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## The Problem With Economics Today: It's All About Fighting Instead of Fixing



If anything encapsulates the state of the economics profession — it is the failure of the professions leading luminaries to predict the 2008/9 financial crisis — a crisis that would bring the global economy to the brink of catastrophe.

Still even today, the profession is marred by an inability to agree on the scale and scope of the economic policies needed to set the global economy back on a path of solid economic growth. Worse still, economic discourse has devolved into shrill and combative squabbling that, far from being constructive, moves public policy further away from solving the most pressing, and seemingly intractable, challenges around the globe, be they disease, hunger or poverty.

In many of policy-oriented conversations, economists and policymakers tend to retreat into rival camps, organized around competing ideologies. On one side, there are thinkers, who often draw ideas and inspiration from Dr. Friedrich Hayek and others from the renowned Austrian School. They believe that limited government and free enterprise is the path to liberty and prosperity, to free markets and free peoples.

On the other side are those who tend to espouse the ideology of John Maynard Keynes. Keynesians argue that government has the capacity — and responsibility — to solve many, if not all, problems. By their logic, government spending and intervention can grow any nation's way out of economic difficulty. Government, they contend, should play a significant role in spurring aggregate demand and driving an economy toward full employment.

The problem is, this Hayek-versus-Keynes debate that dominates macroeconomics is a simplistic, binary way of seeing the world – and establishes a false choice. The question, “which of these two ideologies do we rally around” may, in some circles, constitute an interesting theoretical debate. But in practice, the better question is, “what sorts of policies help to incentivize

growth that supports human rights and economic liberty?” The answer must draw on both schools of thinking.

Much is at stake.

To my mind, the defining challenge of our time remains how to create solid and sustained economic growth and continue to meaningfully put a dent in poverty across the world. In essence, how do we restore robust growth in the Eurozone, the United States, and around the industrialized economies creaking under mounting debt, challenging demographics, and stagnating productivity; and how do we boost growth in the developing world — home to 90 percent of the world's population and where, on average, 70 percent of the population is less than 25 years old - as a period of unprecedented economic expansion begins to slow in some places and regress in others?

Thus rather than be characterised by a schism defined by politicians and myopic political ideology, the economic field urgently requires a more unified and concerted effort to address the mounting economic challenges facing the world.

Moreover, trends in technological advancements (reducing the need for human labour), demographic shifts (adding pressure to already stretched public finances), depleting natural resources (water, arable land, minerals and energy) and widening income inequality are fuelling greater political and social instability worldwide, that only economic growth promises to remedy.

It is against this backdrop, that more encompassing economic thought leadership is warranted and as opposed to doctrinaire approaches.

The economics discipline desperately and urgently needs a rethink, and an appreciation for balance, much like that of the important architects of modern economics. After all, Keynes read Hayek, and wrote, "I agree with almost all of it." And Hayek read Keynes and wrote, "It's reassuring to know we agree so completely."

A balanced economic approach that draws on the Hayekian incentive-based prescriptions, but also recognizes the critical role of strong central governments to act effectively in times of crisis, their role in boosting aggregate demand, putting to work underutilized resources and clearing markets when they won't clear themselves.

And if we can move past the stale, inflexible approaches of yesteryear, then we can lay the groundwork for growth across the world — ultimately, sparking and sustaining the engine of growth that drives higher living standards, expands political liberties and ensures human progress. If we can't move forward, the global economy is doomed to failure. And although little has changed since I earned my PhD in economics over a decade ago, our fate hangs in a precarious balance.

*Photo: Still from "Fear the Boom and Bust," a Hayek and Keynes Rap Anthem*