

Open Letter to P Krugman

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Dedicated to Marie-Louise Nykamp

Abstract

It is suggested that psychological aspects of the behaviour of the general population with respect to economics - advocated by Krugman, following the economic crises of 2008 - should be extended to economists as well, in order to avoid the excessive and mostly senseless polarization of economists in opposing ideological camps, a polarization still so dominant nowadays.

How Far Should One Involve Psychology in the Science of Economics ?

Dear Professor Krugman

It happened that, reading the recent arxiv:1012.4446 paper "Fundamental and Real-World Challenges in Economics" of Helbing and Balmelli, I came across your September 2, 2009 item in the New York Times.

Most certainly, I am not one of your critics.

I find it much on the level of football-hooliganism to take sides, let alone, to feel belonging to any side, be it in economics, politics, and so on. Indeed, since I was a child, I was many times explained that such identifications are mostly emotional, summary, primitive and a priori, and as such, can hardly at all be supported by wise enough arguments.

And if the term football-hooliganism may happen to seem too strong, let us recall that less than four centuries earlier Galileo nearly lost his life by claiming in front of highly educated and sophisticated Vatican theologians that Planet Earth moves. And less than two centuries ago the Oxbridge establishment in England was still shocked by Geology according to which Planet Earth is far older than the six or so millennia calculated from the Bible. Also, less than two decades ago a large part of the world was still run according to the idea that private property is theft ...

And, please, do not call idiots or lunatics all those people - many of them highly intelligent and learned - who fervently kept supporting the respective mistaken systems of ideas ...

No, such errors are but a psychological issue, one in which - just like animals and our small children - we take our mere sensations of truth for nothing less than truth itself ...

Well, do you by any chance have a better short formulation for it than football-hooliganism ?

Please, therefore, try to see the following in view of the above.

What you describe in your mentioned 2009 item I find mostly correct. However, I find as well that it is not going deep enough, namely, in addressing the regrettable silliness of the general academic situation of which that in economics is but a small part.

But to be short.

In the Wikipedia item on you, it is mentioned that your interest in economics began with Isaac Asimov's Foundation novels, in which the social scientists of the future use "psychohistory" to attempt to save civilization, and since "psychohistory" in Asimov's sense of the word

does not exist, you turned to economics, which you considered the next best thing.

Also, towards the end of your 2009 item, you mention that behavioral finance should be developed.

Yes indeed, psychology is absolutely fundamental in economics. Just as much as in politics, or for that matter, romance, and all such emotionally hot human ventures ...

Our cognitive being as humans is poorly integrated with our affective one, and the latter so often is the real boss ...

This is, in short, why psychology is so important if one tries to deal with hot human issues and do so in more customary ways ...

Of course, there are as well far more subtle ways of dealing with such issues. However, let us keep here to the customary ones only ...

Now, in economics, like in politics, the psychology of the masses is in fact only one side of the issue. Indeed, the psychology of those who do economic theory is no less important, and you seem to miss this point utterly in your 2009 item.

And then, please, why not also, and first of all, if not in fact, above all, consider the psychology of those who are involved in economics as a theory ?

Yes, why not try to step back somewhat, and look at all that nonsense recalling football hooliganism of salt water versus fresh water versus liberal versus conservative versus versus ...

And do so from the point of view of psychology ...

That very psychology which, according to Wikipedia, did in the first place get you into economics some decades earlier ...

The psychology of the masses will after all be turned into important components of economics theory. And the psychology of those who will do so is extremely important since it can so easily introduce grave distortions ...

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Please remember : football-hooliganism makes those who practice it feel so immensely good, yet it is still nothing more than football-hooliganism ...

With all the best wishes to you,

Yours sincerely,

Elemer E Rosinger