as if maps were trying to measure the depth of a river in its old location.
when it has actually changed its course. But the more fundamental point is that the question of economic progress needs addressing in a different way to take account of the way the digital economy has been increasing our inter-relatedness (so individualism is ever less appropriate) and has different economic characteristics from the pre-digital economy.

This Introduction ends on a personal note. One of the early UK victims of Covid19 was Peter Sinclair, Professor of Economics at the University of Birmingham. He was my undergraduate tutor at Brasenose College, Oxford, whose enthusiasm and commitment to teaching turned me into an economist, and whose wisdom, concern for others, engagement with practical policy challenges, and range of knowledge made me the particular kind of economist I became. His widow, Jayne, found among the belongings returned to her by the hospital some notes he had scribbled before he lost consciousness. They seemed to be his thoughts about how to bring about an economic recovery from this crisis. We will have to recover without him, without the many other victims of the pandemic, which has taken such a terrible human toll. It is the responsibility of economists to ensure we contribute as best we can to the needed rebuilding.
# INDEX

Page references in *italics* indicate a table or figure.

| Act of Union | artificial intelligence (AI): adoption rates of, 172–73; algorithms and, 12, 25–27, 33, 116, 118, 139, 157, 160–61, 184–85, 188, 195, 200; automated decision making and, 116, 186–87; bias and, 13, 161, 165, 187; central planning and, 184, 186–87; changing technology and, 171–72; cloud computing and, 150, 170–72, 184, 197; DeepMind and, 115–16; facial recognition and, 165; *homo economicus* and, 161; machine learning and, 12–13, 137, 141, 160–61, 187; progress and, 137–39, 154, 159–62; public responsibilities and, 28, 40; rationality and, 116–18; reinforcement learning and, 116; socialist calculation debate and, 184, 186–87; twenty-first-century policy and, 184, 186–87, 195 |
| Act of Union, 148 | Atkinson, A., 128–29 |
| ad hoc models, 89–92, 94, 150 | Aumann, Robert, 48 |
| advertising, 60; aggregate data and, 141; digital technology and, 141, 175, 177, 203–6; fixed preferences and, 5, 92–93, 123; impulse purchases and, 92; Packard on, 109; targeting women, 93 | austerity, 19, 73, 101, 158, 164, 192 |
| algorithms: artificial intelligence (AI) and, 12, 25–27, 33, 116, 118, 139, 157, 160–61, 184–85, 188, 195, 200; Harris on, 27; policy-design, 157; prisons and, 33; progress and, 139, 157, 160–61; public responsibilities and, 25–27, 33; rationality and, 116, 118; twenty-first-century policy and, 184–85, 188, 195, 200; ultra-high frequency trading (HFT) and, 25–27 | Austin, John, 23 |
| algorithms: artificial intelligence (AI) and, 12, 25–27, 33, 116, 118, 139, 157, 160–61, 184–85, 188, 195, 200; Harris on, 27; policy-design, 157; prisons and, 33; progress and, 139, 157, 160–61; public responsibilities and, 25–27, 33; rationality and, 116, 118; twenty-first-century policy and, 184–85, 188, 195, 200; ultra-high frequency trading (HFT) and, 25–27 | automation, 139, 154, 165–66, 195 |
| Alibaba, 173 | Azure, 170 |
| Allende, Salvador, 184 | Baidu, 173 |
| Alphabet, 133 | Baldwin, Richard, 196 |
| altruism, 49, 92, 117 | Banerjee, Abhijit, 109 |
| Amazon, 133, 142, 170, 173, 175, 197 | Bank for International Settlements (BIS), 24n4 |
| American Economic Association, 9, 34 | Bank of America, 28 |
| animal spirits, 22 | bankruptcy, 23 |
| Annual Abstract of Statistics for the United Kingdom, 150 | Biais, 170 |
| Apple, 116–17, 123, 133, 173, 195 | Biais, 170 |
| Arrow, Kenneth, 123 | Biais, 170 |
Basu, Kaushik, 159–60
Bateson, Gregory, 104
Baumol, W. J., 122, 124
BBC Reith Lectures, 77–78
BBC Trust, 83
Becker, Gary, 2, 92, 119

behavioural economics: aggregation and, 3, 40, 42, 71–72, 100–102, 106, 113, 122–23, 141, 176–77, 201–2; beliefs of tomorrow and, 22; bias and, 109, 136; Coase on, 58; cognitive science and, 35–36, 48, 51, 91–92, 118–19, 186; competition and, 45–51 (see also competition); consumers and, 22, 59–60, 92, 109; context and, 88; failures and, 55; Goodhart’s Law and, 72, 103; happiness and, 70–71, 153; incentives and, 29, 33, 35, 55, 63–64, 80, 106, 110, 160, 200; interventions and, 48, 63, 104, 106, 160, 208, 211; markets as process and, 37–45; models and, 22, 35, 47, 63, 88, 92–93, 119, 136, 154; outsider context and, 88, 92–93, 100, 103–9; performativity and, 11, 23, 30, 211; progress and, 136–37, 145, 154, 157–60; psychology and, 38, 63, 70, 92, 94; public choice theory and, 64, 106, 119, 124; public services and, 33; rationality and, 22, 35, 46–47, 59, 109, 117–19; self-referential policy advice and, 63–64; separation protocol and, 119–20, 124; special interest groups and, 64–66; technocratic dilemma and, 67–79; twenty-first-century policy and, 186, 202, 207–8; Wu study and, 8

