Chapter 1
Econocracy

econocracy (e·con·oc·ra·cy) *n. A society in which political goals are defined in terms of their effect on the economy, which is believed to be a distinct system with its own logic that requires experts to manage it.*

Living in an econocracy

The existence of econocracy is apparent in everyday language. It is commonplace for the media to talk about 'the economy' as an entity in itself, and how something will be 'good for the economy' or 'bad for the economy'. The economy can speed up, slow down, improve, decline, crash or recover, but no matter what it does it must remain at the centre of political attention. Politicians nowadays must construct narratives based around the importance of the economy. An iconic example of this was when the campaign team of former US President Bill Clinton pinned up a sign in their headquarters that read 'The Economy, Stupid!' to keep the campaign on message. In the UK, Prime Minister David Cameron gave a speech shortly after his election in 2010 addressing 'the first priority of this government: transforming our economy'.[1] Similarly, the Labour Shadow Chancellor, John McDonnell, made a highly publicised move to establish an Economic Advisory Committee in 2015, which included some of the world's most prominent economists, in order to establish his economic credibility.[2]

It is unheard of for a political party to win an election without being seen as economically credible. In the build-up to the UK's 2015 general election the economy was the most discussed issue in the news apart from the election itself.[3] Politicians and commentators try to dismiss their opponents' policies as being 'good politics; bad economics',[4] claiming that these policies contradict economic theory or would have unintended consequences for the economy. The label of 'economic irresponsibility' is hurled like a grenade to discredit one's political opponents.

Econocracy has its own rituals and traditions. Every quarter the Office for National Statistics publishes its official Gross Domestic Product (GDP) estimates which measure the money value of the goods and services produced in the economy over the previous quarter. GDP is the central statistic by which the economy is judged. For a few days before and after publication the national media is full of economic experts poring over productivity, growth rates, changes to trade, political events and the confidence of markets. From this they can offer their diagnosis on the economy and predictions for the future.

As a consequence of this focus, increasingly diverse areas of life now justify their existence in terms of their contribution to the economy. One famous children's charity justified a campaign to encourage fathers to read to their children on the basis that improving literacy would increase GDP by 1.5 per cent by 2020.[5] In 2014 the Organisation for Economic Co-operation and Development (OECD), a prominent economic institution, highlighted that mental health issues cost the UK around £70 billion every year – roughly 4.5 per cent of GDP – in lost productivity at work, benefit payments and healthcare expenditure.[6] Even the existence of the monarchy is often justified in terms of its beneficial effect on the economy.[7]

The Arts Council now refers to the 'arts economy' and publishes regular reports highlighting the value of the arts to the economy. The most recent report highlighted that the industry generates an increasing amount of turnover and that for every pound spent on arts and culture, an additional £1.06 is generated in the economy.[8] The British Library also feels the need to justify its activities by claiming that for every pound in public funding it receives, £4.40 is created.[9] It's surprising that no one (to our knowledge) has yet worked out the value of Shakespeare to the economy.

The econocracy extends beyond a fixation with the economy's success. It is built on a particular vision of the economy that over time has been bought into by politicians, businesspeople and the general public. Within an econocracy, economic discussion and decision making has become a technocratic rather than a political or social process. We increasingly view the economy as something separate from wider society and, in many cases, outside the sphere of democratic debate. The philosophy of econocracy is to leave decisions about the economy to those who supposedly know best.

The philosophy of econocracy

In this world economics as an academic discipline has found itself with a unique position and will be a central part of the story we tell. Academic economists in universities are responsible for training the experts who play a central role in an econocracy. Economic knowledge gives the experts who hold it claims to know how the economy works and therefore to shape our collective views about its health, design policies to improve it and pass judgement on the economic competence of businesses, political parties and whole nations. Academic economics increasingly provides a framework with which to do this.

Economic logic does not prescribe a fixed set of views – one can find economists arguing about a variety of political issues – but it defines social goals, how political decisions are made and the terms on which issues are debated. There are also a number of political issues on which nearly all economists agree.[10] We argue that this dominance in society limits collective thinking because it is based on a narrow conception of 'economics'. It also undermines political culture because it turns many political debates into purely 'economic' questions to be answered by experts.

Economists generally perceive their role in society as a technical one, providing neutral and scientific advice on policy rather than engaging in politics directly. The widespread acceptance of this belief is a key feature of an econocracy. In this section we show how the technical language and tools of economics obscure political judgements and subtly redefine the goals of political problems, in turn excluding the public and other important stakeholders from the policy process.[11] Moreover, we show how ideas from economics have actively shaped society in new and unprecedented ways.

