The Truth about Economics

Critical Thinking Guide for Students, Parents, Teachers, and Citizens

Groupthink

The following is an excerpt from the book “The Truth about Economics”. The purpose of this chapter is to reveal the behavioral traps that prevented Economists from discovering true knowledge about their field of study. It is hoped, that with this fresh perspective on the behavior of economists, it will become apparent that studying the behavior of the power elite is far more interesting and influential when attempting to discern economic outcomes than studying the behavior of consumers. The concept of free markets acts like a distraction, diverting attention away from the behavior of CEO’s, lobbyists and our elected officials, who busily construct markets in their favor while the public is left paying the tab.

Chapter 8 Groupthink

> *“Groupthink refers to a deterioration of mental efficiency, reality testing, and moral judgment that results from in-group pressures.”* *Irving Janis* [1]

The science of economics, which is not based on any scientific principles, became an ideology taught at all major universities and in most high schools across the US and the western world. Even though the curves have never been observed in life, they occupy a prime spot in the minds of most Americans. They provide an unstable foundation for society’s understanding of how economic systems actually work.

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[1] Irving L. Janis, *Groupthink*, Houghton Mifflin, 1982, page 9

The term Groupthink first appeared in a publication in 1971, where Irving Janis described situations involving decision-making that were severely compromised due to group behavioral dynamics. Eight symptoms were identified by Irving that are characteristic of Groupthink. Seven of these are useful for exploring the development of economic theory.

1. Sense of invulnerability
2. Moral justification
3. Rationalization
4. Stereotyping of outsiders
5. Pressure to conform
6. Self-censorship
7. Unanimity – Not important since a group decision is not required in this comparison.
8. Mindguards

Supportive articles, such as the article from Daniel B. Klein and Charlotta Stern, *Groupthink in Academia*, agree that groupthink is a behavioral pattern to be avoided. Their conclusion: "Although academia differs from the settings explored by groupthink theorists, it exhibits many of the same tendencies and failings."[2]

The article called out specific conditions found in academia that contribute to Groupthink:

> **"Decision Makers Constitute a Cohesive Group**. The professional pyramid and departmental autonomy tend toward group cohesiveness.

[2] Daniel B. Klein and Charlotta Stern – *Groupthink in Academia, Majoritarian Department Politics and the Professional Pyramid*. The Independent Review V 13 Spring 2009, page 12

Insulation of the Group. No one outside the pyramid is qualified to judge the group. Insiders safely ignore outside opinion.

Homogeneity of Members' Social Background and Ideology. Sorting and molding mechanisms produce ideological homogeneity, both throughout the pyramid and within the individual department."

Symptom #1 Sense of Invulnerability

Alfred Marshall was an incredible leader in the development of Neoclassical Economics. He was responsible for establishing one of the first economics departments at a major university, Cambridge. In 1890, he published his *Principles of Economics*. The Cambridge University website still lavishes praise on his book:

> "… his great *Principles of Economics*, in which he set out for the first time the geometric analysis of supply and demand, incorporating the systematic treatment of different time periods."[3]

Alfred Marshall was a powerful and well-respected scholar. He had worked in the economics field for over fifty years and was referred to as the patriarch of Neoclassical Economics. Keynes, a former student, described his preeminence in a memorial published in 1924:

> "In his (Marshall's) inaugural address of 1885, he said: "Twelve years ago, England possessed perhaps the ablest set of economists that there have ever been in a country at one time. But one after another they have been taken from us Mill, Cairnes, Bagehot,

[3] http://www.econ.cam.ac.uk/about/history/

> Cliffe Leslie, Jevons, Newmarch, and Fawcett." There was no one left who could claim at that date to approach Marshall in stature." [4]

The grandness of Marshall's theory was compared to Isaac Newton:

> "The equilibrium point of Demand and Supply was extended so as to discover a whole Copernican system by which all the elements of the economic universe are kept in their places"[5]

Keynes also referenced a local newspaper story that trumpeted Marshall's new beliefs about economics.

