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Should Economists Be Elected?

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Abstract:
Economists are more powerful than is commonly realized. How can such a powerful bunch of people bypass popular mandate as represented by elections in a democracy? Of course, one might make artificial distinction between positive economics and normative economics. However in reality there is much overlap between positive economics and normative economics. When there is so much debate on how central bank head is unelected, when the person is responsible for monetary policies of nation, there should be an equal debate on how economists anywhere - academia, corporates, government – can bypass popular mandate as determined by elections in a democracy.

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I. Introduction

John Maynard Keynes said – “The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves of some defunct economist.”

Of course, it is well known that economists are not passive accountants who do their master’s bidding. Though there is a veil of positive economics that hides economists from their political views. The argument being that politicians are concerned with normative economics, economists are only involved in analytical positive economics.

However this façade is not adequate. Questions are bound to be asked about political views of economists. Which brings to the question should economists be elected since they are equally responsible in determining economic policies which have political tentacles.

Central Bank Independence has always been questioned

Central Banks, like Reserve Bank of India or Federal Reserve in USA, are the banks that manage the currency and monetary policy of a country or monetary union and oversee the commercial banking system.
Functions of a central bank usually include:

a. Monetary Policy: By setting official interest rate and controlling the money supply
b. Financial Stability: Acting as a government’s bankers and bankers bank
c. Reserve Management: Managing Country’s Foreign exchange, gold reserves and bonds
d. Banking Supervision: Regulating and Supervising the banking industry
e. Payment System: Managing or Supervising Means of Payments

There are arguments for independence of Central Bank. There is very strong consensus among economists that an independent central bank can run a more credible monetary policy, making market expectations more responsive to signals from the central bank. International organizations such as the World Bank the Bank for International Settlements (BIS) and the International Monetary fund (IMF) strongly support central bank independence. Even in China, People’s Bank of China has been accorded a great deal of independence. In most nations Central Banks are independent to a great degree.

However not all Central Banks are equally independent. The following table shows the variations in independence levels of various Central Banks.

The following table shows the level of independence of Central Bank in OECD nations, which one may presume are comparable. Higher Index value indicates greater independence

Country	**Central Bank Independence Index**
United Kingdom	0.70
United States	0.48
France	0.86

Germany	0.86
Italy	0.67
Spain	0.85
Portugal	0.85
Netherlands	0.85
Canada	0.47
Australia	0.25
Switzerland	0.74
Norway	0.45
Sweden	0.35
Greece	0.85

Source: Wikipedia

Obviously this does not include vast number of nations of world. However even within a selected sample of OECD nations there is great deal of variation in independence of Central Bank.
We have recounted some of the arguments for Central Bank independence. Let us consider arguments against Central Bank Independence.

1. Central Bank Independence isolates it from Democratic Process
2. Lack of coordination between fiscal policy and monetary policy
3. Technical expertise is merited over political oversight.

The basic argument against Central Bank independence is how can an important function of government be relegated to those who have not been elected by popular mandate in a democracy? Isn't independence of Central Bank an antithesis of democracy? Doesn't independence of central bank usurp power from people to few economists?
The valid argument would be that Central Bank must have people who are democratically elected.

What about other economists?

Central Bank is not the only place where economists deal in policy formulations that have political tentacles. Economists are present everywhere. Economists are there in government, academia and corporate world.

Let us consider Government. There are economists everywhere in government. Let us just consider India. In India you have economists in Planning Commission, NITI Aayog, Finance Ministry. These economists may have political inclinations.

Now these economists are as much responsible for policy formulations as their political masters who have been democratically elected by popular mandate. But these economists are not elected and hence can enact policies that do not enjoy popular mandate. Does that not defeat the idea of democracy?

No doubt these economists in government are well educated and may have best intentions, but in a democracy, that is not a substitute for mandate of people. After all every political party is well intentioned with educated people but often presents diametrically different policies. Intention and education is not a substitute for approval and acceptance by people.

Now let us come to academia.

Here there are professors who present their research and views. Now supposedly, these research form part of positive economics and hence are free from political colour. However if truth be told, the line dividing positive economics and normative economics is thin.

So these professors in universities with their research may be imposing their political views, even when they are not elected, thus wielding more power than is permitted in a democracy to few.

Shouldn't these economics professor be elected?

Finally there are economists in corporate world – in banks, insurance companies, NGOs, services sector companies, agricultural organisations, industries etc etc etc. They too hold immense power over labour policies, environmental policies and investment policies. Should they be elected as well?

II. Conclusion

The author of this paper is not elected either.

So if the author of this paper imposes his own view that economists should be elected while not being elected himself that would be the hypocrisy of the highest order.

The debate on whether economists in democracy should be elected can only be decided democratically, either by democratically elected representatives in legislatures or by people themselves through referendum of some sorts.

At the most the author of this paper can instigate a debate on if economists should be elected.

Democracy is a recent arrival in the history of humankind. And democracy is being perfected and yet far from perfect. While theoretically democracy is supposed to be rule of people, at a practical level, money, fame and education and even crime get a greater say in democracy.

Now it is unlikely that we ever will have a perfect democracy. Again there is always a question if relatively uneducated people are capable of making appropriate decisions. Hence isn’t it better if educated economists who are unelected decide on behalf of relatively uneducated people. But again isn’t that an antithesis of democracy.

There are no easy answers to the question, if economists should be elected. But it is a question that deserves to be discussed in a democracy.