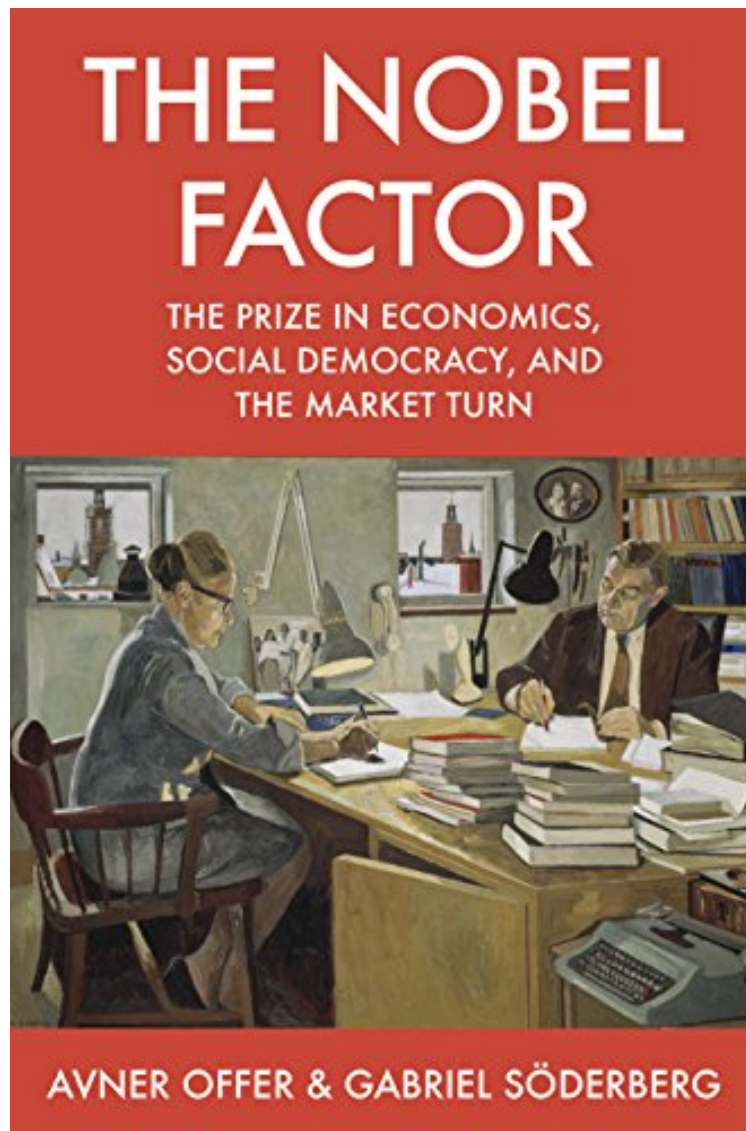


[Free] The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn

The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn

Avner Offer, Gabriel Souml;derberg
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Avner Offer, Gabriel Souml;derberg : The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn before purchasing it in order to gage whether or not it would be worth my time, and all praised The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn:

0 of 0 people found the following review helpful. The Economics Nobel Prize was created in 1968 by Swedish central bankers to promote market-liberalism against social democracy By Freh The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn. Avner Offer and Gabriel Soderberg. 2016. The authors argue that in 1969 the

