



Good Economics For ~~Hard~~ **Harder** Times

Esther Duflo

Winners of the 2019 Nobel Prize in Economics

**Good
Economics
for Hard
Times**

Abhijit V. Banerjee
and Esther Duflo

Most issues that are important today are core economic issues

Brexit

Trade

Immigration

Economic growth

Inequality

Social policy

Climate change

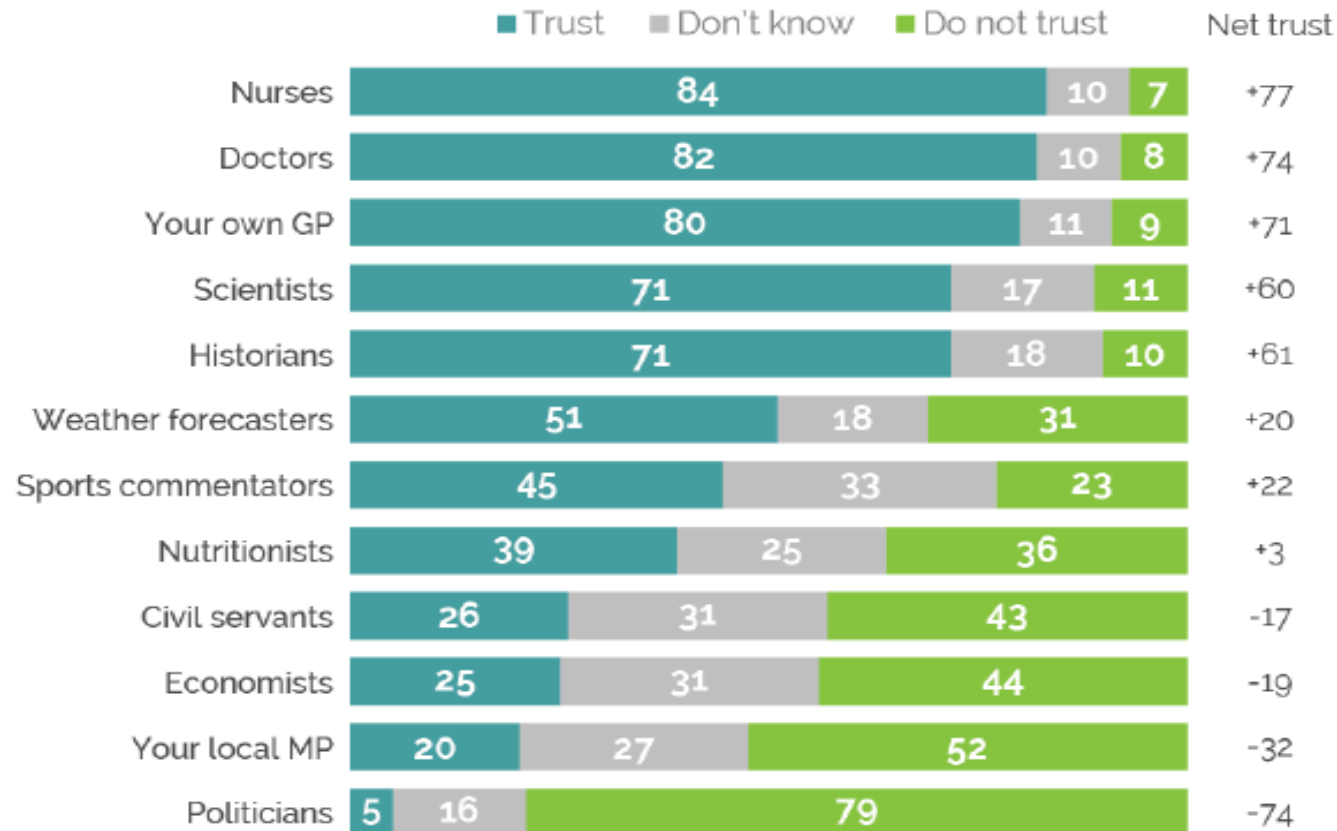
Pandemic & its economic issue

Racism & discrimination

But economists have lost most of their credibility

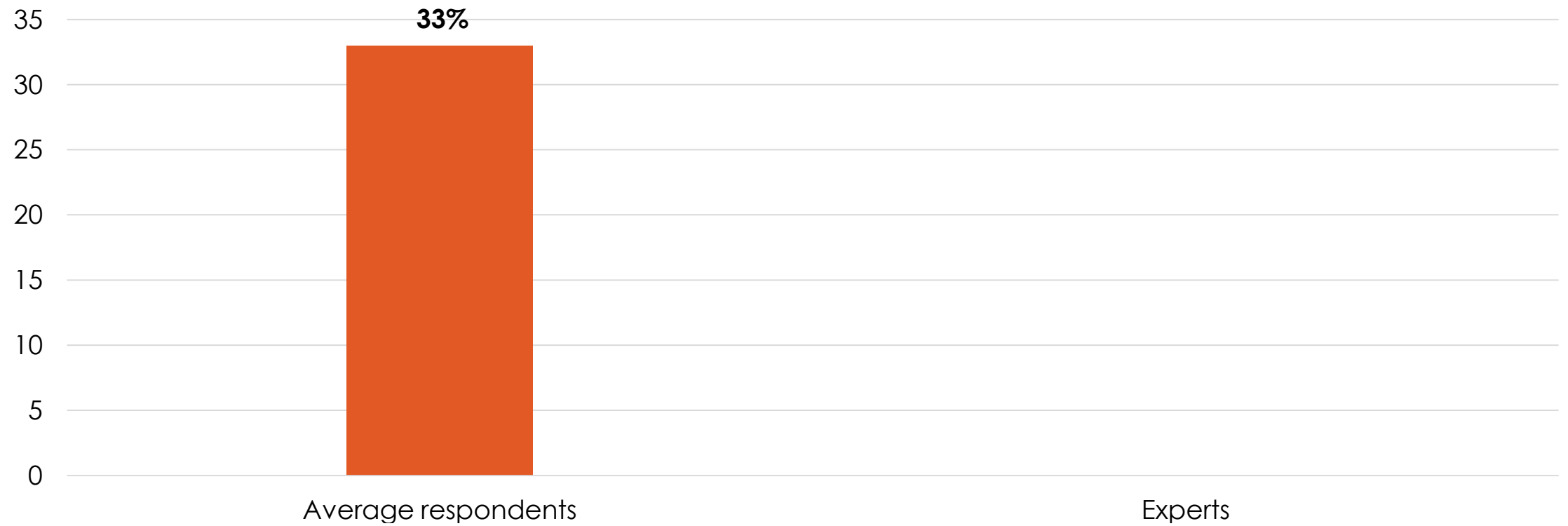
Public trust in experts


Of the following, whose opinions do you tend to trust when they talk about their fields of expertise? %