Bell, Daniel, 67
Bernanke, Ben, 17
Berners-Lee, Tim, 195
Bias: academics and, 6; artificial intelligence (AI) and, 13, 161, 165, 187; behavioural, 109, 136; causality and, 13, 103; control groups and, 105; data, 13, 101, 105, 161, 187, 209; decision making and, 13, 109, 187, 209; framing effects and, 47; gender, 6, 8; institutional, 180; market, 180, 187, 209; non-rational, 47, 109; skill-biased technical change and, 132; special interest groups and, 64–66; survey, 101; twenty-first-century policy and, 187, 209
Biden, Joe, 205
Big Bang, 16
big data, 3, 13, 40, 51, 86, 100, 203, 209
biodiversity, 39, 63, 165
Black, Fisher, 23–25, 28
blackboard economies, 99
black box solutions, 161
BlackLivesMatter, 9, 214
black markets, 43
Black-Scholes-Merton model, 24–25
Blair, Tony, 208
Blake, William, 150
Blue Books, 150
BMW, 196
Booking, 173
Borges, J., 90
Boskin Commission, 146–47
Boston Dynamics, 137
Bowles, Sam, 85, 117, 119
Bretton Woods, 192
Brexit, 1, 37, 53, 56, 70, 110, 131, 155, 213
Brown, Dan, 108
Brynjolfsson, Eric, 176
bubbles, 20, 22, 29
Buchanan, James, 33
budget constraints, 177
Bundeskartellamt, 205
Bureau of Economic Policy Analysis, 66
business cycles, 71, 81, 102, 124
calculus, 16, 33, 90, 145
Calculus of Consent, The: Logical Foundations of Constitutional Democracy (Buchanan and Tullock), 33
Camus, Albert, 87, 108, 111
capitalism: criticism of, 19–20; free market and, 19, 41, 186; globalisation and, 110, 132, 139, 154, 164, 193–94, 196, 213; inequality from, 19; progress and, 143, 149; Schumpeter on, 143; twenty-first-century policy and, 186, 190, 195

For general queries, contact webmaster@press.princeton.edu
Capital (Piketty), 131
Carbon emissions, 38–40, 180, 187
Carlin, Wendy, 85
Cartlidge, John, 27
Case, Anne, 131
cash for clunkers, 55, 63
causality: bias and, 13, 105; correlation and, 94; deductive approach and, 103; economically establishing, 100; empirical work and, 2, 61, 94–96, 99; feedback and, 11, 94, 96; Leamer on, 102; methodological debate over, 2; models and, 2, 94–95, 102; moral issues and, 96; outsider context and, 94–96, 99–105; progress and, 137; public responsibilities and, 61, 74; randomised control trials (RCTs) and, 93–95, 105, 109–10; reflexivity and, 11, 81; societal statistics and, 61; statistics and, 61, 95, 99, 102; two-way, 94, 96
central banks: independence of, 16; progress and, 149; public responsibilities and, 16, 32, 62, 64, 66–67, 76, 81
central planning: artificial intelligence (AI) and, 184, 186–87; competition and, 38, 41, 124, 182; Chinese, 173, 195, 206; creative destruction and, 41; digital economy and, 42, 85, 165, 181, 201–6; directory numbers and, 60; empirical work and, 181, 209; envelopment and, 203–4; incumbents and, 41–42; innovation and, 28, 41, 46, 68, 85, 209; monopolies and, 20, 42; network effects and, 202, 205; opportunity cost and, 56, 58, 80, 156; outsider context and, 98, 105; Pareto criterion and, 122–23, 126–27, 129; production and, 12, 41; profit and, 33, 41–42, 105, 204; progress and, 135, 158, 165; public responsibilities and, 28, 33, 38, 41–42, 45–48, 57–69, 74, 77, 79, 85; rationality and, 117; resource, 41, 45, 117, 123, 125; separation protocol and, 120, 123–25; socialist calculation debate and, 182–83; special interest groups and, 64–66; specific studies in, 12; spectrum auctions and, 60–61; SSNIP test and, 204; twenty-first-century policy and, 182, 201–9
Competition and Markets Authority (CMA), 205
Cold War, 190
Coming of Post-Industrial Society, The (Bell), 67
common sense, 78, 127
communication, 53, 127, 168; bandwidth and, 171; compression and, 171; cost of, 196; 4G platforms and, 195; instant messaging, 171; latency and, 171; price of, 150, 171, 177; servers and, 25–26, 141, 170; smartphones and, 46, 138–39, 164, 171, 173, 177, 195, 198; SMS, 171; social media and, 52, 73, 82, 140–41, 149, 157, 163, 173, 176–77, 195; telephony and, 4, 31, 46, 98, 123, 138–39, 144, 156, 164, 171, 173–74, 177, 184, 195, 198; 3G platforms, 60, 139, 173, 195; transmission speeds and, 171
comparative advantage, 78, 97
competition: behavioural fix and, 45–51; central planning and, 38, 41, 124, 182; Chinese, 173, 195, 206; creative destruction and, 41; digital economy and, 42, 85, 165, 181, 201–6; directory numbers and, 60; empirical work and, 181, 209; envelopment and, 203–4; incumbents and, 41–42; innovation and, 28, 41, 46, 68, 85, 209; monopolies and, 20, 42; network effects and, 202, 205; opportunity cost and, 56, 58, 80, 156; outsider context and, 98, 105; Pareto criterion and, 122–23, 126–27, 129; production and, 12, 41; profit and, 33, 41–42, 105, 204; progress and, 135, 158, 165; public responsibilities and, 28, 33, 38, 41–42, 45–48, 57–69, 74, 77, 79, 85; rationality and, 117; resource, 41, 45, 117, 123, 125; separation protocol and, 120, 123–25; socialist calculation debate and, 182–83; special interest groups and, 64–66; specific studies in, 12; spectrum auctions and, 60–61; SSNIP test and, 204; twenty-first-century policy and, 182, 201–9
Competition and Markets Authority (CMA), 205
computers: AI and, 116 (see also artificial intelligence [AI]); Black-Scholes-Merton model and, 24–25; changing technology and, 169; cloud computing and, 150, 170–72, 184, 197; data sets and, 2, 13, 51–52, 60, 101, 161, 177, 201, 209; David on, 169; declining price of, 170; empirical work and, 2, 17, 52; exchange locations and, 25; feedback and, 179; Millennium Bug and, 155; Moore’s Law and, 170, 184; power of, 2, 17, 40, 58, 170, 183–84, 188; progress and, 138, 144, 155; rationality and, 116–17; servers and, 25–26, 141, 170; software and, 25, 140, 155, 171, 177–78, 186, 197, 200–201, 203; Solow on, 169; speed and, 25, 184; statistics and, 17, 52, 58, 144, 169; supercomputers, 170; twenty-first-century policy and, 183–84, 186, 188, 214; ultra-high frequency trading (HFT) and, 25–27
conservatism, 30