Swedish business elite managed to acquire the Nobel name for a prize in economics for the purpose of exaggerating the scientific authority of market-liberalism to overturn Social Democracy. This prize in economics was not part of the original group of Nobel prizes awarded every year since 1901. This is hardly surprising since Alfred Nobel had written that he hated business and considered himself a social democrat. Nevertheless, the prize was created by the central bank of Sweden by providing an endowment funded by taxpayers and by persuading the Nobel Foundation (dominated by businessmen), the Royal Swedish Academy of Science (which resisted), and the Nobel family to lend the prestige of its name. However, the family insisted in setting the prize apart by naming it the "Prize in Economic Science in Memory of Alfred Nobel." The authors contend that the Nobel-selection committee, which did not include a single left-leaning economist until the 1990s, was biased from its onset toward the right compared to economists generally. This is documented by multiple surveys of economists over several decades that consistently show 2/3 favored Social Democratic norms, while only 1/3 strongly opposed them in both Europe and the U.S (see fig. 1). A study of doctoral students in the top six American universities showed that 2/3 were left of center in 1985 and still left of center when followed up in the 2000s. A poll of senior American economists by the Economist in 2008 found 46% Democrats, 44% independents, 10% Republicans, and 80% supporting Obama's policies. The politics of the selection process are examined by a review of the history of the committee and by extensive graphic analysis of the lifetime patterns of citations of the candidates' research. Prizes were split relatively evenly between left-leaning and right-leaning economists, but did not reach the 2/3 to 1/3 split in the discipline. The committee advanced its viewpoint by focusing on studies of markets and by presenting economics as more scientific than it is. Some highly regarded liberal economists appear to have been blackballed—permanently for J. K. Galbraith and Joan Robinson and temporarily for Stiglitz and Akerlof. On the other hand, the prize in 1974 rescued the status of the conservative Friedrich von Hayek (author of *The Road to Serfdom*), whose career had been at a dead end since the 1950s. The authors set the actions of the Nobel Committee in the context of the struggle between social democrats and market-liberalism of business elites. Market-liberalism is characterized as considering market exchange as superior to all alternatives with no role for government and with no concern for advantages from inequality of endowments of wealth, connections, ability, education, and health or for unequal rewards. Nordic Social democracy is characterized as a vision of reciprocal solidarity, in which immediate self-interest is subordinated to collective advantage, with the addition of government programs to correct market failure so that health, education, welfare, and housing are pulled out of the market and predation of labor is prevented by central negotiation between employers and trade unions. The authors note that due to social democracy with mixed economies, no societies on earth are farther from serfdom than the Nordic welfare states, which are among the richest and most equitable in the world. In these states earnings growth is shared by all rather than just a few at the top as in the U.S. (see fig. 2). In addition public sector social insurance is more than an order of magnitude cheaper to administer than market insurance for sickness, disability, and unemployment. Compared to the U.K., the U.S. health system costs twice as much, has inferior outcomes, and fails to cover everyone. According to the authors, the market-liberalism favored by the Nobel Committee is not entitled to the authority of science because it lacks natural sciences' widely shared core principles and requirement for empiric validation. Its main feature is that its doctrines are highly convenient for great wealth, polluting industry, risky finance, and those who don't want to pay taxes or help the needy. Moreover, the mostly theoretical neoclassical economics at its base has been largely discredited in the last several decades by the rise of empiric and behavioral economics. These disciplines have disproven many of the theoretical conclusions, assumptions, and models about perfect markets, rational choice, and so on by actual rigorous measurement and observation. Models of market efficiency (the invisible hand) fail because assumed extensive uniformity, perfect information, and perfect competition, not to mention an absence of bad faith, opportunism, and fraud do not exist in the real world. Also, efficiency is worth having, but so are other values, such as truth, justice, freedom, loyalty, and obligation. Models of Rational Choice (informed self-interest) fail because of the same assumptions and because actual human choice has been shown to differ greatly from that of models. Also, the self-interest model excludes other influences, such as friendship, love, loyalty, charity, and integrity. The Just World Theory, which states that everyone gets what he deserves regardless of prior endowments, justifies inequality and hardship as arising from individual desert. Thus its purpose is to dismantle constraints on the wealthy and dismantle protections for everybody else. It is essentially a license to inflict pain. The Optimal Taxation Model suggested a low linear tax of 20-30% with marginal rates declining as income increased until they reached zero for the top earner. The model is open to many criticisms and other top economists have suggested a top rate of 78%, not zero. Despite these and many more shortcomings, market-liberalism, with authority boosted by several Nobel Prizes, managed to gain political ascendancy in the past several decades and helped bring about the negative consequences of the "market turn" referred to in the book's title. The massive redistribution of wages and benefits away from workers and toward wealthy elites caused soaring inequality. Deregulation contributed to the financial crisis of 2007. The introduction of ownership equity incentives for managers led to systematic plundering of corporations. Privatizing of welfare functions led to inferior programs with higher risk, lower employer contributions, and high fees (25-40% for pension investment). Imposition of austerity by the IMF and World Bank according to the "Washington Consensus" led to slower

