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## Response to Martin Wolf: Economics failed us before the global crisis

Had Martin Wolf's family perished on a plane crash which caught the air safety experts "almost completely unawares", he would focus laser-like on those experts, however few, who had called it correctly to see if they were just cry-wolf types who finally got lucky or if they really knew. And if it turned out that they really knew, he would come down like a ton of bricks on those who not only failed to use the safety science properly to prevent the crash but who ignored/disparaged those who did. Rightly so.

Alternatively, if he was the airline CEO without family on board, he'd say the crash caught "the safety profession almost completely unawares" and dismiss those who called it correctly as fringe-types. And he'd deflect culpability far and wide — anywhere but the airline! — all the while beating his breast for the cameras at the oh-so-tragic loss of life and calling for the safety profession to redouble its efforts to improve itself for the benefit of all.

Mr Wolf is neither of these. He is an eminent economist who, in contrast to some, did not see the crash coming. His [response](#) is to point out that the crash caught "the profession almost completely unawares" before he swiftly moves on to lament the fallout and applaud ongoing efforts to "rebuild macroeconomics" in the wake of disaster.

Tellingly, the rebuilding efforts he so ostentatiously applauds have, even a decade later, yielded no substantial change to the state of knowledge of the profession nor shed any substantive new light about the genesis of the crisis. And despite this evident lack of fruit, he, like the sweep of professional macroeconomists, has little doubt about what lay at the roots of the melt-down; it is no incomprehensible puzzle, neither now, nor then.

Of course, the science can always improve. But the problem illuminated is not that the science has to be rebuilt. Professionals using it properly, albeit only a few of them, called the underlying risks well ahead of time: Brooksley Borne made her call in 1995 (15 years in advance); with others including Ragu Rajan following behind her. They were dismissed by the eminent as fringe types. But the proof that they were neither cry-wolf nor fringe types is that the remedies they proposed at the time they made their calls bear a striking resemblance to Dodd-Frank.

Instead, the problem was — and still is — how the science is used by those who are most eminent in the global arena. The core issue is that such globally eminent are so because they are so close to G-20 policymakers: employed, sponsored, favored, and/or conferenced by them. But it is the collective policy failures of those same G-20 policymakers which

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precipitate global malestroms. Ask yourself in the wake of the crisis that was correctly called by some, is it reasonable to expect the eminent to call out the hand that feeds them?

The lesson is that at a global level, at least some of the eminent have to be formally and permanently distanced from the G-20 politicians. This would repeat at global level the same lesson that has increasingly been learned at national level, in the establishment of bodies such as the Office of Budget Responsibility and other "Independent Fiscal Institutions.". Thus, it is not macro but the International Monetary System that has to be rebuilt. And it has to be rebuilt around this formal and permanent separation at a global level of the eminent from the powerful, as outlined [here](#).

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