Consumer Price Index (CPI), 146–47, 172
consumers: bad choices and, 3; behavioural economics and, 22, 59–60, 92, 109; conspicuous consumption and, 42; digital economy and, 42, 137, 172–76, 181, 198, 200–206, 213; empirical work and, 3, 181; income and, 93 (see also income); innovation and, 28, 102, 200; Keynes and, 22; online shopping and, 173, 198; outsider context and, 92, 96, 98, 100–102, 105, 108–9; progress and, 137, 141, 144, 146–47, 151; public responsibilities and, 22, 28, 42, 59–60, 65; rationality and, 116; technology and, 28, 102, 171–76, 181, 200, 213; time spent online, 176–78; twenty-first-century policy and, 184, 198–206; welfare and, 105, 206
Cook, Eli, 150
copyright, 140

CORE’s The Economy, 85–86, 212–13
cost-benefit analysis (CBA), 56–57, 58n12, 125–26, 207
cost of living, 143–47, 172
counterfactuals, 97–98, 158, 161, 198, 208
“Creating Humble Economists” (Colander), 100
creative destruction, 41
curriculum issues, 2, 4–5, 83, 85, 88

Daily Telegraph, 159
Darwin, Charles, 48
data centres, 26
data sets, 2, 13, 51–52, 60, 101, 161, 177, 201, 209
David, Paul, 169

Deaths of Despair (Case and Deaton), 131
Deaton, Angus, 128–29, 131
debt, 76, 101, 153
decision making: artificial intelligence (AI) and, 116, 186–87; bias and, 13, 109, 187, 209; Green Book and, 56, 126; normative economics and, 110, 114, 120; opportunity cost and, 56; outsider context and, 93; production and, 12, 123, 140, 196; progress and, 160, 162; rationality and, 116 (see also rationality); rules of thumb and, 47–48, 90, 117, 212; self-knowledge and, 81; separation protocol and, 120
DeepMind, 115–16
Deliveroo, 173
demand management, 31, 191–92
democracy, 33, 67, 69, 79, 193
deregulation, 16, 31, 60, 68, 71, 193–94
derivative markets, 16, 18, 23–25, 28
Desrosières, Alain, 146
Dickens, Charles, 150
digital economy: AI and, 115 (see also artificial intelligence (AI)); changing nature of, 168–81; cloud computing and, 150, 170–72, 184, 197; cogs and, 6, 129, 154, 165, 179; competition and, 42, 85, 165, 181, 201–6; consumers and, 42, 137, 172–76, 181, 198, 200–206, 213; difference of, 168–76; dominance of by giant companies, 133; envelopment and, 203–4; 4G platforms, 195; GAFAM and, 173; globalisation and, 110, 132, 139, 154, 164, 193–96, 213; GPTs and, 169; Great Financial Crisis (GFC) and, 113–14; growth and, 129, 132, 140, 143, 194, 202; implications of, 176–78, 211–14; individual and, 6, 13–14, 128–29, 141, 175, 179, 181, 201; innovation and, 169–70; market changes and, 173–76; measuring online value and, 176; monsters and, 6, 154; network effects and, 127, 141, 174, 177, 185, 199–202, 205, 209; new agenda for, 179–81; online shopping and, 173, 198; Phillips machine and, 135–37, 151, 192; populism and, 211; production and, 132, 140, 142, 176, 195–97, 202, 213; progress and, 14, 137–43, 150, 153–54, 164–67; Project CyberSyn and, 184; software and, 176; supply of, 32; twenty-first-century policy and, 191–92, 200–201; warranties on goods and, 105
eBay, 175
Economics Job Market Rumors, 8
Economics Observatory (ECO), 214
economies of scale: changing technology and, 174; network effects and, 127, 174, 177, 185, 199–201, 209; progress and, 142
education: derivatives and, 16; growth and, 16–17, 132; interventions and, 12; online, 177; policy on, 60; provision of basic, 30; real-world context and, 88; skills and, 88, 128, 132, 169–70; spread of higher, 151, 153
Efficient Markets Hypothesis, 17, 29
Eichengreen, Barry, 16
empirical work: behavioural economics and, 117, 159; causality and, 2, 61, 94–96, 99; competition and, 181, 209; computers and, 2, 17, 52; consumers and, 3, 181; context and, 17, 35, 61, 78, 92; correlation and, 70, 94; counterfactuals and, 97–98, 158, 161, 198, 208; data sets and, 2, 13, 51–52, 60, 101, 161, 177, 201, 209; feedback and, 11, 94–95, 155, 179, 188–89, 203, 205; growth and, 17, 61, 78, 209; macroeconomics and, 74, 100; market structures and, 35; physics envy and, 50; politics and, 3, 76, 78–79, 124, 213; populism and, 77; public responsibilities and, 17, 35, 40, 52, 61, 70, 74–81, 90, 92, 94–102, 110–11; randomised control trials (RCTs) and, 93–95, 105, 109–10; rationality and, 17; separation protocol and, 119, 124, 128; social constructs and, 13; statistics and, 17, 52, 61, 90, 95, 99; taxes and, 3; theory and, 2, 17, 52, 74, 90, 96, 99, 124, 181
endogenous growth theory, 17, 202
Enlightenment, 20
envelopment, 203–4
environmentalists, 126
equilibrium, 31, 38–39, 90–91, 123, 182
ethics, 4, 34, 39, 100, 105, 115, 119–24
Ethics and Society group, 115
ethnicity, 6–7, 9
European Commission, 67, 130, 205
European Steel and Coal Community, 190
European Union (EU), 37, 67, 195, 204
Eurozone, 67, 74
exchange rates, 118, 192
Facebook, 133, 173, 204–5
facial recognition, 165
fairness, 43, 45–46, 166
fake items, 98
Fear Index, The (Harris), 27
feedback: causality and, 11, 94–96; changing technology and, 179; political economy and, 188–89; progress and, 155; twenty-first-century policy and, 203, 205
financial intermediation services indirectly measured (FISIM), 28
Financial Times, 68–69, 97–98
Fisher Ideal index, 144n3
fixed costs, 174, 177, 179, 185–86, 200
forecasting: agent-based modeling and, 102; conditional projections and, 76; financial crises and, 17, 30, 100–101, 112–13; growth and, 37, 61; inflation and, 36; macroeconomics and, 3, 12, 36–37, 76, 101–2, 112; models and, 17, 74, 101–2, 113; self-fulfilling prophecies and, 5, 22–23, 154–55, 157; twenty-first-century policy and, 205; weather, 76
Fourastié, J., 191
4G platforms, 195
framing, 47, 130, 208
Frankenfinance, 18, 21, 25, 51–52, 165
Freakonomics, 108
free market: Brexit and, 213; capitalism and, 19, 41, 186; criticism of, 19; globalisation and, 110, 132, 139, 154, 164, 193–94, 196, 213; politics and, 30, 36, 130, 206; public responsibilities and, 19, 30–32, 35–36, 45, 54; separation protocol and, 123–24; twenty-first-century policy and, 182, 186, 191, 193, 195, 207
frictions, 22, 113, 136, 154, 182
Friedman, Ben, 16
Friedman, Milton, 16, 31, 93, 104, 121, 190
Furman, Jason, 86
GAFAM, 173
GameStop, 27
Gelman, Andrew, 108
gender, 6–9, 93
GenZ, 166
Giavazzi, Francesco, 68
Gigerenzer, Gerd, 48
Gilded Age, 133
Giudici, Claudio, 69
Glaeser, Ed, 92
globalisation, 110, 132, 139, 154, 164, 193–96, 213
Goldman Sachs, 19
Goldman Sachs, 19
Good Economics for Hard Times (Banerjee and Duflo), 109
Goodhart’s Law, 72, 103
Google, 133, 141, 173, 201, 204–5
Gordon, Robert, 142
Gould, Stephen Jay, 49–50
Gove, Michael, 110, 149
Government Economic Service (GES), 53, 83–85
GPT, 169
Great Depression, 3, 10, 17, 20, 74, 191, 213
Great Financial Crisis (GFC): behavioural economics and, 51; consequences of, 1, 3, 11, 213; digital economy and, 113–14; dynamic stochastic general equilibrium models and, 31; forecasting, 30, 101, 112–13; Greece and, 56–58, 67; Italy and, 56–58, 67–69; models and, 31, 101,
INDEX 247


