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Public Managers and the Economists

Perspective

In the public management literature, the relationship between public bureaucrats and politicians is an ever-present theme. As they both define policies, politicians and bureaucrats compete as much as they cooperate in policy making. Top public managers are policy makers, and the schools forming them often call themselves schools of public policy instead of schools of public administration. The choice is comprehensible. What is less understandable is why public managers leave economic policy as an exclusive domain of the economists. If public managers don't passively accept the policies proposed by politicians, why don't they exhibit the same behavior in relation to economic policies? And why don't we have a literature discussing the relations between public mangers and economists?

The likely answer to my question is "because it is a very specific science that only economists are able to master; it is very abstract thinking full of mathematics that we are unable to understand and discuss." But if economic policies are so complex, politicians would also be unable to have a say on the matter and, even more so, the people. That would mean that we do not live in a democracy but in a technocratic authoritarian regime. Further, is this mathematical economics really required to evaluate economic policies, or is the basic economic theory that we find in introductory textbooks and the information and debates that we read in the media about actual economic policies enough?

My answer is that they are enough—not fully but basically enough. While the two supporting methodological sciences—econometrics and economic decision-making theory—require a high level of mathematics, good economics does not. This is for a simple reason: different from econometrics and economic decision-making theory, which are methodological sciences, economics is a substantive social science; it deals with human beings whose behavior can neither be predicted mathematically nor deduced from axioms. The correct form of defining laws in economics is not sitting down in an armchair, adopting some hypotheses, such as *homo economicus* and the law of diminishing returns, and, from these feeble foundations, formulating a system of models centered on the general equilibrium model, whose truth criterion is internal coherence and not realism. The alternative method—the one that was followed by Adam Smith, Karl Marx, John Maynard Keynes, and Joseph Schumpeter—is to observe economic behavior, look for tendencies and regularities, and, once they are found, make generalizations, building historical or empirical models. In other words, the scientific method required by substantive sciences and, in particular, by social sciences is not the hypothetical-deductive but the historical-deductive method. As a trade-off, the general economic theory created with the use of this method is not a theoretical castle in the air but a body of knowledge with some predictive capacity that educated men and women have no difficulty understanding and using to formulate economic policies.

Thus, public managers who are not economists, but who know some basic economics, are fully entitled to discuss economic policies. More than that, given that they are endowed with part of the power of the state, they are *required* to do that. If their basic task is to help politicians to define policies, they are a part of the political and technical process of formulating economic policies. In the same manner that they have views on education, health care, or security policies, they must also have views on economics and economic policy making.

Besides, economics is not just the science of how markets allocate or coordinate factors of production but also of how the state participates in this task. In microeconomic terms, markets are an excellent institution to allocate the factors of production of the *competitive* sector of a national economy, not of the monopolist sector. Second, markets are unable to coordinate the national macroeconomic systems. Such systems are highly unstable, and they require an active and competent macroeconomic policy. Actually, economists may

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know better the abstract market, void of men and of passions, that is associated with neoclassical economics, but they often have a false knowledge of the real national market systems for which economic policies are designed. They assume that the macroeconomic system is well coordinated by the market, provided that the state keeps its fiscal accounts and the supply of money under control.

Economics emerged as a specific social science only when the first countries embarked on their capitalist revolution. The coordination of the economic system ceased to be controlled by religion and the ancient state, replaced by the modern state and an institution regulated by the state: the market. For that reason, economics is often called the "science of markets," but actually it is the "science of markets regulated by the state." In each modern society, the state, defined here as the legal system and the organization that guarantees it, is the fundamental institution.

Lawyers study the legal system, public managers study and manage the state organization, and economists study a major institution regulated by the state: the market. If lawyers have a broad knowledge of the law, and if economists are supposed to have a broad knowledge of the markets, then public officials, insofar as they are governing, are supposed to know better the state organization and have a broad knowledge of the law and the markets.

It is well established that top public managers are, or should be, generalists. What does this mean? Essentially, they are supposed to have a broad vision of the society and the state that they serve. They do not need to have a PhD in economics, or in education, or in security, to have a say in these fields. In the case of economic policy making, it is enough that they have a general idea of the national society, of its state and its market, and of its economic relations with the rest of the world.

A PhD in economics probably would *not* help the high-level manager much. On the contrary, given the alienation from the real world that characterizes the graduate teaching of economics, an economist able to propose policies must *forget* the core neoclassical theories learned in courses and, on one side, use experience, intelligence, and knowledge of the basic economics existing in good introductory textbooks and, on the other, use intelligence and knowledge of the country and the global world.

A perfect example of what I am affirming is Paul Krugman. To write his excellent book *End This Depression Now!* (2012), he ignored or "forgot" the neoclassical economics that he had learned. Instead, he combined some basic economics with Keynesian macroeconomics and let this knowledge be controlled and checked by his intellectual capacity. Public managers must do the same. It is true that most of them are not bright as Paul Krugman, but their great advantage is that they do not have to forget as much as neoclassical economists have to in order to become good economic policy makers participating actively in the micro- and macroeconomic policy-making process.