Edited by Robert Skidelsky and Nan Craig

WHO RUNSTHE E C O N O M Y ? The Role of Power in Economics



Who Runs the Economy?

Robert Skidelsky • Nan Craig Editors

Who Runs the Economy?

The Role of Power in Economics



Editors Robert Skidelsky University of Warwick Warwickshire, United Kingdom

Nan Craig Centre for Global Studies London, United Kingdom

ISBN 978-1-137-58018-4 (hardback) ISBN 978-1-137-58017-7 (eBook) DOI 10.1057/978-1-137-58017-7 ISBN 978-1-137-58019-1 (paperback)

Library of Congress Control Number: 2016951095

© The Editor(s) (if applicable) and The Author(s) 2016

The author(s) has/have asserted their right(s) to be identified as the author(s) of this work in accordance with the Copyright, Designs and Patents Act 1988.

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made.

Cover illustration: © Textures and backgrounds / Alamy Stock Photo

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature The registered company is Macmillan Publishers Ltd. London

Preface and Acknowledgments

The symposium 'Power and Economics' took place over four sessions in London on 23 March 2015. Transcripts were made of the presentations and discussions. The following essays arose from the presentations given, and we have tried to give a sense of the discussion in our Introduction.

We would like to thank the House of Lords for making the conference room available and providing refreshments; the Centre for Global Studies, which made the symposium financially possible; Laurie Laybourn-Langton for organising the event; Rachel Sangster, Laura Pacey, and Gemma Leigh at Palgrave Macmillan; Ubiqus, for transcription services; and of course all those who attended, as speakers or as discussants.

> Robert Skidelsky Nan Craig

Contents

1	Introduction Robert Skidelsky and Nan Craig		
Pa	rt I	Economics and Power: Basic Models of the Relationship	15
2	_	wer and Economics ven Lukes and Jonathan Hearn	17
3		onomics as Superstructure rbert Häring and Lucas Zeise	31
4		pnomics as Science ncy Cartwright and John Bryan Davis	43

viii	Contents

Pa	rt II Case Studies	57
5	The Keynesian Revolution and the Theory of Countervailing Powers <i>Robert Skidelsky and Roger Backhouse</i>	59
6	The Neoclassical Counter-Revolution and the Ascendancy of Business Daniel Stedman Jones and Ben Jackson	73
Pa	rt III Applications to the Present	85
7	Economics and the Banks <i>Adair Turner</i>	87
8	Financialization vs. Efficient Markets: Reframing the Economics and Politics of Finance <i>Thomas Palley</i>	101
9	Power and Inequality James K. Galbraith and Anthony Heath	121
Index		139

Notes on Contributors

Roger Backhouse is a professor of History and Philosophy of Economics at the Department of Economics, University of Birmingham and Erasmus University Rotterdam. His publications include a book on John Maynard Keynes, and the history of the social sciences since 1945, and, with Mauro Boianovsky, *Transforming Modern Macroeconomics: Exploring Disequilibrium Microfoundations*, 1956–2003 (2013).

Nancy Cartwright is a professor of Philosophy at the Department of Philosophy, University of Durham and at the University of California, San Diego. Her publications include *How the Laws of Physics Lie* (1983) and *The Dappled World: A Study of the Boundaries of Science* (1999).

Nan Craig is Programme Director at the Centre for Global Studies. She studied Politics and International Studies at the University of Warwick and Global Politics at the London School of Economics.

John B. Davis is a professor in the Department of Economics at Marquette University and Amsterdam School of Economics at the University of Amsterdam. He is the author of *Keynes's Philosophical Development* (1994), *The Theory of the Individual in Economics* (2003), and *Individuals and Identity in Economics* (2011).

James Galbraith is Lloyd M. Bentsen Jr. Chair in Government/Business Relations and professor of Government in the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin. His publications include Inequality and Instability: A Study of the World Economy Just Before the Great Crisis (2012) and The End of Normal: The Great Crisis and the Future of Growth (2014).

Norbert Haering is a correspondent for Handelsblatt, and co-director of the World Economics Association. He is the author, with Niall Douglas, of *Economists and the Powerful* (2013).

Jonathan Hearn is a senior lecturer in Sociology in the School of Social and Political Science at the University of Edinburgh, UK. He is the author of *Claiming Scotland: National Identity and Liberal Culture* (2000), *Rethinking Nationalism: A Critical Introduction* (2006), and *Theorizing Power* (2012).

Anthony Heath is a professor of Sociology at the Centre for Social Investigation, Nuffield College, Oxford. His books include *The Political Integration of Ethnic Minorities in Britain* (2013) and *Unequal Attainments: Ethnic Educational Inequalities in Ten Western Countries* (2014).

Ben Jackson is associate professor of Modern History in the Department of History at Oxford University and a Fellow of University College. He is the author of *Equality and the British Left* (2007) and the co-editor, with Robert Saunders, of *Making Thatcher's Britain* (2012).

Steven Lukes is a professor of Sociology in the Department of Sociology at New York University, USA. He has written many books about political and social theory, including the seminal *Power: A Radical View* (1974) and also *Emile Durkheim: His Life and Work* (1975).

Thomas Palley is an economist living in Washington DC. He was formerly chief economist with the US-China Economic and Security Review Commission, Director of the Open Society Institute's Globalization Reform Project, and Assistant Director of Public Policy at the AFL-CIO. His books include *Plenty of Nothing: The Downsizing of the American Dream and* the *Case for Structural Keynesianism* (1998).

Robert Skidelsky is emeritus professor of Political Economy in the Department of Economics at Warwick University. His publications include a three-volume biography of John Maynard Keynes (1983, 1992, 2000); *Keynes: The Return of the Master* (2010); with Edward Skidelsky, *How Much is Enough? The Love of Money and the Case for the Good Life* (2012); and most recently *Britain in the 20th Century: A Success?* (2014). He is editor of *The Essential Keynes* (2015). **Daniel Stedman Jones** is a barrister practising in London, and the author of *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (2012).

Adair Turner is chairman of the Institute for New Economic Thinking and former chairman of the Financial Services Authority. He is the author of *Economics after the Crisis* (2012) and most recently, *Between Debt and the Devil* (2015).

Lucas Zeise is a financial columnist for the *Financial Times Deutschland*. His most recent book is *Geld—der vertrackte Kern des Kapitalismus* (2012).

List of Figures

The power of economic ideas: what you see depends on		
the ideas you believe	104	
The 1945–1980 virtuous circle Keynesian growth model	107	
The neoliberal policy box	108	
The evolution of the US economy in the Neoliberal Era,		
1980–2015	109	
Main conduits of financialization	113	
The structural Keynesian box	115	
Putting finance back in the box	116	
	the ideas you believe The 1945–1980 virtuous circle Keynesian growth model The neoliberal policy box The evolution of the US economy in the Neoliberal Era, 1980–2015 Main conduits of financialization The structural Keynesian box	