

Can so many economists be wrong?

The latest scaremongers to jump on Cameron's bankwagon have been a group of academic economists. According to an article in the Independent, more than 90 per cent of the academics questioned by the Centre for Macroeconomics at the London School of Economics said that the possibility of Brexit would cause uncertainty in the markets and pose other economic risks.

Can so many of these erudite gentlemen be wrong?

In a word, yes. In 1981, the UK was in the midst of a recession. National debt was spiralling and inflation was rampant. The then Chancellor of the Exchequer, Geoffrey Howe, increased taxes in the budget that year. This wasn't conventional behaviour by the standards of the naive Keynesianism which dominated University economics departments at the time. No fewer than 364 economists signed a letter to *The Times* stating that there was "no basis in economic theory or supporting evidence" for the policy that the budget was seeking to implement, that it threatened Britain's "social and political stability", and that an alternative course must be pursued.

Mrs Thatcher and her Chancellor stuck to their guns. Down came borrowing, down came inflation and the recession rapidly came to an end. The economists were wrong; utterly wrong.

Signifiicantly, among the few economists to support the Chancellor's stance were Professor Patrick Minford and Professor Tim Congdon.

Fast forward 35 years and Economics departments of our universities are still stuffed full of Keynesians and Professors Congdon and Minford are once again at odds with the

majority, arguing that there would actually be financial benefits from withdrawing from the EU.

In other words, it looks like déjà vu. Even clever people, if they latch on to dumb economic theories like contemporary Keynesianism, can get things very, very wrong.

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