One prominent example of how technical calculations hide political judgements is cost–benefit analysis (CBA), which weighs up policies by estimating the money gained and lost in different areas of society as a result of the policy, then calculates the impact in monetary terms, defined as benefits minus costs. If the benefits are higher than the costs then the monetary value is positive and the policy is a net gain for society; if the costs are higher than the benefits then the value is negative and the policy is a net loss. CBA is used to address a wide range of important issues ranging from environmental damage to new infrastructure projects and buying new drugs for the NHS.[12]

CBA is illuminating because it highlights two key features of an econocracy. Firstly, it takes what are often hugely complex social problems and reduces them to figures, giving policymakers an easy, digestible way of seeing the problem. The use of CBA throughout government illustrates the core assumption that the economy is knowable (to the point of precise measurement) by experts, and that everything can be assigned a monetary value that reflects its value to society. Secondly, the decision rule for CBA doesn't appear to require political judgement because it is a simple calculation: if the benefits of a policy outweigh the costs, it should be done. The implication is that economic policy can be carried out neutrally by technocrats, removing the need for messy political debate.

Economists would argue that tools like CBA are simply frameworks for trying to think rigorously about the pros and cons of a certain policy, and that they often include non-economic aspects of a problem. However, methods for attaching money valuations to such a broad range of costs and benefits always involve choices, value judgements and assumptions that are inherently political in nature. Buying drugs for the NHS requires assigning a monetary value to the extra years someone will live as a result of the treatment; CBA as applied to climate change requires quantifying possible future environmental disasters. We shall return to some of the problems with this approach in Chapter 3, but suffice to say that there is rarely a neutral scientific way to make these calculations. Yet under CBA this part of the process is hidden in a black box, invisible to Parliament and the public, and decided, without wider input or accountability, by the expert.

CBA is just one prominent example of how the internal logic of economic theory reshapes politics and thus entrenches its influence. As political issues are turned into economic issues, the discipline of economics gains greater influence, changing society in ways that impact everyone. One such example is from the financial sector, where economics has played a hand in constructing entirely new markets. A historically important example of this construction was the creation of the Chicago Board Options Exchange (CBOE) as a financial market in 1973.

Prior to the 1970s, options – a form of financial 'bet' on how the price of an asset will move – had been banned for certain assets on the grounds that they were effectively gambling. Economists provided the intellectual rationale for eliminating these regulations, claiming that this would improve economic efficiency and make society better off. The creation of the CBOE kicked off a massive expansion in options trading, so that 'by June 2000, the total notional amount of derivatives contracts [which include options] outstanding worldwide was $108 trillion, the equivalent of $18,000 for every human being on earth'.[13]

Economics was not only crucial in creating and rationalising the CBOE; it also provided the logic that governed the trading that took place within its walls. Over time the price of many options became increasingly determined by the 'Black-Scholes' equation, developed by several economists (some of whom later won the Nobel Prize) to attach a price to financial assets. Initially, the equation proved fairly unreliable in predicting the prices of assets, but as its use became more widespread, and as economists and lawyers lobbied for changes to the regulatory structure to make the model's assumptions more accurate, the market began to align with the model's predictions. The equation became important precisely because it was being used by so many people.[14]

The influence of economics in actively shaping the economy does not end with finance. The increasing use of economic methods in policymaking limits the aims that can be pursued, narrowing the possibilities of government by focusing on solely economic objectives. This is shown clearly in the auctions that took place in many western countries in the early 2000s to sell parts of the electromagnetic spectrum to mobile phone companies. Wishing to design auctions that would achieve their political goals, governments across the world hired economists from an area known as 'game theory', which studies how individuals react strategically to one another's behaviour. The companies in turn hired economists to lobby for auction designs which would further their own goals.[15]

The resultant auctions focused on goals that could be easily modelled by economic theory – in particular, maximisation of government revenues from the sales – which meant that considerations outside this narrow lens were ignored. In the US other political goals, such as selling to smaller companies and rural mobile coverage, fell by the wayside.[16] In the UK, the long-term health of the bidding companies was not considered, and some of the winners encountered significant difficulties, with BT having to sell off assets in order to pay for its successful bid.[17] Focusing on revenue maximisation led to the neglect of other aspects of the situation, a debatable political decision that was obscured by the remarkably complicated nature of auction theory.

Such decisions can, in isolation, seem small but their cumulative effect is to transform the political process. We have given just a few examples but the application of economic logic to political decisions is extending further and further because government is increasingly dominated by economists. Every year over ten thousand economics students graduate from UK universities. Economics graduates dominate society's most important political institutions and design our government's most important policies and laws, constructing and shaping the economy in the ways outlined above every day. The UK civil service has a Government Economic Service (GES), which has roughly trebled in size in the twenty-first century and now employs about 1,600 economists. There are twice as many economists employed in the civil service as there are other social researchers.