economic growth, collapsed wages, lower standards of living, and increased corruption throughout Latin America, Southeast Asia, Russia, and Eastern Europe. The authors ask, "What warrant does Nobel economics provide for the market turn? As science, not much... Economics, even Nobel economics does not hang together very well... The massive empirical turn in economics during the last two decades, the work of field experiments and historical "natural experiments", is a silent repudiation of equilibrium economics. To recapture validity, economics has to come down to the ground of argument, evidence, and counterargument, supported by reason and an open mind." 1 of 1 people found the following review helpful. An introduction to the landscape of economic ideology By econowiz This is an excellent clearly written and accessible introduction to the underlying ideological battles in economics. As the authors demonstrate economics is not science, it a language in which important social and economic policy debates play out. The authors provide a well researched history of the Nobel in economics and the key role that it plays in defending mainstream thinking. 3 of 4 people found the following review helpful. Economics is not a science By JKJ Georgetown The Nobel Factor represents an ambitious exploration of recent economic history, and in many ways a successful one. Basically it undertakes a broad assessment of the state of the economics "science" as documented by the main contributions of the 76 Prize winners from 1969 to 2015. The authors acknowledge the theoretical beauty and internal validity of many of the contributions, but come down hard on the lack of external relevance of the practical results. It argues that the economic policy prescriptions have been few, and those that have been applied have proven mistaken. The book disputes the standing of economics as a science, and the authors are skeptical whether the Nobel imprimatur is warranted. The book's analytical strategy is to contrast the economics professions love of mathematical modeling against the practical work of economics in each nation. The "market turn" associated with the so-called Chicago-school's ascendance in 1980s and 90s (and the ensuing Nobel Prizes awarded) have led to a decline in the kind welfare economics emphasized in more social democratic nations. The authors demonstrate how the strictures imposed on debtor nations by IMF and other international banking institutions have not only failed to work but have also led to much unnecessary suffering. The book's chapter on the "Washington Consensus" is a devastating indictment of the Chicago school's disastrous international influence. The book also argues social democracy leads not only to a more humane society but also to better economic performance. The expensive health care system in the United States is repeatedly used to contrast the American thrust towards deregulation and privatization with the balanced social democratic Scandinavian countries whose economic performance has been better than the American. The Nobel committee awarding the prize was long led by adherents of the pro-market thinking. This seems to be one reason why the Nobel Prize awards have not favored economists with social democratic leanings, despite the Swedish connection. Two such well-known economists who could have been strong candidates in the past, John Kenneth Galbraith and Joan Robinson, were apparently not taken seriously, lacking in mathematical modeling skills. It is easy to see how the book's dismissal of theoretical contributions such as Robert Lucas' "rational expectations hypothesis" or even Milton Friedman's "quantity theory of money" for their lack of realism or lack of policy success might infuriate market puritans. The author's personal biases in favor of social democratic solutions also shine through much of the analysis and discussion. Nevertheless, the book is an invaluable addition to the economics literature and the Nobel Prize history. It becomes clear why Alfred Nobel himself, if alive in 1969, likely would not have approved a Nobel Prize for economics, and why Nobel Prize winners in the more scientific fields might feel the prestige of their Nobel Prize devalued by the prize in economics.

Economic theory may be speculative, but its impact is powerful and real. Since the 1970s, it has been closely associated with a sweeping change around the world—the "market turn." This is what Avner Offer and Gabriel Souml;derberg call the rise of market liberalism, a movement that, seeking to replace social democracy, holds up buying and selling as the norm for human relations and society. Our confidence in markets comes from economics, and our confidence in economics is underpinned by the Nobel Prize in Economics, which was first awarded in 1969. Was it a coincidence that the market turn and the prize began at the same time? The Nobel Factor, the first book to describe the origins and power of the most important prize in economics, explores this and related questions by examining the history of the prize, the history of economics since the prize began, and the simultaneous struggle between market liberals and social democrats in Sweden, Europe, and the United States. The Nobel Factor tells how the prize, created by the Swedish central bank, emerged from a conflict between central bank orthodoxy and social democracy. The aim was to use the halo of the Nobel brand to enhance central bank authority and the prestige of market-friendly economics, in order to influence the future of Sweden and the rest of the developed world. And this strategy has worked, with sometimes disastrous results for societies striving to cope with the requirements of economic theory and deregulated markets. Drawing on previously untapped Swedish national bank archives and providing a unique analysis of the sway of prizewinners, The Nobel Factor offers an unprecedented account of the real-world consequences of economics—and its greatest prize.