On most core issues people disagree with economists

“Imposing new US tariffs on steel and aluminum will improve Americans well-being.”



A man wearing a yellow high-visibility vest and a dark beanie is holding up a yellow t-shirt. The t-shirt has a handwritten message in French. In the background, other people are visible, some wearing similar yellow vests, and there are buildings and parked motorcycles in an urban setting.

L'ARGENT DE
L'ÉCOLOGIE EST
DANS LES PARADIS
FISCAUX
PAS DANS LA POCHE
DES PROLOS!
CITOYEN EN COLÈRE
CITOYEN SOLIDAIRE

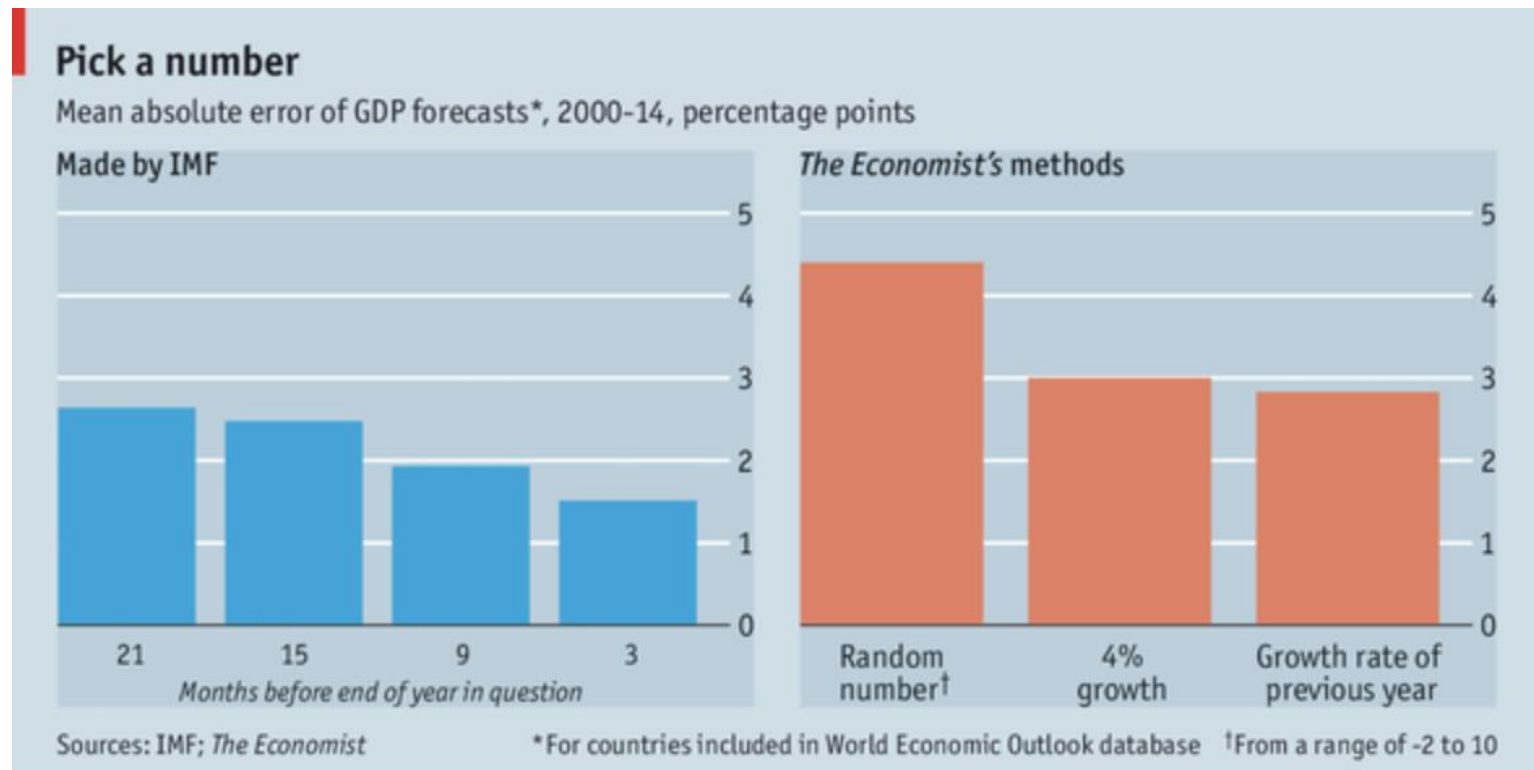
Why this mistrust?