Economics provides a common language for policymakers to communicate with one another. Government reports are laden with economic jargon like 'efficiency', 'externalities' and 'opportunity costs'. A whole community of think tanks and research institutes has grown up, attempting to influence politics with policy analysis and recommendations based on economic logic. For example, the Institute for Fiscal Studies (IFS) regularly provides evaluations of government tax and spending policies and has helped governments design and rationalise policy changes.[18] These organisations often strive to present their analysis as objective and scientific evidence (rather than political argument), and the IFS in particular has a reputation for objectivity. This reputation has given the IFS great power and it has been called the 'umpire of British politics' because its assessment of government policy is given such authority in political circles and across the media, resulting in further deference from politicians to the authority of economic analysis.[19]

Perhaps the most significant example of how modern societies are increasingly becoming econocracies is the rise of independent Central Banks (CBs) across the world. CBs control monetary policy, which determines the interest rate charged on mortgages and savings and also influences the level of money in the economy. Both of these can have an enormous impact on individuals and on society. In Britain the decision to devolve the setting of monetary policy to a committee, known as the Monetary Policy Committee, of nine economists at the Bank of England was taken in 1997 without being mentioned in the ruling Labour Party's pre-election manifesto.[20] Moreover, the bank is tasked with overseeing commercial financial institutions and constructing regulations to ensure financial stability. These important societal functions have been outsourced to economic experts, with the bank employing two hundred economists in total.[21]

There have been similar developments elsewhere in the world. Independent CBs are present in the US, Japan, Australia and most starkly in Europe in the form of the European Central Bank, which is completely unaccountable to the democratic wishes of particular Eurozone countries. In an incredible turn of events in Italy in 2011, a coalition of technocrats headed by the economist Mario Monti was sworn into government without an election after pressure from Italy's creditors.[22] Monti had never served in government before. He then appointed a cabinet without any members from Italy's political parties and was in office for close to eighteen months before facing elections, in which time he attempted to radically reshape the economy.[23] When a general election was held, Monti was relegated to fourth place.

In Greece, also in 2011, something similar happened as the economist and former vice-president of the European Central Bank, Lucas Papademos, was installed as Prime Minister without being elected.[24] Just before Papademos was appointed a *Financial Times* article stated 'Wanted: a temporary prime minister for small eurozone country in distress. Must be an economist with international background, fluent in Greek. No political experience required.'[25] While it may have been a joke it sums up the new status quo perfectly.

The rise of economics can also be seen in international institutions such as the International Monetary Fund (IMF), World Trade Organisation (WTO), World Bank and aforementioned OECD. All of these institutions have an economic *raison d'être*, rely heavily on economic experts, and conduct their business in the language of economics. For example, the IMF acts as a lender of last resort to countries facing debt crises. In return for bailouts it requires countries to implement various reforms of their public expenditure, tax policies, labour markets, trade policies and monetary policy, all of which are influenced by economic theory and designed by economists. In 2005 nearly two-thirds of the IMF's professional staff and almost three-quarters of its new professional recruits were economists.[26] In a recent survey of IMF staff, nearly 75 per cent of respondents saw the Fund's organisational culture as 'technical' and 'economistic'.[27]

Similarly, the WTO facilitates trade rounds with the aim of removing tariffs and regulations that prevent trade. The WTO's mission is possibly most closely linked to economic theory because the case for trade liberalisation is agreed by almost all economists. Collectively these organisations illustrate the rise of econocracy as a global phenomenon. They all rest on the assumption that the economy is a distinct sphere of life with its own logic. They support and sometimes heavily pressure countries to enact policies that at the time are widely considered by economists to be desirable for the economy (although this consensus changes over time), and they place great faith in technical economic expertise.

A defining feature of econocracy is the power given to economic experts, as the accepted spokespeople for society's economic knowledge, to shape political goals and the means of achieving them. But how did economics come to occupy such a place in our society? Hasn't 'the economy' been around since time immemorial? We now turn to the history of econocracy to show its rise in the second half of the twentieth century.

The roots of econocracy

The roots of econocracy lie both in the events and ideas of the twentieth century, when innumerable economic institutions devoted to measuring, analysing and managing the economy arose.[28] It was during this time that the discipline of economics created the conception of the economy as something that needs to be understood and therefore overseen by experts. Econocracy was born when societies began to seek to improve the economy as an end in itself, detached from its relationship to other parts of life, based on the assumption that improving the economy improves all of our lives.

Many economists would argue that the economy has been important for at least as long as human societies themselves. But there is an important difference between concrete activities such as business, finance and trade, and the idea of 'the economy' as a distinct system with its own internal logic. The former have indeed been part of human life since we began to live in societies. The economy, on the other hand, is an abstract concept which is a relatively recent invention.

Our current understanding of the economy as a distinct sphere of human life – in which production, distribution and consumption occur – is an entirely modern phenomenon. In the past, economy (*oikonomia* in ancient Greek, which literally means 'household management') focused on the self-sufficiency of households. Jane Austen, writing in the early nineteenth century, could describe one of her characters as a poor 'economist' for her inability to handle the servants.[29]

Between 1900 and the end of the Second World War in the UK, the term 'economy' was used only twice in any winning party's manifesto, both times to mean frugality. It was not until the 1950 Conservative Party manifesto that it first appeared, just once, in its modern usage. In 1955 it appeared ten times. In the 2015 Conservative Party manifesto, the word 'economy' appeared 59 times (see Exhibit 1.1).[30]

An important point that emerges from the historical record is that the existence of an econocracy requires a modern,

