

## Economics isn't ideology-free and it's misleading to suggest it is

Written by The Conversation

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Trying to answer policy questions with economics is bound to involve ideology. Image sourced from [www.shutterstock.com](http://www.shutterstock.com)

Prime Minister Malcolm Turnbull [recently commented](#) that when it comes to Australia's energy supply:

“policymakers have put ideology and politics ahead of engineering and economics”.

It's not uncommon for a politician to accuse other politicians of being subservient to ideology on some issue. But to couch this accusation in terms of a choice between “the economics” or “just ideology” is problematic.

We should be highly sceptical of claims that the pronouncements of economists about real world economic problems stand above any ideological influence. This might in turn allow for a more sober assessment of what economics can and can't deliver.

There's a belief, still present within the economics profession and which still finds its way into the education of undergraduate economics students, that economics possesses a box of tools that are value-free, or ideologically uncontaminated. And that somehow this allows for economic statements about real world problems that are free of ideology.

The idea persists in part because it serves a purpose, for some, in providing a benchmark for measuring the “scientific progress” of economics as an intellectual discipline.

But things are less clear when you look more closely at how the box of tools is used.

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Take the proposition, for example, that lower prices for goods and services would benefit the consumer, using some measure of consumer welfare. Or that increased competition would under certain conditions lead to lower prices.

Leaving aside the fact that the choice of measure of consumer welfare might itself not be completely untainted by ideology, using these propositions to diagnose real world problems inevitably brings ideology into play.

For example, justifying a policy to promote “efficiencies” in production as a means of achieving lower prices, which might also require people losing their jobs, would warrant some additional reasoning about society’s objectives underpinning the production and distribution of its material wealth.

This is especially the case where the economic toolbox does not support a belief that market mechanisms would automatically kick in to provide employment for displaced workers. Policy prescription in this case is inevitably ideologically laden.

The tool box can also contain, for example, propositions about how the size of the federal government’s budget deficit, the speed at which the economy is growing and the path of public debt over time are all connected.

To turn such propositions into meaningful discussions of economic policy, particularly about government spending, taxation or welfare outlays, requires additional propositions that are likely to be conditioned by ideology. This includes the amount of public debt a country should live with and, more fundamentally, what activities governments should be involved in.

[For 20th-century economist Maurice Dobb](#) , ideology enters into the picture as soon as we put the box of tools to work.

In other words, a set of formal economic propositions could only be considered immune from ideology prior to being used as a means of illuminating real world problems. But arguably, as Dobb suggests, at this stage the box of tools has little economic content.

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But as soon as these propositions are used to infer cause and effect, and in turn form a basis for policy prescription, ideology inevitably enters into the picture.

Indeed, for some, even decisions about which tools go into the tool box are not completely free of ideology.

The point of all this is not that we should throw up our arms in despair at the influence of ideology in economics. To [quote](#) the Austrian economist and historian of economic thought Joseph Schumpeter:

“explanation, however correct, of the reasons why a man says what he says tells us nothing about whether it is true or false”.

Economics and ideology intertwine. This serves as a reminder that the use of economic propositions for diagnosis and policy prescription can be affected by a historically conditioned vision of how things are and “[the way in which we wish to see them](#)” (to borrow Schumpeter’s terminology).

*Graham White does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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