

Interview: Peter Radford of the World Economics Association

In 1885, the American Economic Association was born. In the field, it has become the ideological power player as an association, journal publisher (AER, JEL, JEP), and award granter (John Bates Clark Medal, Elaine Bennet Research Prize).

In May of 2011, The World Economics Association (WEA) was born. The WEA, founded by the likes of Edward Fullbrook (of Real World Economics Review fame), Peter Radford, and many others, brings a new set of values to the table. A comparison of values between the two sheds light on the WEA's significance:

American Economic Association

- 1. Encourage economic research*
- 2. Publish economic journals*
- 3. Perfect freedom (or objectivity) in discussion*

World Economic Association

- 1. Worldwide membership and governance*
- 2. Inclusiveness with respect to diverse theoretical perspectives*
- 3. The study of the world's diverse economies.*

Though there are 8 “commitments” by the WEA (including 3 journals (!) and 2 annual conferences) these three were emphasized.

I met Peter Radford on Fifth Avenue near The New School early on a Saturday. He had kindly responded to my interview requests and insisted on buying me a coffee; over the course of our meeting it became obvious that this was emblematic of his personality. Mr. Radford is a person generous with his time and resources. He exemplifies transparency and has both an opinion and a charming story behind each erudite, economic topic.

We started off talking about his background, discovering that he had studied diplomatic history at the LSE and obtained an MBA from Harvard. As our interview was picking up, he was describing how he had gone on to work for a medium-sized bank (amongst the big banks) in New York, both in strategic planning but also increasingly as an economist.

**Paragraphs spoken by Brandt Weathers in italics.*

Peter Radford (World Economics Association): [...] The CFO comes, you've been to the London School of Economics, ergo you know economics, ergo you can go out and make these speeches and do all that. [...] And then I had this other piece that I did; I wrote a monthly newsletter, which went out to all of our customers. I eventually hired several people to do the economics for me. I counted once; I did something like 1000 speeches in and around the New York area. I got involved in negotiations for treaty immunes. They would come to me and say, “well, what do you think inflation is going to be, because

we're doing a new contract?" So I would get involved in those kinds of discussions. It was really fun, I must admit. And as I told you as we were walking down the street, I didn't have any background in this. [...] The chairman of the bank kind of realized I was doing this on the fly. He wanted to have a 'credible' economist to advise the board of directors as we go through making mergers and acquisitions and things like that, we needed to know what the economic environment was going to be. His name was William Townsend Knowles. Townsend. The consulting firm that Alan Greenspan ran was Townsend-Greenspan. So there's a family connection between Alan Greenspan and Bill Knowles. So they hired Greenspan as an outside consultant and they say, "Ok Peter, talk to him, and internalize what he tells us and then you are going to become the mouthpiece inside the bank and also the mouthpiece to our customer base." So I spoke to Greenspan maybe twice a week for about ten years. I would chaperon him when he came to do a big speech to our board or something like that. So that's where I started to learn 'economics' from, if you like, a more formal perspective. We got into conversations in the car as we drove around... I would make up silly questions like, and I remember doing this in the mid 80's, you know: "why when you 'professional people' are measuring inflation, why aren't we taking into account asset-priced inflation, in terms of policy," and on-and-on and he talked a different thing. And I remember sitting there when he was actually in the Fed, watching the bubble, right, and I remember this conversation and I know he's not going to do anything [laughs]. He's just not going to do anything, because I've had this conversation ten years ago.

**Brandt Weathers (New School Economic Review): Was it around this time or quite a bit after this time that you came to where you are today in your critical perspective?*

Afterwards, afterwards... [editor's note: once his firm was bought out and he decided to write a book] I started to do extensive amount of reading on the theory of the firm in economics and everything I started to pick up had *no* relation-- I've just lived in the firm! I think I kind of understand what's going on, but everything you're telling me has got nothing to do with it! Alright, well I can accept that cause you guys are in academia and you've got your own agendas and perspectives, but at some point there's got to be an intersection, I would've thought, and I was naive. But I was particularly interested in the way in which the internet was going to disintermediate the way in which business was conducted, because my view of a business firm is that it relies on the asymmetries of information, I mean, that is, you *hoard* information. The purpose of having a firm is *not* to allow information to flow to your customers and so on. You hoard it so that you can extract value from it. Which is, of course, not what you read about but that's what I thought we were doing. So I thought: if that's what we're doing, the internet makes that more difficult. So what does this imply for organizational theory? That's what I wanted to write about. So I thought: ok, I've been doing all this economics stuff, that *should* help me, and I tried try to perspective on the information in the economy, its role, how do business firms relate to economics and so forth. [...]

