

ECONOMICS IN EUROPE

ASSAR LINDBECK*

As the result of evil political forces in the 1930s and 1940s, research and qualified academic education in economics nearly disappeared from the European continent. To a considerable extent, this loss of competence took the form of a brain drain to the United States. The damage to academic research and teaching was particularly pronounced in the field of “technical economics”, i.e., formalized economic theory and econometrics, since the role of teachers and course programs is particularly important in these fields.

I saw the mirror image of this development quite clearly while studying in the United States in the late 1950s. At Yale University I could not avoid noticing the unmistakably European accents in the lectures of Gerard Debreau, William Fellner, Tjalling Koopmans and Robert Triffin. I had a similar experience during a subsequent stay at University of Michigan, where I listened to and learned from George Katona, Richard Musgrave and Wolfgang Stolper.

It took a long time for academic research and graduate training on the European continent to recover from the collapse. One reason, of course, is the roundaboutness of production in academia: while students need good teachers, the latter have to be recruited from well-trained students, as in a Leontieff input-output model – constructed by another escaped European economist. A further reason for the slowness of the recovery has been the archaic and hierarchical organization of universities in most continental European countries. Only a very few universities in Europe today have first-class graduate programs in economics. Moreover, intellectual protectionism still abounds

in many European university systems. Professors still favor their own students rather than allowing open competition among students regardless of country of origin and country of training. Newly graduated Ph.D.s from other countries, such as the United States, are often not welcome to take up academic positions, even in their country of origin. It is clear that academic training and research in Europe has much to gain from tearing down this archaic, hierarchical and protectionist organization.

Nevertheless, considerable progress has been made in academic training and research in Europe during recent decades, as witnessed by the emergence of new generations of technically well-trained economists. But as often happens when one problem is solved, others rise to the surface. In particular, there is the delicate issue of balance between technical-analytical skills and basic (“intuitive”) understanding of economic problems. There are at least two serious enigmas in this context. First, the increased emphasis in graduate programs on mathematical methods and abstract theoretical analysis influences the recruitment of students to economics. It is valuable that a number of students from mathematics, natural sciences and technology enter Ph.D. programs in economics. But it is also important that less technically trained students with a genuine interest in social, economic and political issues join these programs and that they find the discipline interesting enough to continue their studies. Second, many graduate students today have to devote so much effort to acquiring technical-analytical skills that they do not have time to develop a good and intuitive understanding of important economic, social and political problems. Many do not follow the general discussion about economic, social and political issues in the media. In some cases, they hardly know whether there is a boom or recession in their country of residence or for that matter in the world.

One risk with this situation is that young economists learn their field rather mechanically. The responsibility for this, of course, lies with academic

* Professor at Institute for International Economic Studies, Stockholm University.
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teachers, many of whom squeeze innumerable formal models into their lectures and reading lists. They often do not have time (or the ability) to demonstrate the intuitive content and the relevance, or irrelevance, of the models they survey.

One unfortunate side effect of all this is that we do not educate enough “two-legged economists”, who both master analytical techniques and have a feeling for real-world problems. This may be a reason for the receding role of academic economists in the general discussion of economic and social problems in several European countries. The role abandoned by economists tends instead to be taken up by others. For instance, other social scientists, including sociologists, political scientists and economic historians, increasingly take part in the general economic and economic policy discussion. It is fine, of course, that researchers with training in these fields participate in the public debate about important problems in society. But they can never replace competent broadly trained economists. The void created by “retreating” economists, in particular in the mass media, is also filled by spokespersons for various organizations – for instance, banks and interest groups. Again, they simply cannot fully fill the role of academic economists.

What can be done about this? Basically, university teachers and researchers have to assume a greater responsibility for transmitting knowledge and understanding of real-world problems, including common sense, to their students. By this I mean a feeling for proportions and, and hence a realistic view of what is worth modeling. It is my experience that this is indeed possible – if we try hard enough.

Do these views simply reflect an aging economist’s inability to catch up with contemporary research? I would, of course, resist this interpretation. I believe that there is a genuine risk that simple classroom exercises, with oversimplified and often unrealistic assumptions, become the *end product* rather than just an introductory step in the transmission of competence in economic analysis to new generations. This risk was pointed out a long time ago by the most influential economic theorist in the 20th century, Paul Samuelson, in his *Foundations of Economic Analysis* (1947, p. 4): Economists “are like highly trained athletes who never run a race”. There are many more such economists around today than in 1947 – both in Europe and in other parts of the world, where training in

technical economics has improved in recent decades. Perhaps the increased interest in empirical research in recent years, including experimental economics, will contribute to improve the situation in the future. Indeed, these new tendencies may be seen as a reaction to the problems that I have just described.