> *"It is a great thing,"* said the Pall Mall Gazette*, "to have a Professor at one of our old Universities devoting the work of his life to recasting the science of Political Economy as the Science of Social Perfectibility."* The New Political Economy had arrived, and the Old Political Economy, the dismal science*, "which treated the individual man as a purely selfish and acquisitive animal,"* had passed away.[6]

These accolades highlight the level of praise that contributed to the sense of invulnerability brewing at Cambridge during this time. This feeling extends to today. From Klein/Stern:

> "Academics feel that those outside the pyramid lack knowledge and credibility, and that those inside the pyramid would not dare to become renegades." [7]

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[4] J M Keynes, Alfred Marshall 1842-1924, *The Economic Journal*, September 1924 page 344
[5] Ibid page 350
[6] Ibid page 349
[7] Daniel B. Klein and Charlotta Stern *Groupthink in Academia*

Add to this the observation from Keynes regarding academia in 1888 and Marshall's influence:

> "…half the economic chairs in England are held by his pupils"[8]

There was no one to challenge the new theories, as all the experts were from the same club. Criticism from other philosophers such as Henry George, Major Douglas or Karl Marx, was either ignored, rationalized away, or dismissed as unscientific.

Today, this sense of invulnerability extends to professors at universities and teachers in local high schools. In the classroom, there will be no challenge. The instructor is infallible and immune from question.

Symptom #2 Moral Justification

The 1800s were a tumultuous time, as the industrial revolution changed society in many ways. Capitalism and the industrial revolution caused serious harm to society, including poor working conditions, child labor, poor pay, and rapid consumption of resources. Marx published *The Communist Manifesto* in 1848, an event which was quickly followed by revolutions in much of Western Europe. Since the *Manifesto* predicted that socialism would eventually replace capitalism as the core economic mode of operation, fear of communism lingered.

Throughout the 1800s, labor struggled for fair pay, safe working conditions, affordable housing, and affordable goods at the company store. Many strikes resulted in the death of union workers. Books of the time shared the cause of these struggles with the world. From *Progress and Poverty,* published in 1879*:*

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[8] J. M. Keynes, *Alfred Marshall* – page 366

> "The unjust distribution of wealth stemming from this fundamental wrong is separating modern society into the very rich and the very poor. The continuous increase of rent is the price labor is forced to pay for the use of land. It strips the many of wealth they justly earn, and heaps it in the hands of a few who do nothing to earn it." [9]

Karl Marx and Friedrich Engels published a total of three volumes of *Das Kapital*. Their works continued to highlight the undesirable aspects of capitalism, and promoted communism as a preferred social model. Volume one came in 1867, while volumes two and three came after Marx had died. They were published in 1885 and 1894.

Capitalism needed a moral champion and found that champion in Alfred Marshal's economic theories. These theories are the seeds for today's Neoclassical Economics, which promote these ideas:

1. Economic science shows that price is the result of the natural forces of supply and demand in a market. (i.e., Adam Smith's invisible hand.) Price gouging is a symptom of the market, not a demonstration of greed.
2. Economic science shows that workers are paid a wage based upon the natural forces of the market, driven by their marginal product of labor. Starvation wages for some and king's wages for others are naturally driven by the market, and not a demonstration of greed.
3. Economic science shows that everyone's welfare is maximized with free markets. Income inequality is a result of the natural forces in the market, and not a sign of an underpaid labor class resulting from pursuit of self interest on the part of owners.

[9] Henry George, *Progress and Poverty*, 2009 Robert Schalkenbach *Foundation* page 187

4. Economic science shows that there are no profits in competitive markets. Karl Marx and other progressives questioning inequality fail to understand neoclassical economic science.

Just as Newton's *Principia Mathematica* displaced religious ideas about the heavens, Alfred Marshall's *Principles of Economics* elevated economics to a science, beyond the reach of moral judgement or philosophical debate. Marshall framed capitalism as a science that would benefit all of the participants, in a manner that was consistent with natural laws.

> "Each element of cost would be governed by natural laws, subject to some control from fixed custom."[10]

By promoting capitalism as a natural science, economists claimed the high ground of morality, teaching society how systems work, with no apparent bias towards the owner/capitalist or the laborer.