Great Moderation, 17, 73

Greece, 56, 67–68
greed, 11, 16, 29, 164
Greenspan, Alan, 101
Griliches, Zvi, 198

Gross Domestic Product (GDP), 60; Covid19 pandemic and, 88, 165; Fisher Ideal index and, 144n3; FISIM and, 28; flatlining of, 142; free market and, 130; Gross Domestic Product (GDP) and, 172–73; Gross National Product (GNP) and, 151; growth and, 28, 46, 88, 97, 138, 143–44, 159, 165, 169, 171–72; inflation and, 13, 113, 148; internet and, 97; Laspeyres index and, 144n3; macroeconomics and, 13, 101, 113, 151; progress and, 138, 142–44, 148, 151, 158–59, 165, 172–73; real, 101, 142–44, 169, 173; Sen-Stiglitz-Fitoussi Commission on the Measurement of Economic Performance and, 151; social welfare and, 134; twenty-first-century policy and, 187; Winter of Discontent and, 158, 192

Gross National Product (GNP), 151

Grove, Andy, 41

Guardian, 159

happiness, 70–71, 153

Harberger, A. C., 125–26
Harris, Robert, 27
Hausman, Jerry, 57

health care, 32, 37, 44–45, 60, 145, 164

Henderson, David, 77–78
heterogeneity, 113, 175
Hicks, John, 122, 145, 191

Hidden Persuaders (Packard), 109

Holmstrom, B., 197

homo economicus: artificial intelligence (AI) and, 161; Friedman on, 93; machine learning and, 13, 161; rationality and, 13, 47–48, 93, 114, 116–17; separation protocol and, 119

housing, 43, 60, 65, 102

humanities, 3–4, 49, 214

Hume, David, 49, 148

humility, 20, 52, 73, 79, 82, 95, 100

identity, 4, 92–93, 107, 129

(Im)possibility Theorem, 123

incentives, 29, 33, 35, 55, 63–64, 80, 106–7, 110, 160, 200
income: automation and, 165–66; consumer choice and, 93; demand management and, 192; developing countries and, 96, 196; distribution of, 122, 125, 138, 143, 149; economics graduates and, 1; falling, 164; growth in, 70, 131, 138, 143, 164–65, 194, 207; identity and, 107; innovation and, 39; median, 164, 176; microeconomic analysis and, 101; progress and, 138, 143, 147, 149, 151; real, 194; stagnation and, 164, 194

Independent, The (newspaper), 133

individualism, 5, 10, 13–14, 23, 130, 141, 180, 191
industrial policy, 207–8
Industrial Revolution, 132, 150
inequality, 11, 19, 68, 132, 149, 163–66, 215
inflation: crises of 1970s and, 16; forecasting, 36; GDP and, 13, 113, 148; Great Moderation and, 17, 73; growth and, 12, 66, 73, 178; macroeconomics and, 12–13, 17, 36, 73, 113; models and, 30, 113; monetary policy and, 16, 30, 73, 135; public responsibilities and, 16–17, 30, 36, 66, 73; statistics and, 113, 146, 148, 164; unemployment and, 12, 113, 192
innovation: changing economies and, 169–70; cloud computing and, 150, 170–72, 184, 197; competition and, 28, 41, 46, 68, 85, 209; consumers and, 28, 102, 200; creative destruction and, 41; digital economy and, 169–70; financial, 28–29; FISIM and, 28; 4G platforms, 195; growth and, 37, 41, 46, 68, 71, 194, 209; income constraints and, 39; internet and, 138–39 (see also internet); kidney exchange and, 44, 142; macroeconomics and, 37, 71, 102; markets and, 39; production and, 41, 139, 169, 195; progress and, 137, 139, 142–46, 150–51, 156, 166; randomised control trials (RCTs) and, 60–61; smartphones and, 46, 138–39, 164, 171, 173, 177, 195, 198; spillovers and, 127; superstar features and, 173–74; 3G platforms, 60, 139, 173, 195; twenty-first-century policy and, 189, 194–95, 200, 204, 209; ultra-high frequency trading (HFT) and, 25–27
instant messaging, 171
Institute for New Economic Thinking, 35, 84
Institute of Engineering and Technology, 171
Intel, 41
interest rates, 12, 18, 37, 66, 147
International Monetary Fund (IMF), 67, 158
International Network for Economic Method, 114
internet: GDP growth and, 97; impact of, 46, 168; progress and, 138–39; time spent online, 176–78; transaction costs and, 168; Unipalm and, 133; World Wide Web and, 133, 195
Internet of Things (IOT), 198
interventions: behavioural economics and, 48, 63, 104, 106, 160, 208, 211; Coase on, 62; education and, 12; government, 15, 38, 48, 80, 82, 123, 125, 191, 194, 208; market, 15, 31, 38, 125, 188, 194, 206, 213; outsider context and, 87, 94, 104, 106; progress and, 160; public opinion and, 70; regulations and, 31 (see also regulations); separation protocol and, 123, 125, 127; taxes and, 213; Trump and, 213; twenty-first-century policy and, 188, 191, 194, 206–8, 211
Iron Curtain, 190
Irrational Exuberance (Shiller), 29
Italy, 56, 67–69
IT departments, 170
John Deere, 178
Kahneman, Daniel, 47, 91
Kaldor, N., 122
Kapital, Das (Marx), 48
INDEX 249