Hmmmmm.....



Why this mistrust?

Economists are not good forecasters



“The only function of economic forecasting is to make astrology look respectable”
--John Kenneth Galbraith

The New York Times

Economics, Dominated by White Men, Is Roiled by Black Lives Matter

The editor of a top academic journal is facing calls to resign after criticizing protesters as “flat earthers” for wanting to defund the police.

And yet we cannot quite afford to give up

Any analysis by economists may seem insufficient, un-necessary, slow, biased (we need epidemiologist, vaccine scientists, sociologists... why us?)

But economics has also something to bring to the table. Huge rush of COVID-19 research shows there is also a desire in the profession to do that.

And contrary to perception (even among graduate students), lots of research on racism published in mainstream journal in the past few years. But it, along with much of “quiet economics” gets drowned.

Five Lessons (and how they are still valid
for our harder times...)



Lesson 1: Legit.gov

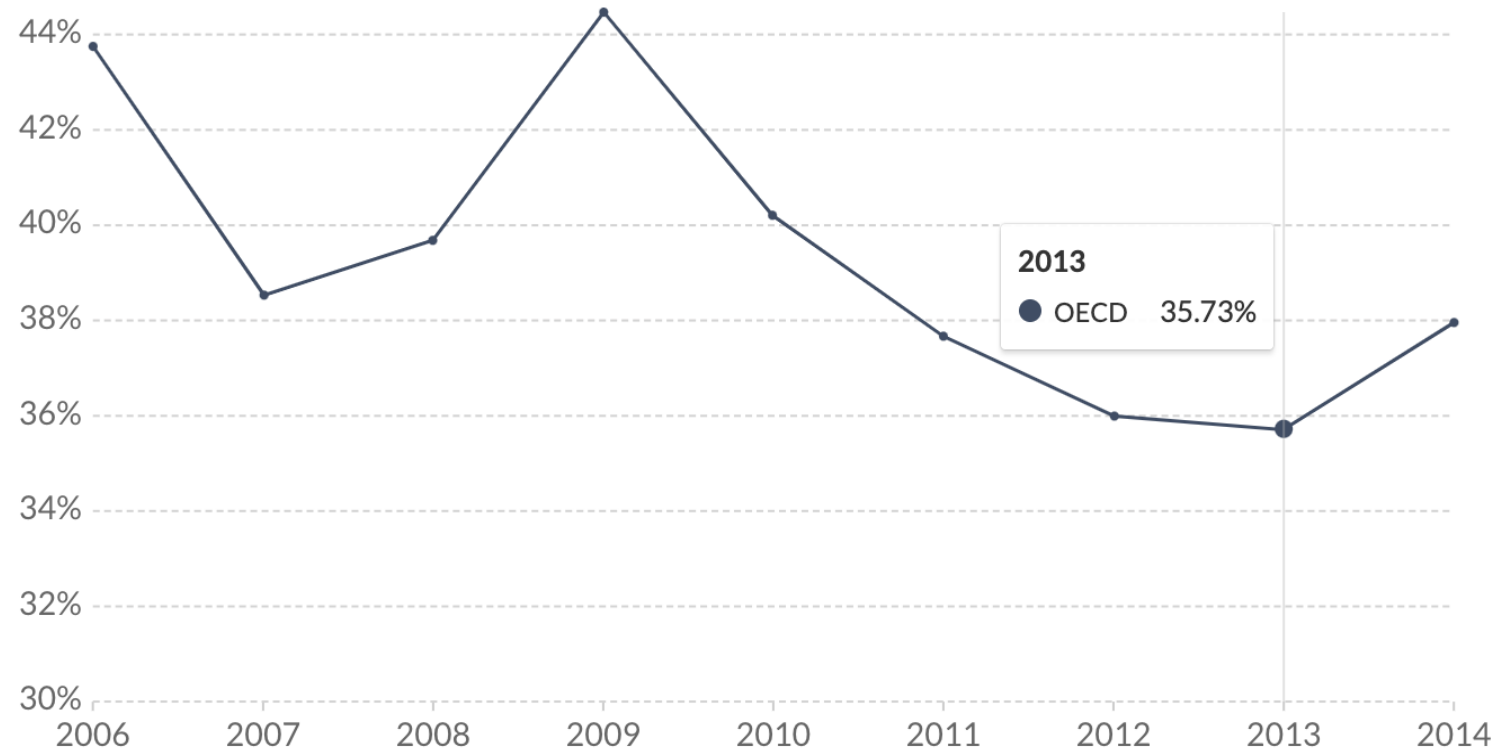


Decline in trust in government worldwide

OECD average trust in governments, 2006 to 2014

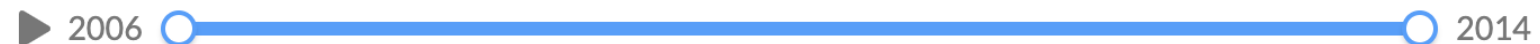
Percentage of the population reporting confidence in the national government

Our World
in Data



Source: OECD - How's Life? (2015)

OurWorldInData.org/trust • CC BY



It's easy to treat the government as a punching bag



Source: Dawn Teo | [Huffington Post](#)

The COVID-19 crisis reminds us why we need governments...

Shutting down your business, wearing a mask, are externalities...