Further evidence of the perceived morality behind economic theories comes from J. B Clark and his publication in 1899:

> "The natural law of wages gives a result that would satisfy his own requirement, as being desirable and morally justifiable."[11]

An observation from John Pullen, an economics professor for more than 40 years.

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[10] Alfred Marshall, *Principles of Economics*, 8th edition, Macmillan and Co. Limited, 1920, page 214
[11] J. B. Clark, *The Distribution of Wealth: A Theory of Wages, Interest and Profits,* Online Library of Liberty, Page 249.

> "J. B. Clark (1899) ...arguing that distribution according to marginal productivities is not only economically correct, but also morally correct…. Some see it as the ultimate answer to… writers such as Karl Marx. Henry George and Major Douglas."[12]

Throughout the 1900s, communism continued to pose a threat to the western way of life. Economists and economic textbooks continued to provide scientifically-founded moral guidance on how society should operate.

Symptom #3 Rationalization

In 1914, H. L. Moore challenged Marshal's theories when he published *Economic Cycles: Their Law and Cause*.

> "The dogma of the uniformity of the law of demand is an idol of the static state." [13]

Moore presented data from his research that showed demand curves that moved counter to the law of demand. Instead of sloping downward, the data showed the curves sloping upward. Marshall ignored Moore's work, and other economists followed along. Finally, in 1927, after Marshall's death, E. J. Working responded with his paper; *What do Statistical "Demand Curves" Show?* His introductory sentences follow:

> "Many questions of practical importance hinge upon the elasticity of demand and supply. The economist can answer them only in a vague and indefinite manner because he does not know the nature of the demand curve."[14]

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[12] John Pullen, *The Marginal Productive Theory of Distribution, A Critical History,* London:Routledge, 2010
[13] H. L. Moore, *Economic Cycles, Their Law and Cause*, page 113, Macmillon Company 1914
[14] E J Working, "What do Statistical Demand Curves Show?" *The Quarterly Journal of Economics* 1927

It is inappropriate for a scientist to claim lack of knowledge about a topic while at the same time proposing grand theories that are dependent upon that knowledge. The result is an introduction to a long rationalization.

Another famous rationalization comes from Milton Friedman's *The Methodology of Positive Economics*:[15]

> "To be important, therefore, a hypothesis must be descriptively false in its assumptions: it takes the account of, and accounts for none of, the many other attendant circumstances, since its very success shows them to be irrelevant to the phenomena to be explained."

This is akin to Orwell's doublethink, "War is Peace". Friedman proposes:

1. A hypothesis; (an explanation based on evidence) must be descriptively false
2. A hypothesis should take account of and account for no circumstances. (Circumstances are facts that are relevant to an event)

Friedman was attempting to defend economic models which are founded upon assumptions that do not match observations in the real world. He claims the models are successful. Therefore, the assumptions do not matter. Unfortunately, success is hard to come by since economic theories do not predict anything. A new price and quantity will occur, but economists cannot predict what they will be. They say the supply and demand curves move, establishing a new equilibrium point.

[15] Milton Friedman, *Essays in Positive Economics*, Phoenix Books, 1966, page 14

In the realm of science, a theory that does not predict anything is of little value. Karl Popper proposes that all scientific theories must be presented in a manner in which they can be proven false. Falsifiability avoids rationalization. Either the experimental results support the theory or they refute the theory.

> "A theory which is not refutable by any conceivable event is nonscientific. Irrefutability is not virtue of a theory (as people often think) but a vice."[16]

In the mid-1900s, John Von Neumann, an extremely gifted mathematician, examined economic theory and proposed that the field needed to reconsider its dependence upon supply and demand curves. His suggestions were rebuffed:

> "…an incident from the early 1940s in which von Neumann insisted at a seminar at Harvard that progress in economics would require a mathematics different from that which derived from the time of Newton. Samuelson challenged him then and remains defiantly unrepentant now:"[17]

The first thing a scientist needs to be is curious. They must be willing to test existing theories instead of defending them with rationalizations. They must be willing to find new ways to expand knowledge. The history of economics clearly shows that the economics profession does not operate in the same manner as a scientific community.

