The closed marketplace of economic ideas

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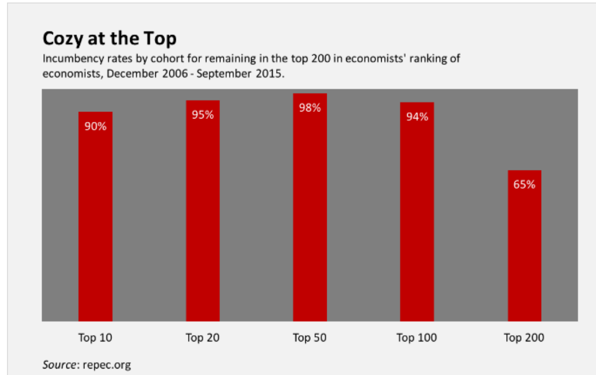
Imagine that you fell asleep in 2006 and woke up today. The world economy would be barely recognizable. While you were dreaming of real-estate riches, the United States and Europe were hit by the most crippling financial crisis in almost 80 years, and China's statist economy swiftly overtook Germany and Japan to become the world's second largest (and, despite its recent slowdown, is poised to surpass the US).

Given such massive, unexpected shifts, you might be even more surprised by what didn't change: the way economists think about themselves and their discipline.

To see this, one need look no further than the Ideas.RePEc.org website. RePEc (Research Papers in Economics) arguably provides the closest thing to a credible hierarchy of economists, not unlike the ATP's rankings of professional tennis players. The site, entirely open and free (thanks to hundreds of volunteers in 82 countries), maintains a decentralized online database of around two million items of economic research, including working papers, journal articles, books, and software. Its index of influence assesses the number of citations for each author, weighted by impact and discounted by citation age (otherwise, Adam Smith and Karl Marx would likely still top the list).

Because the ranking is updated every month, RePEc enables one to track which economists are viewed by their peers as the most influential over time. So I compared the rankings from December 2006 and September 2015 to see whether the RePEc index had evolved along with economic reality.

It had not. Despite the profound – and largely unpredicted – financial and economic turmoil of the intervening decade, the intellectual influence of those whose theories suffered the most evidently remains undented.



After a succession of bursting multi-trillion-dollar credit bubbles, you might wonder what to make of Robert Lucas's view that rational expectations enable perfectly calculating "agents" to maximize economic utility. You might also want to rethink Eugene Fama's efficient markets hypothesis, according to which prices of financial assets always reflect all available information about economic fundamentals.

You must not be an economist. In fact, Lucas and Fama both moved up in the RePEc rankings during the period I examined, from 30 to nine and from 23 to 17, respectively. And the persistence at the top is striking across the board. Among the top ten economists in September 2015, six were already there in December 2006, and another two were ranked 11 and 13.

Mobility in the RePEc rankings remains subdued even after widening the sample. For example, of the top 100 economists in September 2015, only 14 were absent from the much wider top 5% in 2006, and only two others had advanced more than 200 spots over the previous decade. Among those recently ranked from 101 to 200, just 24 were not in the top 5% in 2006, and only ten others had moved up by more than 200 places. The rate of renewal among the 200 most influential economists was as low as 25% – and just 16% among the top 100 – during a decade in which the explanatory power of prevailing economic theory had been found severely wanting.

What is remarkable about this is the difference between the pace of change in the ranking of economists and in the economy itself. Entry barriers among the world's ten richest people and ten most valuable companies seem to be far lower than among the top ten economists. According to Forbes, only two of the ten wealthiest individuals in 2015 (Bill Gates and Warren Buffett) were in the top ten in 2006. And just three companies – ExxonMobil, General Electric, and Microsoft – made the top ten in terms of market capitalization in both 2006 and 2015.

In the rankings of economists, by contrast, criteria such as gender or geographic origin confirm the overall inertia. Only four women made the RePEc top 200 in September 2015, compared to three in December 2006, and two were included on both lists. Likewise, emerging countries – which represent more than 90% of the world's population, three-quarters of global GDP growth over the last decade, and nearly half of total income in current dollar terms – supplied just 11 of the top 200 economists in September 2015, up from ten in December 2006. And ten of those 11 – three Iranians, four Indians, two Turks, and one Chinese – have lived and worked in the US or the United Kingdom since their student days.

The rest of the RePEC top 200 tend to be Caucasian men in their 60s and older – roughly three decades past the age when an economic or scientific author is generally most innovative, according to research by the economist Benjamin Jones. No black person, American or otherwise, is in the top 200.

How surprised should we be that, even after the Great Recession cast grave doubt on the rational-market theories so dominant a decade ago, the top tier of academic economics remains largely unchanged? After all, many of these scholars have made tremendous, lasting contributions to understanding how markets and societies work. And ideas tend to advance and retreat slowly, like glaciers, not precipitously, like armies.

But replace the names of the leading economists with products in any other market – cars, for example, or semi-conductors – and most people probably would agree that the RePEc ranking looks like a closed, inefficient market with high entry barriers. Might the world's leading economists be so keen to protect their own ideas that they ignore (or, worse, stifle) innovation from unexpected quarters?

For a group of people so committed to free markets and so enamored of "creative destruction," that is a question that urgently needs to be addressed. The answer may hold enormous implications not only for intellectual growth, but also for human welfare.