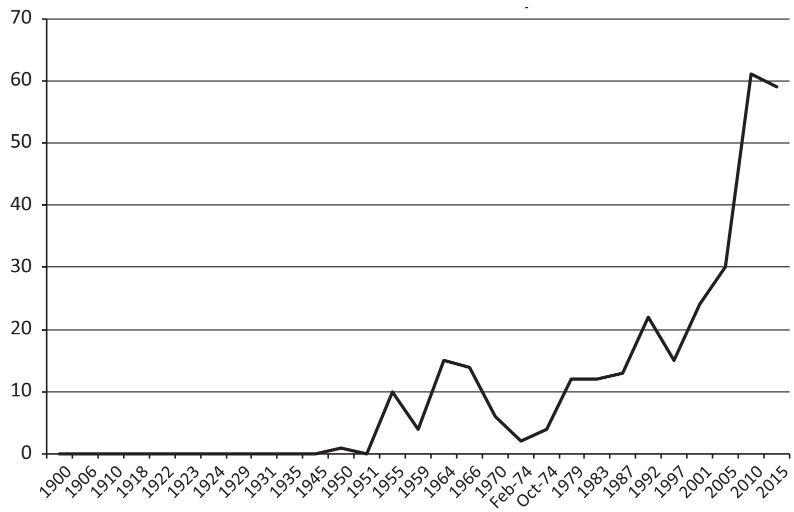

Exhibit 1.1 Mentions of 'the economy' (modern usage) in UK winning party manifesto

centralised state with advanced information-collecting abilities and the desire to actively shape the world in ambitious ways.[31] In the nineteenth century the state didn't have the capacity to collect the statistics that allow it to map the economy today.[32] Since then the combination of an increasingly centralised state and modern technology has allowed a far greater and more systematic collection of data.

Developments from within economics were also fundamental to this shift. In 1929 the economist John Maynard Keynes was one of the first to begin to refer to the economy as an abstract entity, using terms like 'economic society' and 'the economic system as a whole' to describe something more than the combined activity of individual economic units.[33] In 1936, at the request of the Dutch government, Jan Tinderberg built the first model of the economy, using maths to represent the activities of businesses, workers and governments and therefore allowing him to make predictions about the likely impact of various policy responses to the Great Depression. Later he was commissioned by the League of Nations and detailed a model of the US economy with 71 variables and 48 equations.[34] Models like this allowed economists to begin to define the core features and relationships they believed made up the economy.[35]

The Second World War gave economists the opportunity to showcase their rapidly developing technical skills. The war necessitated a mobilisation of resources that was unprecedented, and economists were hired for a broad range of tasks, from optimising shipping routes and loads to planning war manufacturing. Economics provided a seemingly scientific, mathematical basis on which to make the kind of clear-cut decisions that are so vital during wartime. The war also saw the development of state control and information-gathering systems which would later form the core of econocracy.[36] National Income Accounting and what would become measurements of GDP were born.

The war raised the status of the discipline and cemented its central role in government. It also effected a shift in the centre of gravity of economics away from Britain to the US, which has dominated the profession ever since. Economics was used so extensively, and so many of the economists' tools were suited to the problem at hand, that the economist Paul Samuelson declared the Second World War the 'economists' war'.[37]

After the Second World War economic ideas increasingly influenced both the structure and aims of government in Britain and elsewhere. Successive governments were committed to full employment and 'Keynesian demand management', which was the idea that fiscal policy (the government altering levels of taxation and expenditure) could be used to provide stimulus when the economy was faltering, and to put the brakes on when it was booming. The rise of economics was symbolised in the US in 1946 by the creation of the Council of Economic Advisors inside the White House to advise the President directly. In the UK, the Government Economic Service was set up in 1964 to provide the civil service with economic expertise.

The UK Treasury began preparing qualitative assessments of economic prospects shortly after the war. Initially these forecasts were not derived from a formal model but were based on the judgement and intuition of Treasury economists. By 1961 these had been replaced with equations and the Treasury's projections became quantitative.[38] This shift, by hiding judgements and assumptions about the future in the technical exercise of setting up the model, made economic policymaking appear more rigorous and scientific than that which came before.

Globalisation and international economic governance after 1945 was increasingly based on managing national economies and the interconnections between them. The Bretton Woods system, which managed the exchange rates of the major industrialised nations from

1945 to 1973, was designed by prominent economists such as Keynes and Harry Dexter White.[39] Major international financial institutions arose, such as the IMF and World Bank, which were both founded in 1944; the OECD was established in 1961 and the WTO was founded in 1995 but was preceded by the General Agreement on Tariffs and Trade, which was signed directly after the Second World War. After the war the United Nations played a significant role in standardising and spreading measurements of economic performance across the world. As a result, nations could start comparing GDP growth, unemployment and inflation, and these became central indicators of development and progress.[40]

There was a corresponding gradual shift in news coverage towards an active conception of the economy. It was in the 1930s that 'the economy' appeared in British and American newspapers for the first time as a way to describe a unified and coherent national economic structure. As time went on, this structure gained the capacity to act by itself and developed needs of its own: *Time* stated that the economy 'was working at such high pressure that any additional burdens … were bound to blow price valves' (1944) [41], while *The Economist* argued that the economy needed 'room to manoeuvre' (1952).[42] In the UK a whole raft of institutions (including the Bank of England's Monetary Policy Committee, the Competition Commission and the National Audit Office) were set up to measure, manage and forecast different parts of the economy. It has been estimated that there were 99 organisations producing forecasts of the UK economy by the end of the 1970s.[43]