Selected for Canada's Financial Post Best Personal Finance and Economics Books of 2016 Selected for

Bloomberg Viewersquos Idquo;The Writing that Shaped Economic Thinking in 2016rdquo;"Fascinating."--Justin Fox, Bloomberg View "As intellectual, social, and political history, The Nobel Factor is well worth your time getting stuck into."--Stephen Kinsella, Irish Economy "This book is hugely persuasive about economics, where the knowledge displayed is extraordinary and the judgments highly persuasive."--Jim Tomlinson, Long Run, EHS blog "There is much to be commended in The Nobel Factor. The close attention to the history of the Prize in Economics, the careful collection--and correlation--of data on the winners with broader intellectual and political trends makes the book a valuable guide."--Siddharth Singh, Open Magazine "Authors Avner Offer and Gabriel Soderberg . . . trace the powerful effects of the [Nobel] prize."--Andrew Allentuck, Financial Post "Through thorough research of the publicly available archives and interviews with participants in the award process, the authors show both ideological and scientific criteria have operated, and, while science ended up lending a hand to ideology, it also sowed the seeds for dissent; scientific criteria drove the prize committee lquo;into a refutation of scientific economics."--Choice "Offer and Souml;derbergsquos story of the origins, recipients and impact of the Nobel Prize in Economics is intellectual history at its best. . . . The failure of neoliberal economics to predict devastating debt crises and stem destabilising poverty suggests that economics is due for a return to the workbench. This book makes an important contribution to such a rethink."--E. Stina Lyon, Times Higher Education "Well-informed, trenchant."--Foreign Affairs "An important book. It will prove fascinating for all economics junkies, plus those interested in any and all Nobel Prizes."--Walter Block, San Francisco Book "[An] excellent book."--Peter Radford, Real-World Economics blog "A brisk and persuasive account."--John Drifill, Financial World "From the Back Cover" "An illuminating and sometimes astonishing book that throws new light on the rise of the new right and the assault on the intellectual underpinning of social democracy. Lateral thinking at its very best--a must-read."--Will Hutton, author of The State We're In "I love this book. It's beautifully written, but more importantly, it manages to combine a sociology of the Nobel Prize in Economics with a genealogy of market liberalism and a history of Sweden's struggle over social democracy. This is difficult enough to imagine, let alone make work, and the authors should be applauded for doing so."--Mark Blyth, author of Austerity: The History of a Dangerous Idea "At last, two scholars, profoundly versed in the theory, evidence, and history of contemporary economics, puncture the mythology that is the foundation of free-market neoclassical economics. Economics is not science but one policy voice among many others. As Offer and Souml;derberg document, the pretense of an objective, scientifically based Nobel Prize in Economics has been an artifice of neoliberal propaganda for decades, doing deliberate damage to social democracy. They give a hearing to all sides, and in the end say it like it is. The influence of economics matters a lot and too much of it is sheer theory without evidence."--Jeff Madrick, author of Seven Bad Ideas: How Mainstream Economists Have Damaged America and the World "The Nobel Factor is a tour de force account of how the discipline of economics has developed since the 1960s. Using the Nobel Prize in Economics as their prism, Offer and Souml;derberg present a refreshingly unapologetic, deeply critical analysis of the ideological turn to market fundamentalism that was propelled by the selection of prizewinners. The authors' analysis of the policy implications makes one question whether economics, as it is generally taught, promotes a healthy economy."--Bo Rothstein, University of Oxford "The Nobel Factor is a fascinating book. It argues that the Nobel Prize in Economics played a role in the transition from social democracy to market liberalism, in both Sweden and the wider world. This is a new idea that should be of wide interest."--Roger E. Backhouse, author of The Puzzle of Modern Economics: Science or Ideology? About the Author Avner Offer is Chichele Professor Emeritus of Economic History at the University of Oxford and a fellow of All Souls College and the British Academy. His books include The Challenge of Affluence. Gabriel Souml;derberg is a researcher in the Department of Economic History at Uppsala University in Sweden.