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[16] Karl R. Popper, *Conjectures and Refutations: The Growth of Scientific Knowledge*, Basic Books, New York, London 1962 page 37
[17] Philip Mirowski, *Machine Dreams*, Cambridge University Press, 2002 Page 95

Symptom #4 Stereotyping Out Groups

The economists' favorite out group is the accounting profession. As discussed in Chapter 6, economists make the false claim that accountants do not track implicit costs. From Mankiw's book related to the discussion of opportunity costs:

> "By contrast, accountants have the job of keeping track of the money that flows into and out of firms. As a result, accountants measure the explicit costs but usually ignore the implicit costs."[18]

This is not true, and is perhaps why accountants generally disregard the economists, and vice versa. Recall from Chapter 6 that depreciation is an implicit cost that must be addressed for every accounting period. This is not something that can usually be ignored, as suggested by Mankiw.

Paul Samuelson's textbook begins with an excellent description of the income statement and balance sheet, fortunately a significant improvement over Mankiw's textbook. However, Samuelson introduces financial finagling, a situation where the accounting profession lacks judgement in treating certain items:

> "… we see that there is considerable judgement involved in determining the exact treatment of certain items. In the late 1990s, under pressure to produce rapidly growing earnings, many companies manipulated their accounts to show glowing results or to paper over losses."[19]

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[18] Gregory Mankiw, *Principles of Economics*, South-wester Cengage Learning, sixth edition page 261
[19] Samuelson Nordhaus, *Economics,* McGraw Hill 18th edition, page 136

This is a significant disparagement of the accounting profession, and is a weak explanation of why the manipulation occurred. It wasn't pressure to produce growing earnings. It wasn't accountants acting on their own. Financial finagling was the result of an executive management team telling the accountants what to do in order to increase the executive bonus. The following comes from a competing economics book:

> ".. A similar example of incentives for cheating comes from corporate finance. In the 1980s, chief executive officers (CEOs) were given much stronger incentives to increase their firm's stock price. Instead of being paid straight salary, they were awarded stock options…. Enron and other scandals of the 1990s and the 2000s were, in part, the result."[20]

[20] Tyler Cowen, Alex Tabarrok, *Modern Principles of Economics*, Worth Publishers 2013 page 402

Samuelson goes on to explains how an economist's vision of business is superior to an accountant's view. This opinion is supported using the income statement from Hot Dog Ventures:[21] (See figure 1)

Income Statement Hot Dog Ventures INC		
Net Sales		$ 250,000
Costs of Goods Sold		
Materials	$ 50,000	
Labor Costs	$ 90,000	
Misc	$ 10,000	
Overhead		
Selling and Administrative	$ 15,000	
Rent	$ 5,000	
Depreciation	$ 15,000	
Total Operating		$ 185,000
Net Income		$ 65,000
Less		
Interest		$ 6,000
State and local Taxes		$ 4,000
Income before Income Taxes		$ 55,000
Corporate Income Tax		$ 18,000
Net Income after taxes		$ 37,000

Ch 8 Figure 1 Hot Dog Ventures

> "Hence, although the accountant might conclude that Hot Dog Ventures, with $37,000 in profits, is economically viable, the economist would pronounce that the firm is an unprofitable loser." [22]

[21] Samuelson Nordhaus… page 134
[22] Ibid, page 138

Samuelson reaches the conclusion by considering that the owner is working sixty hours a week and is drawing no pay. To think the accountant isn't aware that the owner is drawing no pay is not reflective of reality.

Samuelson wraps up his analysis with the following:

> "A careful examination might show that Hot Dog Venture's owner could find a similar and equally interesting job working for someone else earning $60,000 a year."

It is most likely that the owner is very much aware of his choices, without the help of either an economist or an accountant.

Selecting accountants as the out group serves the purpose of distancing the economic theories away from the one group of people that would question the economists' odd mathematical conventions. It has been suggested that economists do not want young economists socializing or thinking with accountants, for fear their theories will be found lacking in realistic content.