Ventilators & Vaccine efforts

Economic rescue package

A make or break moment

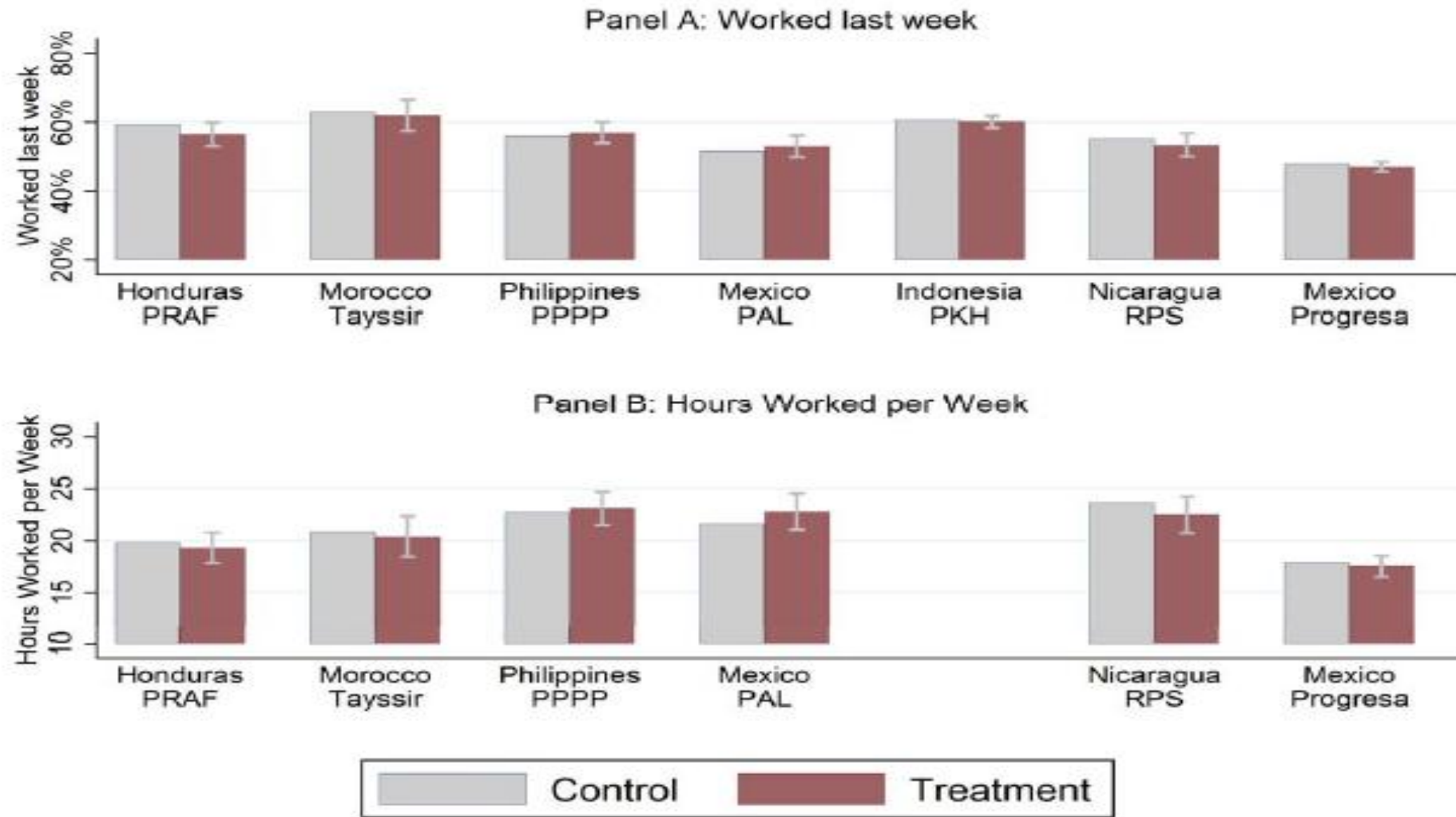
A make or break moment...



Lesson 2: financial incentives are (more than ever) overrated



The “Lazy” welfare recipient



Some ideas are hard to root out...

The New York Times

Sen. Chuck Grassley, R-Iowa, the Finance Committee chairman, said the \$600 weekly payments were "poorly targeted," with the result that most recipients are being paid more on unemployment insurance than they earned when they were working.

"This discourages people from returning to work or taking a new job, delaying the recovery," Grassley said.

