The Lament of the Merely Decent Economist

Written by Donald Boudreaux.

The first eye-opening moment for an attentive student in a good introduction-to-economics class occurs when that young man or woman learns to see – or learns to look for – that which remains invisible to most people. Such a student starts to search for the unseen jobs lost as a result of the 'seen' jobs created or protected by tariffs. He or she begins to understand that government-imposed prohibitions on the free movement of prices and wages have unseen consequences – invariably bad, and typically borne disproportionately by the very persons the prohibitions are ostensibly meant to help.

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This beginning student of economics learns to ask probing questions, such as "As compared to what?" "Where do the resources responsible for this increased output come from?" "If my textbook author can see all these underpaid workers, all these overpriced goods, and all these unmet consumer demands, why does my textbook author only write about these problems rather than take real-world action to address them by seizing the profits that the problems make available?" And "Even if my textbook author is too lame to address these problems with constructive action, why aren't any of the countless real-world entrepreneurs doing so?"

In short, the attentive student in a good intro-to-econ course learns that most of the notions that the "man-in-the-street" has about the economy are fallacies. The man-in-the-street thinks that exports are the benefits of trade while imports are the costs. He's wrong. The man-in-the-street thinks that a sluggish economy can be made vigorous again if only the government would rev up its spending or protect domestic producers from foreign competitors. He's wrong. The man-in-the-street thinks that manufacturing activity is uniquely productive while financial activity isn't productive at all. He's wrong. The man-in-the-street thinks that prices and wages are arbitrarily set by greedy firms. He's wrong. The man-in-the-street thinks that a company that grows large and profitable necessarily has monopoly power. He's wrong. The man-in-the-street has lots of wrong-headed ideas about economics.

Again, almost all of these mistaken ideas are the result of the man-in-the-street's failure to look beyond the obvious and to ask probing questions. Put differently, when it comes to economics, the man-in-the-street is mostly blind and, hence, superficial.

The good economics student, alas, soon grows bored with helping to make visible the invisible, and to repeat, again and again, the same probing questions that the man-in-the-street fails to ask. The good economics student wants a challenge!

A *real* challenge – one taken up by many people trained in economics – is to find wisdom and truth in the man-in-the-street's economic ignorance.Forcing prices higher reduces quantity demanded.

Any decent economist can point to higher minimum wages and note that the result is a reduction in the quantity demanded of labor. But it takes a Very Special economist to craft an economically coherent account of why this prediction of basic economics is mistaken – that is, it takes a Very Special economist to craft an economically coherent account explaining why the man-in-the-street is, after all, absolutely correct in his belief that minimum wages are a costless boon for workers.

Any decent economist can point to tariffs and note that the result is the protection of some jobs and firms at the expense not only of other jobs and firms (and of consumer welfare), but also at the expense of the economic openness and dynamism that are essential for sustained economic growth. But it takes a Very Special economist to craft an economically coherent account of why the man-in-the-street is, after all, correct that tariffs are a boon for, rather than a burden on, the economy.

Any decent economist can warn that there are downsides for workers of workplace-safety regulations and of mandated leave. But it takes a Very Special economist to craft an economically coherent account why the man-in-the-street is, after all, correct that all of the costs of increased workplace safety and of employee leave are absorbed exclusively by employers and with zero negative consequences for any workers.

Any decent economist can explain that each individual adult knows his or her preferences better than do politicians, bureaucrats and judges. But it takes a Very Special economist to craft an economically coherent account of how politicians, bureaucrats, and judges can know and satisfy each individual's preferences better than can each individual.

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Once mastered, being a decent economist isn't much of a continuing challenge for extremely smart people. Worse, being a decent economist involves way too much repetition, of the same centuries-old insights, to keep the interest of extremely smart people. ("Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…. Forcing prices higher reduces quantity demanded…." Whew.) You can see that this repetition gets tiresome. A far more fun challenge is to explain why all those repeated economic points are, really, false or highly misleading.

I, alas, at best, am a merely decent economist (if you'll pardon my boasting) and not a Very Special economist (if you'll forgive my frankness, which isn't modesty false). So I will spend 2017 repeating again and again – and again and again and again, *ad nauseam* – basic, fundamental, intro-to-economic truths (or, what I sincerely believe to be such truths). I'm not smart enough to understand why that which basic economics makes visible to me really is – as the freshly minted Ivy League PhD economist will join the man-in-the-street in insisting, contrary to my repeated protests – unreal or irrelevant.

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