Symptom #5 Pressure to Conform

One mechanism to exert pressure on economists is through the screening of papers that are published in the economic journals. Many economists who write papers that are not in line with the concept of supply and demand curves are excluded from such opportunities. Hiring of economists has also restricted thought, as economists who do not revere the classical theories find it more difficult to find employment. There is little interest in alternative thought.

An example includes Andre Gunder Frank, who lost his job at the University of Chicago early in his career due to his belief in and support of Keynesian economics:

> "Despite passing his comprehensive exams in economic theory and public finance after less than a year, Frank received a letter advising him to leave, because of his unsuitability."[23]

Psychological insight into this behavior is provided by two sources…

Philip Tetlock, from the University of Pennsylvania, writes in his paper, *Sacred Values and Taboo Cognitions*:[24]

> "…humans prefer to believe that they have sacred values that provide firm foundations for their moral-political opinions. People can become very punitive "intuitive prosecutors" when they feel sacred values have been seriously violated, going well beyond the range of socially acceptable forms of punishment when given chances to do so covertly…. "

From Daniel B. Klein and Charlotta Stern – *Groupthink in Academia*

> "Professors are likely to respect scholars who pursue questions similar to their own and who master similar modes of thought. They are not likely to respect scholars who pursue questions predicated on beliefs at odds with their own. Indeed, if a scholar is engaged in a task that might threaten a colleague's sense of self, he may give rise to personal distress and create acrimony between them."

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[23] David Seddon, *Andre Gunder Frank*, Obituary, The Independent http://www.independent.co.uk/news/obituaries/andre-gunder-frank-490030.html

[24] Philip Tetlock, Thinking the unthinkable: sacred values and taboo cognitions, Trends in Cognitive Science, Vol7 no 7 July 2003

> "In academia, the beliefs are deep seated and connected to selfhood and identity. For that reason, protecting and preserving them have high personal stakes"[25]

The pressure to conform is significant.

Symptoms #6 and #7 - Self-Censorship and Mindguards

The economics department at a major university is an environment that mutes new ideas. From Klein/Stern;

> "The pyramid functions much like a genteel society in which criticism is muted. Particularly because of norms of consensus, it is impolitic to alienate colleagues. Going along to get along, dissidents and miscreants tend to suppress their disagreements with the dominant view, leading to what Timur Kuran calls "preference falsification".[26]

Steven Keen is an established scholar of economics, who believes the existing theories need to be replaced. He has written papers that are critical of Neoclassical Economics and provided the following comment from his book, *Debunking Economics*:

> "I have been unable to get the article published in neoclassical economics journals. The odds that this critique will ever be recognized by economics textbook writers are therefore effectively zero. *"*[27]

[25] Daniel B Klein, Charlotta Stern, *Group Think in Academia, Majoritarian Department Politics and the Professional Pyramid,* The Independent Review V 13, Spring 2009
[26] Ibid
[27] Steen Keen*, Debunking Economics*, Zed Books, 2011, page 100

Perhaps the most in-depth discussion of how academia enforced groupthink comes from Frederic Lee, a noted economist with over thirty years teaching experience:

> "Dominance of Neoclassical Economics[28]
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> By 1970, there were over 15,000 American economists, most of whom were neoclassical economists and belonged to the AEA. Because of the repressive dominance of neoclassical economists, and because of the pre- and post-war repression of heterodox economics and economists, neoclassical economists shared membership in a tightly knit hierarchically-arrange community. This community accepted a single relatively homogeneous body of ideas or theories, shared the same set of standards—theoretical, technical and empirical—for evaluating research and hierarchically ranking publications, engaged in a network of inter-institutional and interpersonal ties that promoted communication, reciprocated employment and conference participation opportunities, and rejected or suppressed all else."