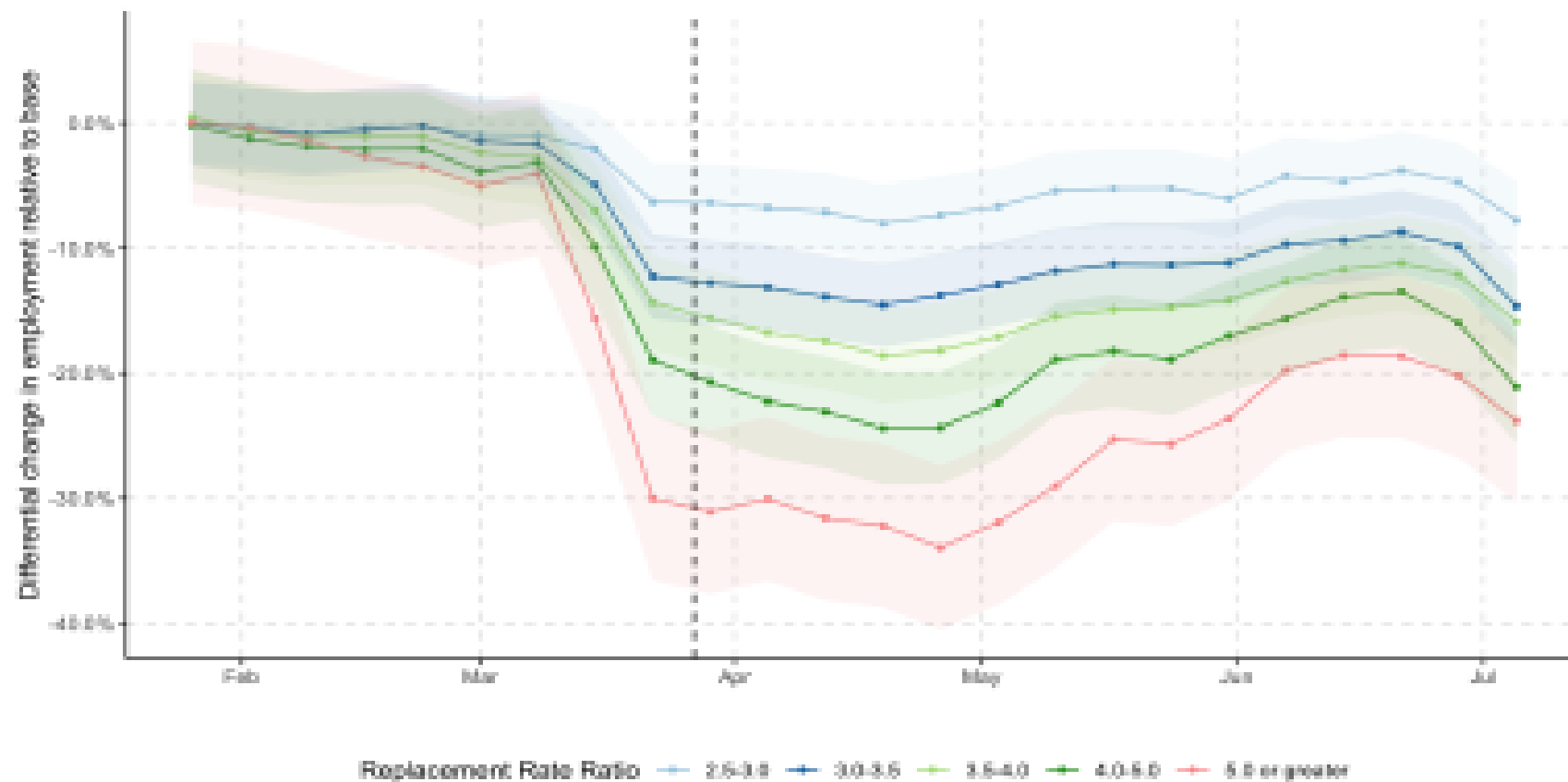
WSJ | **OPINION**
OPINION | REVIEW & OUTLOOK

Economists vs. Common Sense

If you pay people not to work, fewer will work. Except at Yale, it seems.

The “yale economists” indeed show very little impact of CARES on employment

Figure 2: Event study: effects of replacement rate ratio on probability of employment
(a) Without controls for state business restrictions



But it did not matter

Opinion

Trump Had One Good Response to Covid-19. His Party Killed It.

Aid to the unemployed saved us from disaster. Now it's gone.