B: You probably know about this, how in many schools as an undergraduate you can take any courses you want. Do you kind of look back on your education and wish that it was a

little bit different? Or your graduate education?

Yeah, possibly. I was very lucky at LSE, I pretty much did what I wanted. I was always pretty stubborn about that. I majored in diplomatic history, but I did politics and philosophy, and I did the obligatory economics. I even did statistics for quite a while. [...] we all had to go through the same first year. Then in the second year, it was an incredibly small department; there was one class I took where it was just me and the professor. We would meet in the pub [laughter]. [...] She was hugely influential in my life. She encouraged me—you know, “you've picked up a book I haven't read so let's talk about the book that you've just read.” I found that very liberating. And that's what I reacted against when I went to business school. It was like, “No, I don't want to do that, I want to have discussions across the boundaries,” because that's naturally what I do. As I told you earlier, I'm convinced if economics is going to reform itself and become more relevant in the future, it has to import a lot of ideas from outside of its boundaries. [...]

B: Will Milberg gave a talk at the Eastern Economics Association, asking whether we should impose rules or at least some consequences for people if we feel like they violate certain norms within...

Yes! Yes. Edward wants me to put together an ethics committee for the WEA, to discuss exactly that. I'm convinced we should. I mean I speak out of school, but look at Glenn Hubbard [Dean of Columbia Business School], [...] he has a number of roles: first of all, he's an economic consultant, obviously. He's teaching young people economics, has been an economic advisor to various Republican people and is now, I believe, an economic advisor to Romney. So he's playing a number of very important roles. I think there's an ethical burden on him to do that in a socially responsible way, in an honest way and in a very clear way for his fellow economists. He shouldn't be writing things that have been purchased without saying that they've been purchased. I don't mind that they've been purchased, I mean, I'm a business school person, I like people making their money, that's good for them. *But*, you know, say so. I think someone like that needs to have an asterisk put next to them until you know, they either confess or have done something to clean it up. Because I think economics is riddled with that. It's a duality. A lot of economists think of themselves as academics, but they're not *only* academics. The moment you step out and say I think inflation is going to be 2% you're now a professional, you're like a doctor. You're imparting your expertise to society. And society is entitled to think that you're doing that on the basis of an objective

B: ...yeah, in their best interest, in the public's interest.

Yeah, and you're not doing that because Citibank just gave me \$100,000. So I think we need to clean up the act. We're the only profession as far as I can tell that doesn't have a code of ethics.

B: Do you align yourself with any particular school of thought in- or outside of economics or do you consider such categorizations all equally bunk?

I've got to answer that in two ways. One is that they're obviously not bunk because they're labels that people profoundly believe in. So they can't be bunk. [...] We've got this system of labels. Do I align with it? I try not to. I try not to because I try to solve problems. And I think that if you commit to a particular view, you're taking off the table potential problem-solving bits of knowledge. This is one of my reasons why I like the pluralist approach. The pluralist approach is not simply to encourage the continuation of these archipelagos of people, each with their own little island, and they don't talk. I would like the idea that people, students and practitioners are able to cherry-pick and say well this idea seems to work in this circumstance, so I'm going to use that, I don't care what label it is. I'm a very practical person. I want to solve problems. I want society to benefit from the accumulated knowledge of economists. You can't do that if you're all in the trenches criticizing each other. That doesn't seem to be a practical thing to do. So I've got this dualist approach: I eschew any school but I understand why they exist.

B: So you try to avoid labels even though labels such as heterodox might be...

Well, I, I've had this... we're in the process of putting together a newsletter which will go out to our membership and, a terrific guy [...] is doing all the work is putting it together and he wanted to have heterodox in there. I said no, I think that's a label too. I think we should just talk about "economics" - as if it existed as a coherent subject. We all know it doesn't, but maybe if we start talking as if it does, then maybe one day it will become one. We can start breaking down some of these rules. I mean, I don't see how we can go forwards otherwise.

B: But you're more comfortable with a qualifier like "pluralist" because it crosses through...