Econocracies evolve over time but even as they change, a number of features remain at their core. This is demonstrated by one especially striking (or disturbing) new organisation, the innocuous-sounding 'Behavioural Insights Team', also known as the 'Nudge Unit'.[44] Inspired by the relatively young field of behavioural economics, the task of this unit is to exploit psychological tendencies in order to 'nudge' us towards certain decisions, or in their words to enable people to 'make better choices for themselves'.[45] The unit boasts of such things as having doubled the application rates to join the Army Reserves.[46] The role of the economic expert has been expanded beyond simply designing policies to influencing the decisions of citizens.

The Nudge Unit illustrates that an econocracy is not simply defined by the goal of GDP, or by certain types of policies or institutions. Recently many politicians have been flirting with the idea of moving away from GDP as the central measure of economic success.[47]

However, whichever measure or measures we target, as long as we remain within the same institutional structures the core features of econocracy will persist. It is a changeable beast that evolves with economic knowledge, but that always values this knowledge above all else and always involves experts turning political problems into purely 'economic' ones.

In a little over seventy years we have gone from the idea of the economy being marginal to having national and international institutions dedicated to monitoring and improving it, and to having many areas of politics revolve around it. During that time we have begun to think of the economy as a self-contained sphere, distinct from social, cultural and political spheres of life.[48] The modern state wanted a scientific and objective way of shaping politics and economic experts offered it to them – whether through full-scale planning, policy design or 'nudging'. This has turned out to be a Faustian pact – a deal with the devil – because it has disempowered and disenfranchised citizens.

The absence of the citizen

There is a glaring absence at the heart of econocracy: the citizen. If elites and experts can make special claims to knowledge, they can carve out a sphere of life in which they are given decision-making authority. As a result the voices of those who don't have that knowledge are often devalued and disempowered because they don't have the formal credentials and they can't engage with technical language and ideas. This leaves little room for the citizen in economic discussions and decision making, since economic issues are discussed in a language few can engage with and in places few have access to. This reality makes econocracy incompatible with one of our greatest political traditions, liberal democracy.

The idea of liberal democracy is the intellectual cornerstone of British parliamentary politics and of many other administrations across the world. There are competing views of liberal democracy and the role of the citizen within it but there remain some undeniable core features. Liberal democracy aims to provide a way for societies to make collective decisions while still protecting the rights of individuals. The electorate votes for representatives at different levels of government and there is also a strong and broad private sphere which protects individuals' freedoms from infringement by the collective.

The key characteristic of liberal democracy is that involvement in public life and collective decision making is delegated to representative politicians. Citizens can choose how much they want to engage and do so by joining political parties, campaigning and protesting, and voting at the ballot box. Choice is key to this concept of liberal democracy and something our leaders preach to the rest of the world. Take, for example, David Cameron telling the Chinese that 'it is important that democracy involves real choices'.[49]

We argue that econocracy is incompatible with liberal democracy in two ways. Firstly, as we have already seen, in an econocracy political decisions are redefined as technical questions to be answered by experts and thus removed from the public arena. Secondly, as increasing areas of political and social life are colonised by economic language and logic, the vast majority of citizens face the struggle of making informed democratic choices in a language they have never been taught. Real choices require an understanding of the options available and this is difficult when they are so often obscured by the jargon of economics. We would not be comfortable with a doctor offering different treatment choices to a patient if he or she was speaking a language that the patient didn't understand; in fact, the NHS regularly pays for translators to make sure this never happens.[50]

Yet elites seem happy to conduct public discussion about economic decision making in a language that excludes the vast majority. This point is supported by a poll we took in collaboration with YouGov in January 2015 of 1,548 British adults, consisting of multiple choice questions about their knowledge of economics.[51] This poll was, to our knowledge, one of the first of its kind in the UK and provides new insights into how citizens relate to economic policy and the subject of economics more generally. Given the widespread use of economic language in public debate, it is interesting that few others are asking these questions. Whilst we are aware that our results represent only one poll, they remain deeply worrying and warrant further public discussion.

The poll showed that even though political choices are increasingly framed in economic terms, understanding of the language of economics is poor. As we have mentioned, GDP is the central number by which the health of the economy is judged. However, our poll found that only 39 per cent of respondents could define GDP and 25 per cent simply ticked 'don't know'. Political goals, from improving child literacy to reducing mental health problems, are increasingly justified in terms of their effect on GDP, but at the same time most citizens aren't clear what GDP actually is. The organisations that study GDP in meticulous detail exist in an alternative reality to everyone else. Economists, politicians and the media simply assert that changes in

GDP signify the health of the economy and the competence of the government, expecting everyone else to accept that this is true as a token of faith.

The results of the poll suggest that a lack of knowledge of economics is not due to the inability of the public to understand it, but to the tendency of elites to speak to each other in this language rather than actively trying to engage with non-experts. In the cases where economic ideas appear more frequently on the news, more people were able to answer the questions correctly, a point that is illustrated by another key economic statistic in the media: the government budget deficit.