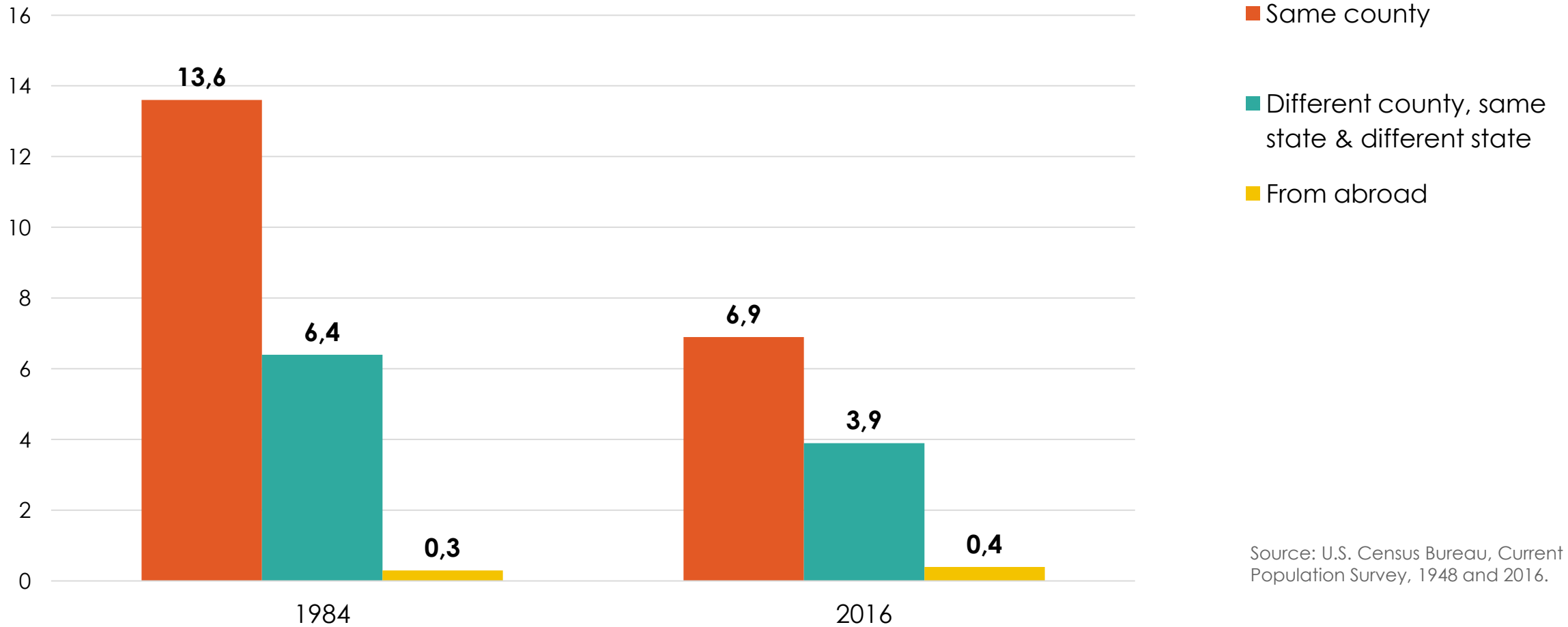
By Paul Krugman
Opinion Columnist

Lesson 3: The economy is stick**IER**



RIP, Tocqueville

Type of Move by Year: 1948 and 2016



Source: U.S. Census Bureau, Current Population Survey, 1948 and 2016.

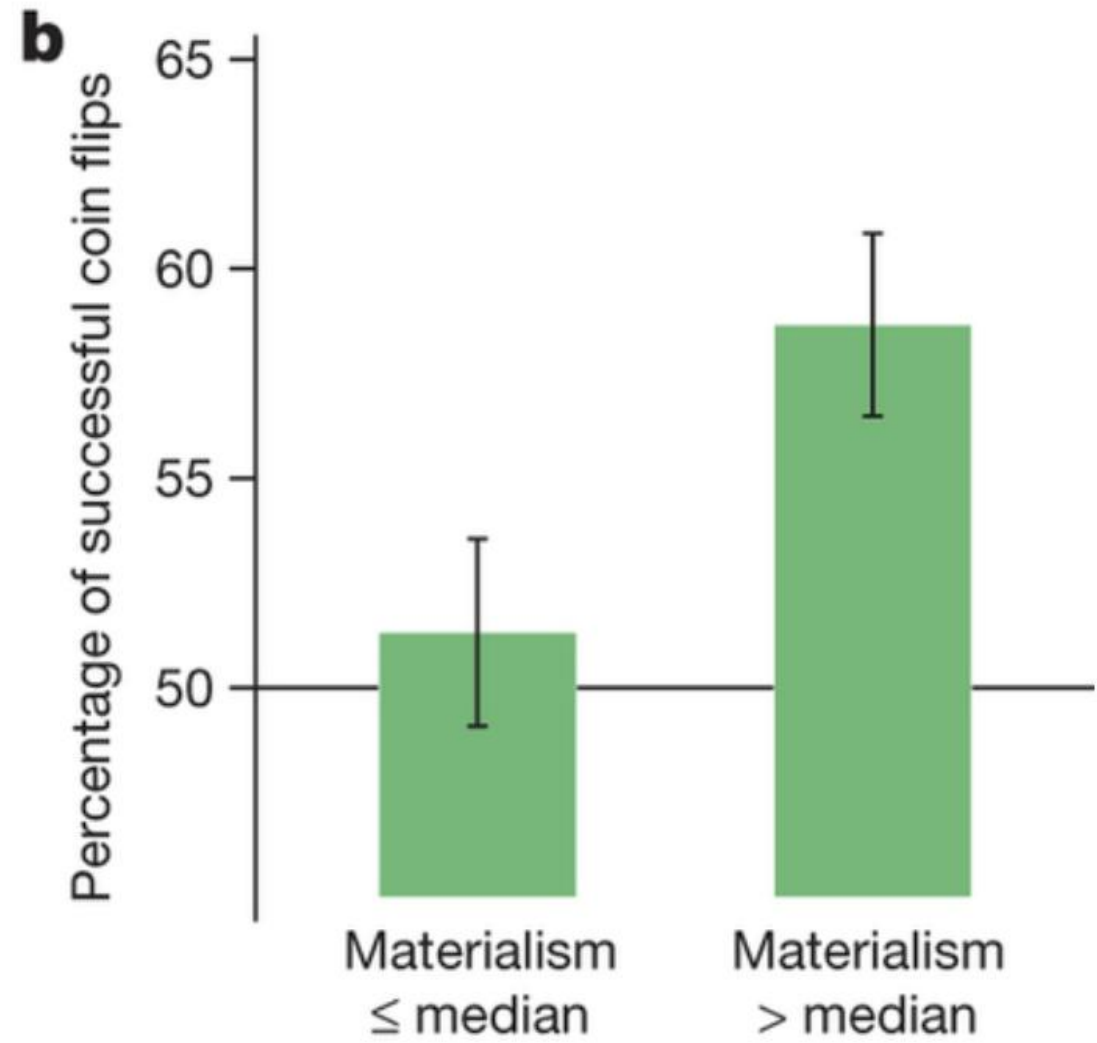
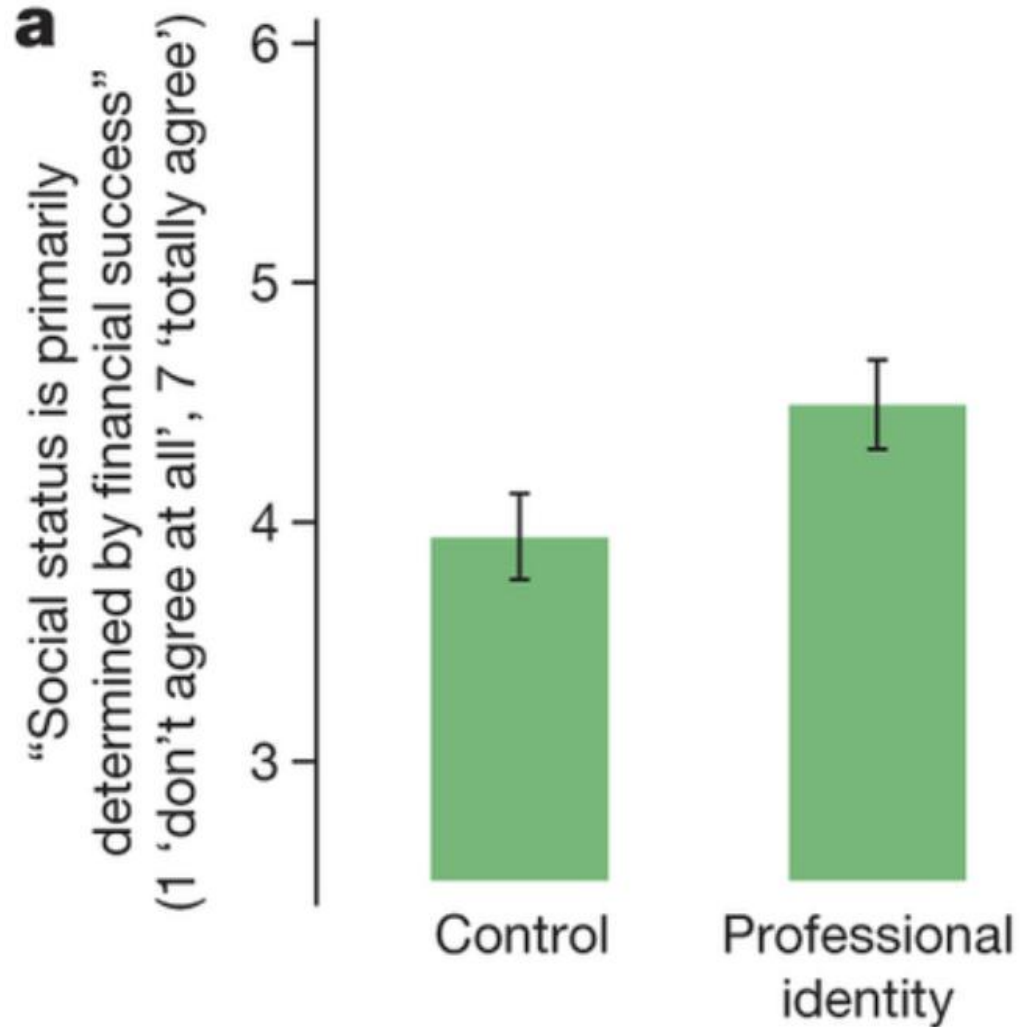


