

Which Economists are Most ‘Responsible’ for the Current Economic Crisis?

[This is a letter I sent out to my “Hi everybody” email list on Feb. 24, 2010. –S.H.]

Hi everybody,

Attached below is an article, reproduced from the Monthly Review "Zine" website, about how Alan Greenspan has "won" the "Dynamite Prize in Economics" for being the economist most responsible for the current economic crisis. The runner-ups were Milton Friedman and Larry Summers.

I find myself in the rather uncomfortable position having to defend these bourgeois worthies against this charge!

Here is my argument: To say that the mistaken policies of any particular economists are responsible for the crisis is to implicitly say that crises like this are *not* inherent in the capitalist system! To blame particular economists is to let the capitalist system off the hook! And it is to suggest that if these economists had followed other policies the crisis would not have occurred. All of this is completely false.

I have no doubt that Greenspan and the others did institute policies that tremendously promoted the Dot.com bubble in the late 1990s and the housing bubble (and its associated securitization bubble of financial derivatives based on bad mortgages) over the past 6 or 8 years. And these bubbles did of course collapse, triggering first the recession of 2000-2001, and then the current "Great Recession". So yes, they can get a big part of the blame for promoting the creation of the financial bubbles that did pop and which did trigger these two crises.

But what if these bubbles had *not* been created? In that case the economic crisis we have now would have begun all the sooner! Maybe Greenspan, et al., should be awarded the so-called Nobel Prize in Economics (issued by the Bank of Sweden) for having *postponed* the current crisis for as long as they did, and by doing so through "truly heroic" measures! (I'm being facetious of course.)

What bourgeois economists don't and cannot possibly understand is that credit and asset bubbles are *necessary* to capitalism! Without bubbles there would be no capitalist economic booms, and no "good economic times" at all under capitalism. (My explanation for why this is the case is given in my pamphlet "An Introductory Explanation of Capitalist Economic Crises" at <http://www.massline.org/PolitEcon/crises/index.htm>)

Strangely enough, even many people strongly influenced by Marxism don't understand that economic crises are inherent in capitalism and are bound to break out sooner or later. One of the major reasons for this is that a lot of people influenced by Marxism are also strongly influenced

by Keynes and his followers (such as Joan Robinson and Hyman Minsky).

Those associated with the "Monthly Review School" of political economy are a case in point. While there are indeed many useful and correct things that the MR folks have to say and the magazine is important to read for those interested in political economy, they still do have one foot (or at least a few toes) in the camp of bourgeois economics.

And it was wrong for the MRzine to post the article below without criticizing it along the lines I have done here. It makes me doubt all the more if they themselves really understand that crises are inherent in capitalist production!

[For my own comments about Alan Greenspan see:
[http://www.massline.org/Dictionary/G.htm#Greenspan Alan](http://www.massline.org/Dictionary/G.htm#Greenspan_Alان)]

Scott

[From: <http://mrzine.monthlyreview.org/2010/economics220210.html>]

Greenspan Wins Dynamite Prize in Economics

by Real-World Economics Review Blog

Alan Greenspan has been judged the economist most responsible for causing the Global Financial Crisis. He and 2nd and 3rd place finishers, **Milton Friedman** and **Larry Summers**, have won the first -- and hopefully last -- *Dynamite Prize in Economics*.

In awarding the Prize, Edward Fullbrook, editor of the *Real World Economics Review*, noted that "They have been judged to be the three economists most responsible for the Global Financial Crisis. More figuratively, they are the three economists most responsible for blowing up the global economy."

The prize was developed by the [Real World Economics Review Blog](#) in response to attempts by economists to evade responsibility for the crisis by calling it an unpredictable, "Black Swan" event. In reality, the public perception that economic theories and policies helped cause the crisis is correct.

The prize winners were determined by a poll in which over **7,500** people voted -- most of whom were economists themselves from the 11,000 subscribers to the [real-world economics review](#). Each voter could vote for a maximum of three economists.

Fullbrook cautioned that not all economics and economists were bad. "Only 'neoclassical' economists caused the GFC. There are other approaches to economics that are more realistic --

or at least less delusional -- but these have been suppressed in universities and excluded from government policy making."

"Some of these rebels also did what neoclassical economists falsely claimed was impossible: they foresaw the Global Financial Crisis and warned the public of its approach. In their honour, I now call for nominations for the inaugural *Revere Award in Economics*, named in honour of Paul Revere and his famous ride. It will be awarded to the 3 economists who saw the GFC coming, and whose work is most likely to prevent another GFC in the future."

Dynamite Prize Citations

Alan Greenspan (5,061 votes): As Chairman of the Federal Reserve System from 1987 to 2006, Alan Greenspan both led the over-expansion of money and credit that created the bubble that burst and aggressively promoted the view that financial markets are naturally efficient and in no need of regulation.

Milton Friedman (3,349): Friedman propagated the delusion, through his misunderstanding of the scientific method, that an economy can be accurately modeled using counterfactual propositions about its nature. This, together with his simplistic model of money, encouraged the development of fantasy-based theories of economics and finance that facilitated the Global Financial Collapse.

Larry Summers (3,023): As US Secretary of the Treasury (formerly an economist at Harvard and the World Bank), Summers worked successfully for the repeal of the Glass-Steagall Act, which since the Great Crash of 1929 had kept deposit banking separate from casino banking. He also helped Greenspan and Wall Street torpedo efforts to regulate derivatives.

In total 18,531 votes were cast. The vote totals for the other finalists were:

Fischer Black and Myron Scholes	2,016
Eugene Fama	1,668
Paul Samuelson	1,291
Robert Lucas	912
Richard Portes	433
Edward Prescott and Finn E. Kydland	403
Assar Lindbeck	375

The poll was conducted by PollDaddy. Cookies were used to prevent repeat voting.