...See the problem with the word heterodox is that it exists to make a distinction with orthodox. "Pluralist" can embrace both. In *my* mind. I don't want to be naïve but [...], in my mind that's where we've got to be. Look at you guys. You're all studying and you're looking for what to hang on to. My answer to that is that you shouldn't be forced or directed into hanging onto anything, you should know them all. It's like teaching a doctor and saying: "No I'm not going to teach you about circulation cause the bloodists do that." You know, that's stupid! Right? It's a holistic system. And they may have some neat ideas. The fact that they've gotten off into unreality, it's our job to try to pull them back but we shouldn't reject their ideas necessarily. Maybe there's something in there that we can use. But you can't do that if you don't teach it, and if you don't have a discussion. And I think getting the discussion is what I'm interested in. Ultimately that's what's driving me. [...]

B: Do you agree or disagree with Keynes' claim that: Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist.

Absolutely. First of all, I think that's a very good statement. I think he's just—he's

narrowing it down to economists, because he wants to beat on economics. When you are a practical person in the economy, or you're a politician faced with doing a budget or with monetary or international issues, things like that, you're going to be confronted with those whether you're an expert in them or not. And you're going to be informed. The people who are directly informing you are obviously trained, people like *you* in the future. There's a lineage going back into history right there. But you're also getting from your conversations, the political, ideological side of things, that's an informed point—you can't escape this, there's an enormous path dependency. It would be an extraordinary person who could plop down and not have that influence.

B: Some people could see this quote as almost a bit condescending towards non-academics.

Well that's Keynes [both laugh] he's one of the most arrogant people that have ever existed.

B: Ha-Joon Chang once said that 99% of real economics is common sense.

That's what I was telling you! You can train yourself in economics *really* easily, and you could have a very good conversation—as long as you have common sense and you read widely. And you inquire. And you sit and think about things. You can hold your own against the theorists until they venture off into their mathematics at which point your eyes glaze over because they're not talking about anything anymore, they're self-referential at that point. They're not talking about the economy [...]. So, I feel very good letting them go do that. If you want to do that, that's *fun*, but don't call it economics.

B: Meanwhile you have Greenspan who said people should not be part of the conversation until they've had a full year of graduate training in economics.

Yeah, I know... *and he's wrong*. Economics is one of those subjects that is right on the frontier between everyone's existence, since everyone on this planet is part of economics to an extent, because you're living an economic existence, are trying to acquire resources, deploy them, consume things. That's what economics is about, it's as simple as that. It's just a continuation of life, which we are trying to describe in a more esoteric and abstract way, but that's what it is. So everybody is an economist in a practical sense, while some of us are trying to be economists in a more inquiring, abstract sense. But ultimately you've got to realize that once you've got some experience in doing what you're doing, you can describe that quite well and it looks like an economic theory – and it *is* an economic theory, it may be a very naïve one, but nine times out of ten I would trust it quite a lot over what I've learned in a standard textbook. The standard textbook has just been so squeezed over time that it has forgotten what it is trying to do. I think that's the problem of economics – it has forgotten what it is trying to do.

B: I think Professor Mankiw, for his introductory textbook, received the single largest upfront payment by a textbook publisher...

Yeah... in history. See I think a lot of young people come to it, thinking it's got to be useful, otherwise why would it be there. A lot of young people, hell, want to make money, they think economics is going to teach them something about how to make money. So they want to go into business and economics is a fundamental part of that. People perceive economics to have value on a number of fronts. What economists don't do is to say: "No, we're over here in this little corner. Studying these things you won't understand, you don't need to understand, and you don't need to in order to make money. If you want to make money, if you want to run a business, and find your way, don't talk to us." But that seems to me to be stupid, a lie. That textbook payment reflects that. Economics is taught in business schools, liberal arts colleges, everybody gets a dose of Economics 101. It's got to be one of the most widely taught subjects there is I should imagine. And people love it, they think they will learn a skill set, how to understand problems. It's almost like doing applied mathematics, like geometry.

B: Like you're going to find the number pi. You're going to learn the "lever of the world".

That's what they think. Do they? I don't think they do.

B: Moving on to the World Economic Association. [...] Can you briefly trace its history, how the idea for it came about, maybe in the context of the American Economic Association?