Kay, John, 41

Keynes, John Maynard: animal spirits and, 22; on character of economists, 20, 52; demand management and, 31, 191–92; Great Depression and, 191; Hicks and, 191; lagging policies and, 54; macroeconomics and, 73, 75, 151, 191; monetarist arguments and, 73, 75; on practical men, 32; Samuelson and, 191; twenty-first-century policy and, 191, 193; on well-informed government, 61

kidney exchange, 44, 142

knowledge-based economy, 128, 140, 185–86, 197

Kondratiev, N., 189

Korzybski, Alfred, 89

Kranton, Rachel, 93

Krugman, Paul, 75, 209

Labour Party, 158, 191

Laibson, David, 86

Lancet, The (journal), 77

Lange, Oskar, 182–83, 190

Laspeyres index, 144n3

Lerner, A., 182

L’Etranger (Camus), 87

liberalisation, 38, 68–69, 196

licenses, 59

life expectancy, 145

living standards, 143–47, 172, 194

loans, 109, 147, 158

lobbying, 29, 64–65, 69, 149

logic, 33, 47, 89–91

London School of Economics, 17

London Underground, 62–63

Long-Term Capital Management (LTCM), 23

Lucas, Robert, 75

Lucas Critique, 103

lump of labour fallacy, 78

machine learning (ML), 12–13, 137, 141, 160–61, 187

MacKenzie, Donald, 23–24, 26

macroeconomics: agglomeration and, 127, 132, 202, 207; aggregate behaviour and, 3, 40, 42, 71–72, 100–102, 106, 113, 122–23, 141, 176–77, 201–2; criticism of, 17; empirical work and, 74, 100; forecasting and, 3, 12, 36–37, 76, 101–2, 112; globalisation and, 110, 132, 139, 154, 164, 193–94, 196, 213; Great Depression and, 17; Gross Domestic Product (GDP) and, 13, 101, 113, 151; inflation and, 12–13, 17, 36, 73, 113; innovation and, 37, 71, 102; Keynes and, 73, 75, 151, 191; Keynesian, 151; markets as a process and, 37–45; models and, 21 (see also models); outsider context and, 12, 100–3, 112–14; politics and, 76; progress and, 151; public responsibilities and, 17, 21, 31, 36–37, 71–76, 85–86; separation protocol and, 124; statistics and, 101–2, 113, 131; twenty-first-century policy and, 191

Malthus, Thomas, 48

Mandel, Michael, 96–97

Mankiw, Greg, 86


margin costs, 128, 174, 200, 208

Margin, Steve, 16, 193

Market Abuse Regulation (MAR), 27n5

Markets, State and People (Coyle), 114, 212

Marshall, Alfred, 132

Marshall Aid, 190

Marx, Karl, 48

McFadden, Daniel, 59

Merton, Robert C., 23–24, 28

Merton, Robert K., 22–23

#metoo, 9

microeconomics, 2, 12, 37, 58, 92, 101, 110–11, 121, 209

microfoundations, 90

Microsoft, 133, 170, 173

Millenium Bug, 155

models: abstract mathematics and, 2; ad hoc, 89–92, 94, 150; agents and, 21, 81, 102, 109, 118, 179, 209;
models (continued)

Modern Monetary Theory (MMT), 75, 102
monetarism, 16, 71, 73, 75
monopolies, 20, 29, 42
Monti, Mario, 67–69
Mont Pèlerin Society, 31, 191, 193–94
Moore’s Law, 170, 184
moral issues: Atkinson and, 129; causality and, 96; Cook and, 150; ethics, 4, 34, 39, 100, 105, 115, 119–24; fairness, 43, 45–46, 166; models and, 129; outsider context and, 96, 106–8; progress and, 148, 150; rationality and, 117; Sandel on, 34, 39, 43, 107, 119; Stern and, 148
MySpace, 205

Nash equilibrium, 90–91
National Health Service (NHS), 44–45, 77

“Nature and Significance of Economic Science, The” (Robbins), 121
neoliberalism, 3, 15, 193–94
network effects: competition and, 202, 205; economies of scale and, 127, 174, 177, 185, 199–201, 209; fixed costs and, 174, 177, 179, 185–86, 200; indirect, 174; twenty-first-century policy and, 185, 199–202, 205, 209; progress and, 141
New Deal, 193
New Public Management, 33, 106–7, 119, 187
New York Times, 19
Nobel Prize, 21, 23, 35, 44, 47, 59, 63, 92, 109, 140, 209
Nordhaus, William, 170
normative economics: decision making and, 110, 114, 120; Friedman and, 104, 121; Gelman and, 108; policy implications and, 125–26; positive economics and, 10, 104, 108, 114, 120–21, 125, 146; progress and, 146; welfare and, 114, 120, 134
nuclear arms race, 190
Obama, Barack, 75
Occupy movement, 19, 131
Office for Budget Responsibility, 66
Office for National Statistics, 171
OPEC, 192
OpenTable, 142, 175, 200
opportunity cost, 56, 58, 80, 156
optimisation, 48, 118, 188
Organisation for Economic Co-operation and Development (OECD), 130, 132, 164, 190
Ormerod, Paul, 106
Oscar awards, 108
Ostrom, Elinor, 63–64
outsider context: behavioural economics and, 88, 92–93, 100, 103–9; causality and, 94–96, 99–105; competition and, 98, 105; consumers and, 92, 96, 98, 100–102, 105, 108–9; decision making and, 93; Great Financial Crisis (GFC) and, 87–88,
INDEX 251