The deficit is the amount the government has to borrow each year, given by the difference between government spending and government revenues. If spending is higher than revenues, then the government is in deficit; if revenues are higher than spending, the government is in surplus. A continued large deficit means borrowing every year, so that the country's national debt will increase significantly over time. Before the 2015 election the three main UK parties all committed to reducing the deficit by cutting public spending, but differentiated themselves over what to cut and how quickly to do it. It was the defining issue of the election campaign and indeed of the success or otherwise of the entire coalition government term. When the former Labour leader Ed Miliband forgot to mention the deficit in his 2014 party conference speech it caused an outcry among the press and rival politicians. The debates about the deficit were a proxy for a wider contest over which party could convince the electorate they were economically competent. Post-election reports into the result have repeatedly found that lack of trust over the economy was the most significant reason why Labour lost, with arguments over the deficit being crucial to this.[52]

Our polling found that in a multiple choice question, 43 per cent of the adult population were unable to define the government budget deficit. That 57 per cent of respondents were able to define it suggests that many have engaged at least to some extent with this debate. However, given its omnipresence on the news and in politics over the last five years, it might have been expected that this number would be much closer to 100 per cent. Moreover, the deficit is one issue where there has been lots of research into public understanding, and other polls which have delved more deeply suggest that people often don't engage with what the deficit really means. Another YouGov Poll found that only 31 per cent of respondents knew the correct definition of the deficit, with 51 per cent confusing it with total government debt.[53] A report by the Centre for Policy Studies found that in 2012, earlier in the Parliament, only 10 per cent of people properly understood the implications of the Conservative government's plans for the deficit, i.e. that government debt as a total was set to rise. Furthermore, it found that 61 per cent of those who voted for the Conservatives in 2010 thought that they planned to cut the total debt, even though in reality they were planning for significant increases.[54]

Knowledge of basic economic terminology is a necessary but not sufficient condition for being able to make informed political choices, and the widespread absence of greater understanding makes meaningful political engagement increasingly difficult. If we do not reverse this situation, our collective choices will feel increasingly hollow.

Our survey with YouGov highlighted a split among respondents between around 35 per cent of the population who felt happy engaging with economics, and the remainder who self-identified as disengaged. Among the 35 per cent of our sample who said they talked about economics once a week or more, people most often highlighted as the reasons for engagement the importance of knowing about economics, that their family and friends were interested in it, or that they had a personal interest in the subject.

This relatively effortless engagement with the subject is in stark contrast to the large number of people who rarely or never talk about economics. 47 per cent of our respondents stated that they talked about economics once a month or less, and a further 12 per cent only talked about it two or three times a month. Disengagement was considerably more prevalent among women and people from less privileged socio-economic backgrounds. Some of the most popular reasons given to explain this lack of engagement included 'I have no interest in economics', 'I find economics difficult to understand', and 'Economics is out of my hands so there is no point discussing it'.

In an econocracy, there are two camps that eye each other distrustfully across the barricades. Those who speak the language of economics are on the inside. They look out and see apathy and a lack of interest in economics among the masses, but rarely reflect on the causes. Those who don't speak economics are on the outside. They look in and see the dominance of the arcane language of economics as evidence that the political classes are disconnected from the reality they live in. In our view an important cause of this disconnect is the intuitive feeling among many people that the kind of economic logic that is dominant often fails to speak to them or describe their concerns. In an econocracy, economics is left to the experts and real democratic debate is stifled as a result.

Disengagement allows economic decision making to become even more technical and obscure, resulting in a vicious circle that undermines the possibility of a more democratic alternative, as political choices are increasingly made without public oversight or accountability. As we saw earlier, central banks have largely been taken out of politics and handed over to economists. Yet the primary response of the Bank of England to the recession of 2008, Quantitative Easing (QE), has had undeniably political consequences. QE is often referred to as 'printing money', and though this is oversimplified it does capture the key idea. Through the creation of electronic money out of nothing, the bank has sought to stimulate the economy by spending this money in financial markets, buying long-term government bonds and other financial assets. The bank itself innocuously labels this a 'cash injection' and argues that the majority of people have benefited from the policy.

Whether or not this is true, the consequences of QE are far from neutral, and the fact that many people would have been worse off without it does not mean that other policies would not have achieved a better outcome. By the bank's own admission, the top 5 per cent of households have benefited most from the bank creating new money to buy assets, since the richest generally own more of these assets than the poorest.[55] We therefore have an example of a supposedly depoliticised economic policy whose impact, if authorised by a government through a tax break, would have been a central part of political discussion.

The operations of a central bank are often political but our poll findings suggest that the public are unaware of this when such operations are carried out without consultation and in a manner that is disconnected from ordinary lives. On the other hand, when the Bank of England's actions affect people in clear ways, they are more likely to engage with what it does. Hence, 84 per cent of the population were able to correctly identify that the base interest rate is set by the bank – probably due to the effect that interest rates have on mortgage costs – but only 30 per cent of people were able to correctly define QE and only 37 per cent correctly defined the official rationale for using it. In both the latter questions, over 40 per cent of people simply didn't know.