Lorrie Tarshis 1947

Perhaps the most striking example of mindguards comes from outside the economics profession. Lorrie Tarshis was a professor at Stanford University who had written one of the first successful textbooks for the education market, *The Elements of Economics.* Unfortunately, his text book was too favorable towards labor and the policies of the New Deal. This resulted in a political attack from a conservative group, "National Economic Council", led by Edwin Hart. The attack

[28] Frederic Lee, *A history of Heterodox Economics, Challenging the Mainstream in the Twentieth Century*, Routlege, 2009

consisted of pamphlets written by Rose Wilder Lane, (co-founder of Libertarianism) to all University Trustees in the United States. Lane's pamphlet included…

> "*The Elements of Economics* plays upon fear, shame, pity, greed, idealism, and hope to urge young Americans to act upon this theory as citizens. This is not an economics text at all; it is a pagan-religious and political tract."[29]

The result was a de-listing of Tarshis' book from the prescribed reading list. Needless to say, sales floundered and Tarshis reputation was harmed.[30]

It is worth comparing Samuelson and Tarshis in how they discussed labor unions in their respective economic books. Titles of the chapters are enough to tell the difference. Tarshis' chapter is "Labor". Samuelson's chapter title is "Labor Organizations and Problems".

Samuelson spends much of the chapter describing the ills associated with unions. He provides a scenario where a union member by the name of John Kennedy *"*has heard more than rumors to the effect that liquor gangsters "muscle in" on the union…"[31]. Samuelson continues with the description of a lawyer working for the union, and how busy he will be, given recent labor legislation*. "*...the lawyer is sure of only one thing, he and other lawyers on both sides are going to be kept awfully busy*."*[32]

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[29] Catherine Lawson, The "Textbook Controversy": Lessons for Contemporary Economics, AAUP Journal of Academic Freedom, Volume 6 2015

[30] G C Harcourt, Obituary: *Professor Lorie Tarshis* 10/8/1993 (http://www.independent.co.uk/news/people/obituary-professor-lorie-tarshis-1509652.html

[31] Paul Samuelson, *Economics*, first edition page 190, McGraw Hill, 1948

[32] Ibid page 193

Tarshis's language on labor included a more positive view of labor unions. *"What unions do is to permit labor to meet monopoly with monopoly. Bargaining between a large corporation and the individual, unorganized worker, cannot be called competitive."*[33]

The issue wasn't that Tarshis's book was too favorable towards communism, but that it was too favorable towards labor. Rose Wilder Lane and Edwin Hart were the thought police, effectively stamping out reasonable voices regarding labor unions in the time of McCarthyism.

Stanley Wong 1973

On occasion, the mindguards will miss the true topic of a paper and publish something they wish they had not. In 1973, Stanly Wong published a paper in *The American Economic Review* titled "*The "F-twist" and the Methodology of Paul Samuelson*." The article was a comparison of the two methodologies used by Milton Friedman and Paul Samuelson. Samuelson's methodology is referred to as descriptivism and Friedman's carries the name of instrumentalism. On the surface, the article seems like a friendly internal debate on how to frame the science of economics. However, the "F-Twist" article is actually a rejection of the methodologies used by all economists, as they fail to explain economic processes. Without an informative explanation, there is no theory.

Recall, from Chapter 1, Francis Bacon's original work from 1620 and what is now known as the scientific method. Scientific methodology has four simple steps.

1. Observation and description of a phenomenon.
2. Formulation of a hypothesis to explain the phenomenon.

[33] Lorie Tarshis, *The Elements of Economics*, Houghton Mifflin Co, 1947, page 655

3. Use of the hypothesis to predict the existence of another phenomenon or predict quantitatively the results of new observations.
4. Independent experimentation to test and confirm the predictions, to support or refute the theory.

Economists do not follow these steps. There may be a law of supply that says suppliers will provide more if the price goes up, but no one has ever bothered to perform tests and experiments to validate the theory. They also have no quantitative elements in the law of supply. There is nothing to validate. The law cannot be proven or disproven.

Stanley Wong described Friedman's instrumentalism "methodology" with three steps:

A. A minimal set of assumptions that give rise to theory.
B. Theory is a set of axioms, postulates, or hypotheses that stipulate something about observable reality.
C. A set of consequences.