101, 110, 112–14; growth and, 12, 97, 101n1, 111; interventions and, 87, 94, 104, 106; macroeconomics and, 12, 100–103, 112–14; methodology for, 88–103; models and, 55, 88–103, 106, 109, 113; politics and, 106, 110; regulation and, 109; technology and, 103; welfare and, 105–7, 114

outsourcing, 139, 195–97

Oxfam, 95–96

Packard, Vance, 109

Papademos, Lucas, 67

Pareto criterion, 121–23, 126–27, 129

Perez, Carlotta, 189

Peste, La (Camus), 108

Petticrew, William, 148

Phillips machine, 135–37, 151, 192

Pigou, A. C., 120

Piketty, Thomas, 131

populism, 1, 42, 56, 67–68, 77, 82, 110, 131, 211

Portes, Jonathan, 53

positive economics: Friedman and, 104, 121; Gelman and, 108; normative economics and, 10, 104, 108, 114, 120, 124, 126; progress and, 146; welfare and, 114, 120

Post-Autistic Economics movement, 84

Post-Crash Economics Society, 84

poverty, 80

Price, George, 48

price gouging, 43

prices: cloud computing and, 150, 170, 172; communications and, 150, 171, 177; CPI, 146–47, 172; fixed costs and, 174, 177, 179, 185–86, 200; indexes for, 26, 144, 146–47, 171–72; network effects and, 127, 141, 174, 177, 185, 199–202, 205, 209; SSNIP test and, 204

principal-agent relations, 209

privatisation, 31–32, 44–45, 65, 194

probability theory, 99, 200

Pro Bono Economics lecture, 86

production: agglomeration and, 132; automation and, 139, 154, 165–66, 195; competition and, 12, 41; decision making and, 12, 123, 140, 196; digital technology and, 132, 140, 142, 176, 195–97, 202, 213; economies of scale and, 127, 142, 174, 177, 185, 199–201, 209; fakes and, 98; GDP and, 101 (see also Gross Domestic Product [GDP]); globalisation and, 110, 132, 139, 154, 193–96, 213; innovation and, 41, 139, 169, 195; manufacturing and, 105, 149–50, 172, 178, 195–98; mass, 140,
production (continued)
142; outsourcing and, 139, 195–97; returns to scale and, 123, 128, 140, 174, 177, 180, 185–88, 199, 202–3, 209; technology and, 12, 132, 140, 169, 176, 195–96, 202, 213; twenty-first-century policy and, 183, 185, 194–97, 199, 202; wealth creation and, 20

productivity: OECD countries and, 164; progress and, 142–43, 153, 164; technology and, 127, 142, 153, 169, 172–73, 192, 194, 202; twenty-first-century policy and, 192, 194, 199, 202, 207

profit: competition and, 33, 41–42, 105, 204; counterfeits and, 98; excess, 29; importance of, 1, 18, 71; maximisation of, 92, 107; measure of value and, 46; prisons and, 33; public interest and, 41; returns to scale and, 123, 128, 140, 174, 177, 180, 185–86, 188, 199, 202–3, 209; sharing economy and, 142; social welfare and, 201

progress: algorithms and, 139, 157, 160–61; artificial intelligence (AI) and, 137–39, 154, 159–62; behavioural economics and, 136–37, 145, 154, 157–60; Boskin Commission and, 146–47; building back and, 163, 165; capitalism and, 143, 149; causality and, 137; central banks and, 149; communications and, 25–26, 53, 60, 127, 139, 150, 168, 171, 177, 196, 198; competition and, 135, 158, 165; computers and, 138, 144, 155; consumers and, 137, 141, 144, 146–47, 151; cost of living and, 143–47; criteria for, 137–42; digital economy and, 14, 137–43, 150, 153–54, 164–67; electricity and, 139, 142, 156, 165, 169, 191–92; Great Financial Crisis (GFC) and, 149, 153, 159; Gross Domestic Product (GDP) and, 138, 142–44, 148, 151, 158–59, 165, 172; growth and, 138, 140, 143–45, 152, 159, 165; historical perspective on, 144–45; income and, 138, 143, 147, 149, 151; Industrial Revolution and, 150; innovation and, 137, 139, 142–46, 150–51, 156, 166; internet and, 138–39; interventions and, 160; living standards and, 143–47, 172, 194; macroeconomics and, 151; models and, 139, 151–52, 154, 159–61; moral issues and, 148, 150; normative economics and, 146; Phillips machine and, 135–37, 151, 192; politics and, 137, 142–55, 157, 161; positive economics and, 146; productivity and, 142–43, 153, 164; rationality and, 157; regulation and, 149, 156–58, 165; returns to scale and, 140; Sen-Stiglitz-Fitoussi Commission on the Measurement of Economic Performance and, 151; statistics and, 138, 142, 144–53, 158–59, 164; technology and, 134, 137–42, 160, 164–65; welfare and, 130, 143