The lack of public debate about the rationale behind QE and whether or not to pursue it also means that alternatives are undisclosed and undiscussed. Other means to achieve similar ends could include creating money and using it to fund public spending. Or the bank could have given one-off cash payments to households to stimulate demand.[56] Our aim is not to raise a preference for a particular route. It is to show that citizens are unaware that decisions with political consequences are being made, decisions that directly concern themselves and society, and that they have little knowledge of these decisions and no control over them.

Widespread disengagement with economics and a corresponding lack of confidence make it hard for citizens to evaluate political narratives about the economy and hold their governments accountable. GDP as the primary indicator of a government's economic success is a perfect illustration of this. In 2014 the government was obliged by European statute to add drug dealing and sex work to the audit of measurements of GDP. This added around £10 billion to the UK's annual GDP (0.7 per cent).[57] Growth in 2014 was 2.6 per cent and the media reported it as the 'fastest growth since 2007', but this picture would have looked very different without the measurement changes.[58] In a boost to UK national morale this change also saw the UK leapfrog France, which doesn't include these activities, in the World Economic League Table.[59] By also deciding to include such activities, Spain did even better, increasing its GDP by €26.2 billion or 2.5 per cent in 2013.[60]

The focus of successive governments on expanding GDP is part of a trend in which the concerns of the public are ignored. The British public as a whole has never been asked what the aims of the economy should be. Instead, the goal is simply to increase a number that may fail to capture much of social reality and that many people do not truly understand. A failure to challenge this state of affairs creates the impression that there is no alternative. The dominance of a single measure of economic success is inevitably going to shape collective perceptions about the economy and reduce important political debates to narrower technical questions of how to ensure strong and stable growth.

How to define economic success is a political rather than a technical question, and decisions about what to measure, and how, both reflect and influence collective values about what is important. For example, in the UK we don't attempt to measure the vast amounts of care work that occur in our society. As a consequence, the daily activities of millions of people (mainly women) are deemed unproductive and made invisible in economic terms.[61] This is an implicit judgement that the work families and individuals do to bring up their children and care for the sick and elderly are not important parts of a functioning social and economic system. What we choose to measure is not an innocuous choice; it frames the subsequent debate that we have as a society.

The knowledge and accountability vacuum surrounding the economy makes it difficult to evaluate the choices politicians and economists make on our behalf, or to come to a judgement about which narrative best explains the empirical evidence in public economic debates: Is the level of public and/or private debt unsustainable? If it is, what is the best way to lower it? How should we change banking after the financial crisis, if at all? Is all debt bad or is borrowing to fund infrastructure desirable? These are just some of the big questions that we as a society have had to address in the last few years. How we answer these questions should be the subject of proper democratic debate.

We are caught in an uncomfortable bind. On the one hand, the difficulty of understanding the economy on a systemic level creates an impenetrable wall of confusion between its workings and our lives. On the other hand, many aspects of our lives are embedded in and dependent upon the wider economic system. The barrier that prevents us understanding the economy and participating in economic debate doesn't shield us from its consequences.

A movement to open economics and reinvigorate democracy

The devaluation of citizenship at the heart of econocracy forms the backdrop to the recent rise in populist political movements across Europe and the US. Many of these movements have developed an explicitly anti-technocratic rhetoric which appears to be a direct reaction to the conditions of econocracy. For example, Donald Trump and Ted Cruz present themselves as anti-elites and have both stated that they want to curb the independence of the USA's central bank (the Federal Reserve). Many of these groups have developed a strong anti-free trade rhetoric. Populist movements of all political stripes from Jeremy Corbyn and Bernie Sanders to UKIP and the National Front are, we would suggest, defining their different political positions in opposition to central aspects of the world we have described.

The single largest challenge to econocracy to date came on Friday 24 June 2016 when the UK woke to find that 52 per cent of voters had decided that they wanted Britain to leave the European Union. The result was shocking because during the preceding debate almost the whole global economic and financial establishment had lined up to warn of the consequences of Brexit. Yet over 17 million people ignored the economists and supposedly voted against their own economic interest, or else decided that the economists' predictions weren't to be trusted.

From the outset the Remain campaign focused on the economic case against leaving the EU, wheeling out quantitative modelling to forecast the effects of Brexit on the economy.[62] From the Remain control room the examples of countless general elections and the referendum on Scottish independence suggested that winning the economic argument would be crucial to winning the referendum. However, they didn't count on the effectiveness of the Leave campaign strategy of discrediting the economic expertise that the Remain case relied upon. The economic forecasts of Brexit were labelled as 'Project Fear' and the Conservative politician Michael Gove claimed that the nation had 'had enough of experts', comparing those supporting the Remain campaign to the scientists who worked for the Nazis.[63] This strategy proved to be effective in an econocracy because it played on how disconnected from economic discussion and decision-making people feel.