COVID response has been
disastrous for migrants in the South

Lesson 4: De Gustibus....



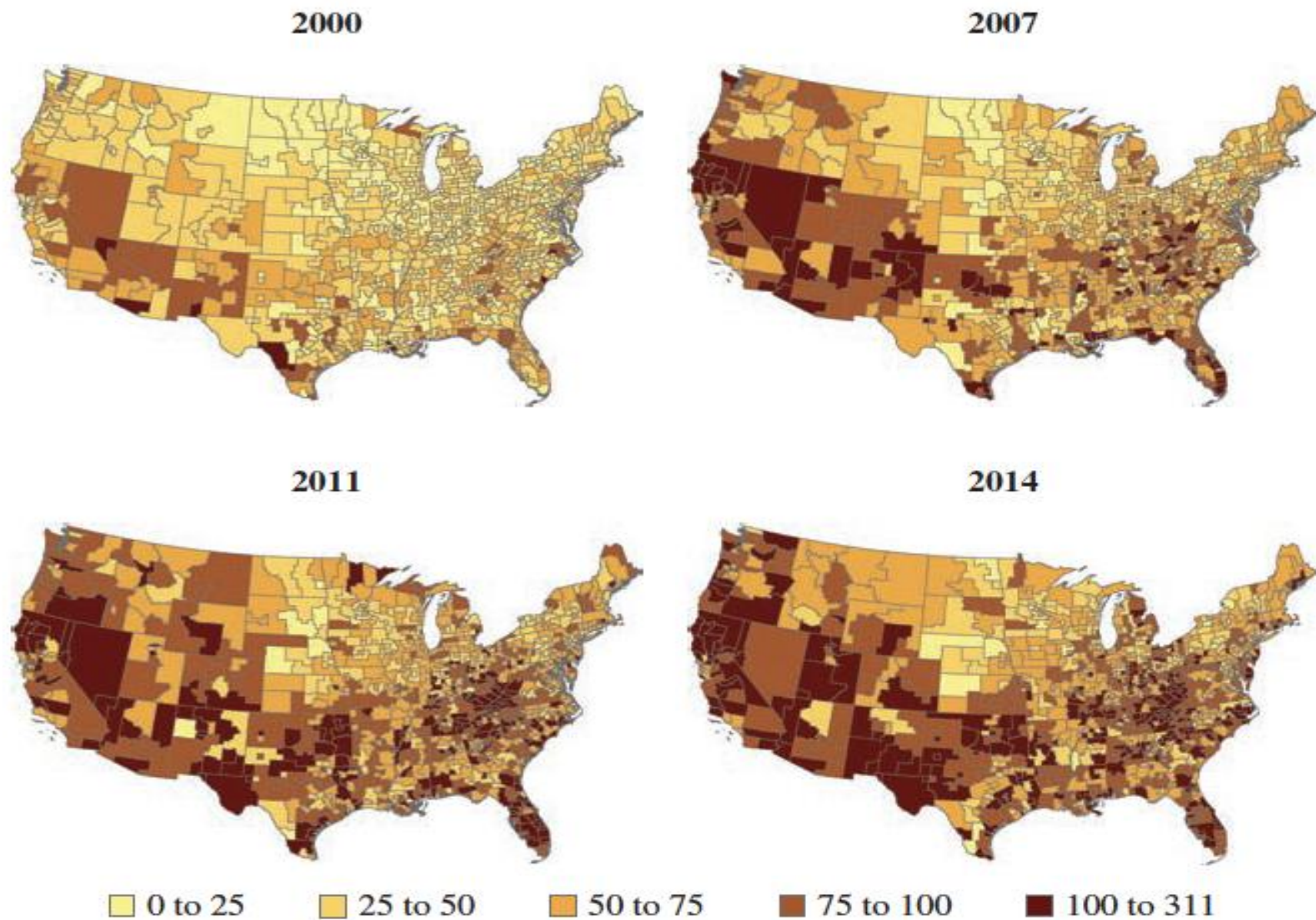
Is racism uncurable? Are preferences stable?