Project CyberSyn, 184
PSL2, 72

psychology, 38, 63, 70, 92, 94

public choice theory, 64, 106, 119, 124

public goods, 30, 77, 123, 127–28, 140, 180, 212

public opinion, 9, 19, 70, 165–66

public responsibilities: artificial intelligence (AI) and, 28, 40; behavioural fix and, 45–51; causality and, 61, 74; central banks and, 16, 32, 62, 64, 66–67, 76, 81; competition and, 28, 33, 38, 41–42, 45–48, 57–69, 74, 77, 79, 85; consumers and, 22, 28, 42, 59–60, 65; empirical work and, 17, 35, 40, 52, 61, 70, 74–81, 90, 92, 94–102, 110–11; free market and, 19, 30–32, 35–36, 45, 54; Great Financial Crisis (GFC) and, 16–19, 21, 29–31, 37–38, 50–51, 56, 67–68, 73–74, 79, 84; growth and, 16–17, 23, 28, 37, 41, 46, 61, 66, 68–73, 76, 78; inflation and, 16–17, 30, 36, 66,
INDEX


randomised control trials (RCTs), 60–61, 93–95, 105, 109–10

rational choice theory, 33, 35, 47–48, 59, 91, 114, 119


Rawls, John, 106
RealClear Opinion, 19
recession, 17, 51, 73, 111, 154, 158–59
reciprocity, 49
*Red Plenty* (Spufford), 182–83, 190
Rees-Mogg, Jacob, 155
reflexivity, 11, 81
reform, 4–5, 34, 44–45, 67–69, 88, 172
regulation: Big Bang and, 16; deregulation and, 16, 31, 60, 68, 71, 193–94; greed and, 11; Market Abuse Regulation (MAR) and, 27n5; outsider context and, 109; price gouging and, 43; progress and, 149, 156–58, 165; public responsibilities and, 16, 19, 24–32, 39, 41, 43, 53, 57–71, 81; separation protocol and, 125; technology and, 27, 71, 134, 181; twenty-first-century policy and, 193–94, 200, 206; utilities and, 65
Reinhart, Carmen, 101
Renaissance, 144
rent-seeking, 64
*Republic of Beliefs, The* (Basu), 159–60
Retail Price Index (RPI), 147
Rethinking Economics group, 35, 84
Robbins, Lionel, 100, 120–21
Roberts, J., 197
Robinhood, 27
Robinson, Marilynne, 19–20
robotics, 137, 154
Rodrik, Dani, 97
Rogoff, Ken, 101
Romer, Paul, 90, 140, 209
Rosen, Sherwin, 173–74
Ross, Andy, 83–84
Roth, Al, 44, 142
Rothschild, E., 120
Royal Commissions, 65
Royal Economic Society, 9, 86
Rubinstein, Ariel, 90–91
rules of thumb, 47–48, 90, 117, 212
Ruskin, John, 20
Samuelson, P. A., 122, 191
Sandel, Michael, 34, 39, 43, 107, 119
San Francisco, 59, 132–33
Schelling, Thomas, 143, 160
Schmelzer, M., 190
Scholes, Myron, 23–25, 28
Schumpeter, Joseph, 41, 143
Scientific American, 92
Scott, James, 63
Seabright, Paul, 40
self-interest, 1, 6, 13, 23, 46–47, 109, 117–20, 123
self-referencing, 63, 104–5, 145, 206
Sen, Amartya, 64, 125, 128–29, 151
Sennheiser, 98
Sen-Stiglitz-Fitoussi Commission on the Measurement of Economic Performance, 151
separation protocol: behavioural economics and, 119–20, 124; competition and, 120, 123–25; decision making and, 120; empirical work and, 119, 124, 128; free market and, 123–24; homo economicus and, 119; interventions and, 123, 125, 127; macroeconomics and, 124; politics and, 121, 124; rationality and, 123–24; regulation and, 125; self-interest and, 119; welfare and, 120–27
servers, 25–26, 141, 170
service-based economy, 185, 197–98, 205
shadow banking, 76
Shalizi, Cosma, 183, 185
Shiller, Robert, 29–30, 159
shocks, 10, 12, 51, 71, 136, 166, 188, 190, 192, 213
Siemens, 196
Signal and the Noise, The (Silver), 94
Silver, Nate, 94
Sinclair, Jayne, 14
Sinclair, Peter, 14, 16
skill-biased technical change, 132
skills, 88, 128, 169–70
Small but Significant Non-Transitory Increase in Price (SSNIP) test, 204
smartphones, 46, 138–39, 164, 171, 173, 177, 195, 198
Smith, Adam, 41, 106, 120, 125
Smith, John Maynard, 48
Smith, Vernon, 47
Snow, C. P., 49
Snower, Dennis, 159
socialist calculation debate, 182–88, 190, 209
social media, 52, 73, 82, 140–41, 149, 157, 163, 173, 176–77, 195
social security, 146
social welfare function (SWF), 122–23
software, 25, 140, 155, 171, 177–78, 186, 197, 200–201, 203
Solow, Robert, 169
special interest groups, 64–66
spectrum auctions, 60–61
spillovers, 127, 139–40, 180, 199, 201, 206–8
Spufford, Francis, 182–83, 190
Sputnik, 190
stagnation, 143, 194
Standard Oil, 42
Stanovich, Keith, 47
Stapleford, Thomas, 146
statistics: Annual Abstract of Statistics for the United Kingdom and, 150; causality and, 61, 95, 99, 102; computers and, 17, 52, 58, 144, 169; digital economy and, 113, 150, 164, 170, 172, 212; empirical work and, 17, 52, 61, 90, 95, 99; Goodhart’s Law and, 72; improved methods for, 99–103;
inflation and, 113, 146, 148, 164; macroeconomics and, 101–2, 113, 131; microeconomics and, 58, 101; Office for National Statistics and, 171; probability and, 99, 200; progress and, 138, 142, 144–53, 158–59, 164; public responsibilities and, 17, 42, 51–52, 58, 61, 72, 90, 94–102, 113; randomised control trials (RCTs) and, 93–95, 105, 109–10; Sen-Stiglitz-Fitoussi Commission on the Measurement of Economic Performance and, 151; technology and, 169–72, 212; twenty-first-century policy and, 13, 184, 199

steel, 175, 186, 190, 200

Stern Review, 148
Stiglitz, Joseph, 130, 151, 209
stimulus plans, 73, 75
straw men arguments, 1–2, 5, 10, 15
strikes, 31, 68, 192
superstar features, 173–74
supply and demand, 44, 70–71, 174–75, 183
Sutton, John, 62
System of National Accounts, 151, 164

