Should We Even Teach Macroeconomics?: A Call to Arms for Rational Economists

Should we even teach macroeconomics? That sounds like an odd question for a macroeconomics professor to ask, but I’ll ask it anyway. The best economists I have ever had the privilege of knowing don’t believe in macroeconomics. They believe that microeconomics is a powerful tool for analyzing peoples’ decision making.

Macroeconomics, as it is often taught, tends to be based in group think sociology. It isn’t grounded in reality. Too often, Keynesian macroeconomists (that’s really a redundancy since Keynes invented macroeconomics as a discipline) suggest polices that, while bad for geese, are claimed to be good for the gander.

For example, we all know that individuals can’t spend their way to wealth. The only way to get wealthy over time is to save. Yet Keynesians think we can become wealthier if everyone would just spend more and save less. If we refuse, then we should have the government spend our money for us and just send us the bill. That’s their paradox of thrift.

The very premise of fiscal and monetary policy is that people can be fooled by government policy. We all know that printing more money can’t create wealth (look at Zimbabwe). All you do is have more dollars chasing the same number of goods (inflation). Yet the Ben Bernanke’s of the world advocate inflation as a cure for sluggish growth. Ben wants to trick people into believing that they are wealthier than they really are.

As an economics professor I often get unsolicited textbooks in the mail to review with the hope that I would adopt them for my class. Last week I got a Principles of Macroeconomics text written by Robert H. Frank and Ben S. Bernanke. That’s Bernanke as in Chairman of the Fed Ben Bernanke. As for Robert Frank, he writes a regular column for the New York Times where he espouses the need for the government to engage in forced income redistribution.

I want to teach econ students about the importance of markets and long term economic growth. Along comes a textbook written by people who think that we can inflate (Bernanke announced yet another massive round of quantitative easing) and redistribute our way to wealth. Am I to adopt a text that is supposed to teach students about long term economic growth written by advocates of inflation and redistribution? Is that really education?

If the Frank and Bernanke text passes for macroeconomic education, should we even teach macroeconomics? It depends. On the one hand, students need to know what causes inflation and unemployment. They need to learn that the economy can self-correct. They need to know what causes long term economic growth, why trade is wealth creating, and why some countries are richer than others.

On the other hand, if professors use macroeconomics courses to promote leftist ideologies and nonsensical policy ‘solutions’ that maximize state power while diminishing the role of individuals and entrepreneurs in the economy, then we are doing more damage than good.

In the end, I believe we do need to teach macroeconomics grounded in solid microeconomic theory. If we don’t, then leftist academics (yet another redundancy) will continue to indoctrinate generations to come with policies that damage long term economic growth. (And no, I will not be adopting the Frank and Bernanke text – even if hell freezes over).