Lesson 5: Dignity matters



Figure 6. Deaths of Despair for White Non-Hispanics Age 45–54, by *Couma*, 2000–14^a





Rethinking economics and economic policy in a post COVID world



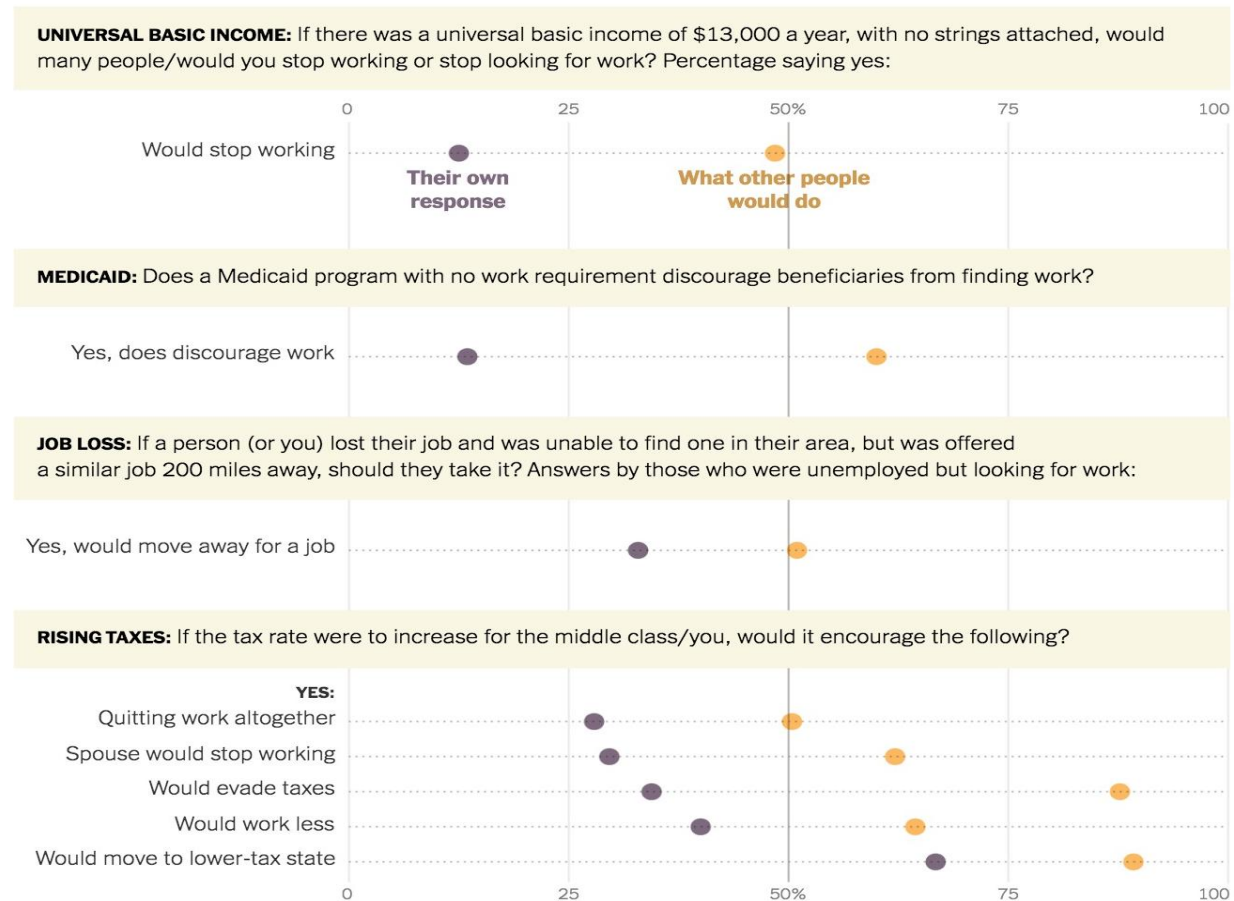
**Our opportunity:
Put dignity back
at the center of
social protection**



Breaking the usual political impasse

I'm Not Budging (But Other People Will)

A survey asked one group how the population at large would react to several financial incentives. Another group was asked about their own reaction; these people were much less inclined to do any of the following, despite the same financial incentives.



We can fight climate change