Tanner Lectures on Human Values, 18, 83
Tarbell, Ida, 42
taxes, 12, 65; behavioural effects of, 3; benefits and, 157; empirical work and, 3; funded health care and, 44; interventions and, 213; national boundaries and, 196; politics and, 132; sales, 105; Trump and, 213; twenty-first-century policy and, 196, 203; value added (VAT), 105
taxi, 59, 68–69, 139, 186, 203
technology: adoption rates of, 172–73; AI and, 28 (see also artificial intelligence [AI]); automation and, 139, 154, 165–66, 195; changing economies and, 13, 168–81; cloud computing and, 150, 170–72, 184, 197; communications, 25–26, 53, 60, 127, 139, 150, 168, 171, 177, 196, 198; computers and, 2 (see also computers); consumers and, 28, 102, 171–76, 181, 200, 213; declining price of, 170; digital economy and, 6 (see also digital economy); electricity and, 65 (see also electricity); Great Financial Crisis (GFC) and, 56, 181; growth and, 71, 132, 140, 202; innovation and, 169–70 (see also innovation); internet and, 46, 97, 133, 138–39, 168, 198; machine learning and, 12–13, 137, 141, 160–61, 187; materials, 127; Moore’s Law and, 170, 184; outsider context and, 103; production and, 12, 132, 140, 169, 176, 195–96, 202, 213; productivity and, 127, 142, 153, 169, 172–73, 192, 194, 202; progress and, 134, 137–42, 160, 164–65; public responsibilities and, 26–28, 35, 40, 71; regulation and, 27, 71, 134, 181; response time and, 26; servers and, 25–26, 141, 170; skill-biased technical change and, 132; smartphones and, 46, 138–39, 164, 171, 173, 177, 195, 198; social media and, 52, 73, 82, 140–41, 149, 157, 163, 173, 176–77, 195; software, 25, 140, 155, 171, 177–78, 186, 197, 200–201, 203; statistics and, 169–72, 212; stock market bubble of, 133; telephony and, 4, 31, 46, 98, 123, 138–39, 144, 156, 164, 171, 173–74, 177, 184, 195, 198; twenty-first-century policy and, 189–90, 195, 202, 205, 208; ultra-high-frequency trading (HFT) and, 25–27; welfare and, 177, 181


Tencent, 173
Thatcher, Margaret, 15, 30–31, 36, 124, 158, 192–94, 206–7
3G platforms, 60, 139, 173, 195
time allocation theory, 2
Tirole, Jean, 209
Tories, 148
“Toward a More Accurate Measure of the Cost of Living” (Boskin Commission), 146–47
transaction costs, 36, 38, 129, 168
Trump, Donald, 57, 131, 213
Tucker, Paul, 62
Tullock, Gordon, 33
Turner, Adair, 31–32
twenty-first-century policy: algorithms and, 184–85, 188, 195, 200; artificial intelligence (AI) and, 184, 186–87, 195; behavioural economics and, 186, 202, 207–8; bias and, 187, 209; capitalism and, 186, 190, 195; competition and, 182, 201–9; computers and, 183–84, 186, 188, 214; consumers and, 184, 198–206; digital economy and, 13, 185–88, 194–210; electricity and, 191–92, 200–201; forecasting and, 205; free market and, 182, 186, 191, 193, 195, 207; Great Financial Crisis (GFC) and, 194; Gross Domestic Product (GDP) and, 187; growth and, 187, 191–92, 194, 202, 207, 209; innovation and, 189, 194–95, 200, 204, 209; interventions and, 188, 191, 194, 206–8, 211; Keynes and, 191, 193; macroeconomics and, 191; models and, 185–86, 189, 191, 197, 209; network effects and, 185, 199–202, 205, 209; political economy and, 188–95, 206–7; production and, 183, 185, 194–97, 199, 202; productivity and, 192, 194, 199, 202, 207; rationality and, 194; regulation and, 193–94, 200, 206; returns to scale and, 185–88, 199, 202–3, 209; statistics and, 13, 184, 199; taxes and, 196, 203; technology and, 189–90, 195, 202, 205, 208; twentieth-century economics and, 180; welfare and, 191, 194, 201, 206, 208
Uber, 68, 133, 142, 173, 175, 197, 203
UK Competition Commission, 105
UK Treasury, 74, 126
ultra-high frequency trading (HFT), 25–27
unemployment, 12, 19, 80, 113, 153, 191–92
unions, 64, 68–69, 129, 132, 146, 192, 194
Unipalm, 133
Unto This Last (Ruskin), 20
Uritaxi, 69
“Use of Knowledge in Society, The” (Hayek), 42–43, 183
US Federal Communications Commission, 60
US Federal Reserve Board, 17, 101
utilitarianism, 10, 151
value added tax (VAT), 105
von Mises, L., 182
Wall Street, 19
Waze, 141
Wealth of Nations, The (Smith), 41
webcams, 133
welfare: consumer, 105, 206; digital economy and, 128, 134, 143, 206, 208, 212; Gross Domestic Product (GDP) and, 134; Hicks-Kaldor compensation and, 122; normative economics and, 114, 120, 134; outsider context and, 105–7, 114; Pareto criterion and, 129; positive economics and, 114, 120; progress and, 130, 143; public responsibilities and, 55, 60; separation protocol and, 120–27; social, 55, 106–7, 114, 120–23, 134, 177, 201, 208; technology and, 177, 181; twenty-first-century policy and, 191, 194, 201, 206, 208
What Money Can’t Buy: The Moral Limits of Markets (Sandel), 34
<table>
<thead>
<tr>
<th>Index Term</th>
<th>Page Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>WhatsApp</td>
<td>171</td>
</tr>
<tr>
<td>Whigs</td>
<td>148</td>
</tr>
<tr>
<td>Williamson, Oliver</td>
<td>63–64</td>
</tr>
<tr>
<td>Wilson, Harold</td>
<td>208</td>
</tr>
<tr>
<td>Winter of Discontent</td>
<td>158, 192</td>
</tr>
<tr>
<td>World War I</td>
<td>2</td>
</tr>
<tr>
<td>World War II</td>
<td>69, 151, 190, 213</td>
</tr>
<tr>
<td>World Wide Web</td>
<td>133, 195</td>
</tr>
<tr>
<td>Wren-Lewis, Simon</td>
<td>31, 75</td>
</tr>
<tr>
<td>Wu, Alice</td>
<td>8</td>
</tr>
<tr>
<td>Y2K</td>
<td>155</td>
</tr>
</tbody>
</table>