Scientists from other fields of study would reject the idea that assumptions are part of any scientific process. This was the source of Samuelson's argument with Friedman.

Similarly, Stanley Wong identified six steps for Samuelson's methodology of descriptivism:

1. Theory is just a description of observable experience.
2. Knowledge consists essentially of observational reports.
3. Explanations are ultimate.
4. Apriorism must be avoided.

5. Explanations turn out to be better descriptions.
6. All well-known theories in science are observations.

Samuelson is sorely missing the point. Theories explain things. They give reasons for why the pressure in the boiler goes up when heat is applied. Samuelson completely ignores cause and effect. He is satisfied with observations without understanding.

Economic descriptivism has no steps, no quantifiable values, no experimentation or testing. Using these six elements, if someone were to study the solar system, the result would be the Ptolemaic model, where everything revolved around the earth. The descriptive model actually did a relatively decent job of describing what was observed. Descriptive science shows "what," but it does not answer the question "why." Wong's words on descriptivism:

> "According to *descriptivism*, of which Samuelson's methodology is a variant, a theory is just a description of observable experience, a convenient and mnemonic representation of empirical reality. Knowledge consists essentially of observational reports."[34]

At the end of Stanley's F-Twist article, he asks for a methodology in economics that answers the question "why."

> "The choice, then, is not between instrumentalism and descriptivism, but between them both and the view that a theory is explanatory and informative, one which provides an answer, albeit a tentative one, to the question, Why?"[35]

[34] Stanley Wong, "Foundations of Paul Samuelson's Revealed Preference Theory", Routledge, 2006, page 78
[35] Stanley Wong, "The F-Twist and the methodology of Paul Samuelson", The American Economic Review, publisher American Economic Association, June 1973 PP 312-325

The role of mindguards for Stanley Wong is documented in his book *The Foundations of Paul Samuelson's Revealed Preference Theory*. The preface discusses obstacles that were erected to suppress his thoughts promoted by the "F-Twist" article. The first obstacle deals with Wong's doctoral thesis. The process was long and not without controversy. His PhD was finally awarded over a year after Stanley had submitted his dissertation.

Further evidence of suppression was encountered when Stanley attempted to publish other articles:

> "Controversy did not end with the awarding of the PhD. While my dissertation was being considered by the examiners, I converted several chapters into articles and submitted them to various leading journals for consideration. All of them found the papers unacceptable."[36]

Stanley continued to face opposition in publishing his book *The Foundations of Paul Samuelson's Revealed Preference Theory.* It took him several attempts to find a publisher. When it was finally published, American economic journals completely ignored the book:

> "The book was very well received by reviewers for *Canadian Journal of Economics* (Winch, 1979), *Economica* (Jones-Lee, 1979), *Economic Journal* (Blaug, 1979), *Kyklos* (Hands, 1980) and *Manchester School* (Steedman, 1979). Oddly, the book was never reviewed in the *Journal of Economic Literature*, *Journal of Political Economy*, or any other American journal."[37]

[36] Stanley Wong, "Foundations of Paul Samuelson's…. "Page xvii
[37] Ibid page xviii

It is not surprising the level of resistance, when considering an observation by a supporting economist:

> "… he had the chutzpah to confront one of the icons of the postwar neoclassical establishment and insist that the emperor had no clothes; and what's more, he did it calmly, with gravitas and style." [38]

Stanley Wong left the economics field in 1984:

> "I left academic life because I felt the practice of law would enable me to satisfy my desire to have a practical challenge."[39]

Leaders of Economic Thought Reject New Ideas

When Marshall's personality is factored in, it is easy to see how opposition to neoclassical thought would be suppressed at an early stage. J. M. Keynes provided this insight regarding Marshall's inability to entertain new ideas:

> "But his nervous equilibrium was easily upset by controversy and difference of opinion." [40]

> "Marshall was too much afraid of being wrong, too thin-skinned towards criticism, too easily upset by controversy even on matters of minor importance"[41]

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[38] Ibid page xi
[39] Ibid xxi
[40] J. M. Keynes, *Alfred Marshall* 1824-1924, page 326
[41] Ibid page 345

Marshall's disposition was not supportive of new ideas. The best example is his refusal to meet H. L. Moore after Moore criticized Marshall in his paper *Economic Cycles, their Law and Cause*. His refusal to meet with Moore set neoclassical economics on the insular course that it still follows to this day.