I can't really talk about the context of the AEA, but as far as I know it came about from a casual conversation among a few people who said we really ought to do this. And the same thing happened to us only a hundred-odd years later [both laugh]. Except that they did it in a room presumably and we did it on the internet, which is probably a reflection of the times. In our circumstances it really was Edward [Fullbrook] reaching out, saying I've had conversations with Peter [Radford], Grazia [Ietto Gillies] and Norbert [Häring] and we all seemed to agree that we should do this, so should we do this? And I was dumb enough to write back and say, "Yes, let's do this." We said it should be pluralistic, open, we wanted to have open peer-review in the journal, in short we wanted to address a lot of the grumpy gripes that we hear and give people a less restrictive platform. If there's one major driving force, it's that. Initially we decided we wanted to be donation-based and that has worked so far, [...] although we may have to change that in the future. We really want to build a community with as much communication and involvement as possible. The AEA set up an ethics committee, headed by Solow, or something. I don't want to do that, that's old world to me. Where the experts go up to a room and you hire so-and-so because you've got a good title and you're well known in the business and everyone's going to say, "oh yes, that's a respected person." That's not what I'm interested in; I'm interested in getting ideas. So my point was, let's pull as many people into the process as possible, let it surface, and have a much more open and democratic process. The internet allows us to do that. We don't need to replicate the old world.

B: The American Economics Association webpage has a button you can click that says “what is economics?” Amongst other things, it simply states, “economics is the study of how people choose to use their resources.”

They're very Robbin-tian. You know I have a connection with Robbins. I got stuck in the elevator with Robbins at LSE. Here I am, a first-year student, and there's this enormously tall person, and we're in this tiny little elevator at LSE, and it gets stuck between the first and second floor. So here I am – he's a pretty old guy, he's gray serious person – Lord Robbins – and there I am trying to hide in the corner because I don't want to get into a conversation! That was my contact with Lord Robbins. But he's the person who articulated – one of the great eras in economics was this notion of narrowing it down to study the scarcity and allocation of resources. He was the lightning rod for a discussion that was going on. He articulated, and it's in that essay he wrote, and to write that point, Talcott Parsons in Sociology said oh! This is cool because we'll go off and do our bit. Now Sociology can exist coequal with Economics because you're doing that bit, we're doing this bit, and the gap grew. That, to me, was an enormous error. Because I come back to what is Economics, Economics is what you want it to be, not what they teach it as. I mean, if you want it to be this, it *is* this – to you. And I think you've got the right to define it for yourself. This allocation process – to me that's mechanistic. Mathematicians can do that just as well as economists. You know, if you set the constraints correctly, if you set all of your assumptions, you've got this nice, hermetically sealed thing. And I don't look at economies as a hermetically sealed thing.

B: How can critical economic perspectives gain greater visibility and potential policy influence? That is, how can a critical voice in economics have greater visibility? Do you think that is a role the journal is providing?

It's an interesting question because I think it's assuming that there is a route to that that can be opened up, and I don't think there is. I think that's personal responsibility, I think you have to make that happen. I think that's incumbent upon us to make that happen. One of the criticisms I have of a lot of the academic economists is that they tend to be quite willing to be relatively anonymous. They're not mainstream, they're unorthodox. They're excluded from the big journals, and they may have some tremendous ideas. And that's why they're stuck in a niche. They've become comfortable in that niche. They can go and teach in whatever university they're in, and they can rail and teach their students that it's all wrong, the world is wrong, but they've stopped challenging, and I think you've got to challenge. Hopefully our approach at our journal is allowing them to come up and coalesce, so that we can in fact have more influence. My fundamental point is, as long as you're teaching Econ 101 from that damned book [the standard textbook] you're not solving the problem. If you had people like me in business saying, “that's not what I read! I want to hear the other view,” you create demand for the other view and it's going to get expressed. It's the same thing with the media. It's remarkable when you see articles written about the economy in the New York Times, or something – even though they're trying to be critical you hear the tone of voice, the skepticism – it's hard for them to get out of that orthodox perspective – even though they're trying. And at the end of the day

they get tired of it and exhausted from the discussion, and they look into economics and they realize how fractured it is and they kind of say, well, that's what I learned in the book.

B: There was that entire generation of kids who were disillusioned by their economics education and did the kind of post-economics thing. You said that they eventually went on with their lives. When people are completely new to things they have a hard time getting involved. And you said: the WEA has an activist bent; if we have something we really want to do, lets work it at a guerilla or a grassroots level. So how can people get involved?

By getting involved! Occupy the damn thing. Occupy economics! My attitude towards it is, it's yours. The subject's yours – right? You're going to inherit this damn thing. You have a right to know the thing you are going to inherit is valuable. So I think you have a right to get involved in it from its inception. I mean, we're looking. If you give your name to Edward he would find something for you to do. Maybe we need to start a component that speaks directly to the student community. [...] The key point is that people have extraordinary resources – intellectual, practical – to do things. We're building a movement. That movement has to consist of skills and genius – personalities. So get involved.