The economics profession feels that it has been ignored and diminished by the result of the EU referendum and there has been much soul searching in its aftermath. Paul Johnson, director of the Institute for Fiscal Studies, lamented that economists had 'failed to communicate basic economic concepts to politicians, journalists and businesspeople, never mind the public'.[64] This is a positive shift and one that we hope will lead to reforms within economics that attempt to reconnect it with the general public. However, we worry that the broad message from influential economists like Johnson is still about 'presenting the facts', not about giving people the tools to engage critically and make up their own minds.

Despite the divisiveness of economics during the referendum, it is clear that economic issues were an important part of the debate. Social class and location were key determinants of how one voted, with Leave voters much more likely to have lower incomes and come from poorer areas.[65] What is striking is how unlikely most of those people are to use the language of economics to describe their views. When people lack control over their economic circumstances and the public language or spaces to air their economic grievances, they will naturally be drawn towards arguments about sovereignty which promise to take back control of the political process. Similarly, issues such as immigration seem to be closer to the lived experience of the economy for many people than the abstract models and statistics of economics. The EU referendum illustrates very clearly our argument in this chapter: we live in a nation divided between a minority who feel they own the language of economics and a majority who don't.

However, populist politics alone is no answer to the problems of econocracy and it is often simply a rhetoric that criticises elites and experts while failing to offer people more control in shaping the world they live in. Populist politicians present themselves as 'the voice of the people' but citizens will still struggle to make informed decisions or exercise citizenship positively when it comes to economic issues. Instead, power will shift to yet another group who claim to speak on behalf of the people.[66] To properly reclaim democracy we must address deeper, more structural issues.

We believe that experts are a vital part of the modern world. We no longer live in insular, small-scale communities but in an interconnected global community, and many of its most important facets are not necessarily intuitive or easily observable. The concept of climate change is a perfect example. Why do the majority of people, including these authors, believe in anthropogenic climate change? It is because we choose to have trust in the community of scientific experts who do the primary research, analyse the data and then communicate the reality as they understand it to the public. Many other aspects of society such as crossing bridges without fearing that they will collapse, or taking the medicine that our doctors prescribe without fearing it will make our ailments worse, rely on a trust in expertise.

The question then is not whether we want experts but what kind of experts we want. Our vision is of a world in which economic experts recognise that their knowledge of a complex economy is limited and that economic issues are the proper subject of collective democratic debate. The role of experts is to inform citizens of their choices rather than to make those choices for them. This in turn requires that they speak in a language the public understands, make an effort to engage the public in conversation, and have the broad knowledge and skills necessary to respond to publicly agreed economic priorities.

This kind of expert would in turn pave the way for a world in which economics was democratised, and much larger swathes of the general public were able to engage with economic discussion and hold economic decision makers to account. In this world, citizens would be able to articulate their economic needs and preferences; participate in the political system to negotiate those needs; and then have the knowledge to make informed choices between alternative economic proposals to achieve them. This in turn would change the relationship between citizens and experts so that experts became accountable to the broader public.

As we have shown in this chapter, econocracy could not be further from the world we have sketched out here. These failures aren't the result of negligence or spite on the part of experts. Economic experts can only be as good as their expertise because it shapes their understanding of the world and their role within it. In this book we argue that academic economics is in urgent need of reform. We show how economics has become dominated by a particular, narrow way of thinking about the economy. We outline the history of economics as a discipline and how it has over time gone from a broad, diverse subject closely linked to politics, philosophy and ethics to a disconnected and closed system of knowledge. The result of this is that economic experts who have only been trained in this way of thinking do not have the knowledge or skills to properly understand the complex, changing modern economy.

While similar states of affairs in the history of art or palaeontology might be considered niche issues best left to the academics, economics is different. Economics affects everyone, sometimes painfully so; in this book we'll show how economists and their frameworks have been unable to help societies address some of their most important problems, from financial crises to environmental degradation. Our case in this book is that economic experts have ended up with hugely influential roles in society but that the economic knowledge that forms the basis of their claim to expertise is often inadequate. If there is a crisis in economics, it means that there is also a crisis in society.

This book and its authors are part of a movement that is attempting to challenge the status quo. Growing numbers of economics students are setting up and joining student societies with names like Rethinking Economics, Post-Crash Economics and the Cambridge Society for Economic Pluralism. There are now 14 such groups at universities across the UK and they are part of a global movement to reform economics education. We believe that the status quo must be challenged if we are to build societies that are sustainable, prosperous and fair, and if we are to have meaningful democracy. Over three years we have come a long way both as individuals and a movement. We have gained confidence in our calls for change, we understand more about how important economics is to society and we have established connections with like-minded students, academics and citizens across the world.

This book is an attempt, in line with the movement's ethos, to articulate to the layperson why economics matters to them and how they can play a part in building a new kind of economics. It is part of a wider recognition that to open up economics we must go from being a student movement to being a social movement. We want to create an alliance between economists and citizens. We therefore now turn to the second part of our story, which is set in economics departments in universities across the UK. We focus on the education that economics students receive because the education of students can give us an important insight into what the discipline of economics has become. It is in the education system that the next generation of economists are created. It is these institutions that reproduce econocracy.

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