The same concerns can be found in Paul Samuelson's inability to be skeptical about his own ideas. He was extremely intolerant of criticism and was more interested in arguing to support his position than in promoting knowledge. In his own words:

> "I lost my tolerance for global intransitivity, which came to smack of uninteresting formalism for its own sake. See Stanley Wong (1978) for related discussions. A reader of Philip Mirowski (1989) may find some difficulty in reconciling remarks there and remarks here. Remark: The deep points raised by Dr. Wong can, I believe be argued out…"[42]

Samuelson's ego prevented him from considering other points of view. His entire focus was to argue against them.

Further evidence of how the group censors members today comes from Rod Hill and Tony Myatt, authors of *The Economics Anti-textbook*. The story is about a teaching assistant who is moved to another job due to her willingness to be critical about economic theory:

> "However, at the end of December, I received an email from the administrator who was in charge of the TA assignments: I was being moved to another department entirely! It

[42] Stanley Wong, "Foundations of Paul Samuelson's…. xix

was felt that my ‘radical teaching methods’ were not a good fit for the economics department and would be ‘better suited’ to another discipline.

The professor quickly said this was not something to be debated in the course and moved on. I can only assume, then, that my unorthodox teaching became apparent through my students’ willingness to think critically about the material. “[43]

Freudian Concern?

The following excerpt comes from a book that recently won the Nobel Prize in Economics. The book is titled Nudge, written by Richard Thaler.

> “The great economist George Stigler once wrote an amusingly evil essay about an imaginary world in which students had the right to sue professors who taught them something that turned out to be wrong. The essay was called “A Sketch of the History of Truth in Teaching.” [44] Professors shudder at the thought, but just imagine how much more expensive education would be today if universities and their employees had to carry mal-teaching insurance!”[45]

Perhaps the most stunning aspect of Stigler’s article is that it was ever published. It is hard to imagine any scientific journal discussing truth in education in a humorous, sarcastic manner. Most people would assume truth to be an inherent part of any curriculum and would not be amused to discover professors wasting their time writing evil essays about truth in education.

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[43] Rod Hill, Tom Myatt, Dealing with Dissent in the Classroom, June 21 2016, http://www.economics-antitextbook.com/

[44] George Stigler, A Sketch of the History of Truth in Teaching, Journal of Political Economy, Vol 81, No 2, Mar-Apr 1973 pp 491-495

[45] Richard H. Thaler and Cass R Sunstein, *Nudge Improving Decisions About Health, Wealth and Happines*, Penguin Books, 2009

However, Stigler's introductory lines show he is simply writing an article that opposes law suits that collect damages for defective products:

> "It started simply enough: various people – and especially a man named Nader – found automobiles less safe then they wished... These zealous patrons of the public furthermore insisted that defective products be corrected."

At the end of Stigler's article, he jokes about the formation of a Federal Bureau of Academic Reading, Writing, and Research. The bureau would establish licensing to enforce honesty in Academia. Professors without a license could not obtain insurance against suits for incompetence and would be driven from teaching. Oddly enough, in Stigler's imaginary world, professors in economic development were unable to obtain such license.

Conclusion:

The economics profession during the 1900s was a closed, tight knit group that actively managed thought and opinion within its ranks. Groupthink was firmly in place, preventing the development of true knowledge in preference for an ideology that cannot be questioned.

This attitude would be counter to any scientific community that promotes:

1. **Skepticism**: Great effort is expended to test and validate current information and replace it with better information.
2. **Refutability/Falsifiability** – All theories must be subject to experimentation for either support or rejection.
3. **Pluralism** – No central arbiter of truth. Theories and proofs stand on their own merit. All parties can equally contribute to the knowledge base.

None of these three attributes can be ascribed to economists.

