



A Sicilian fresco from 1445. In the previous century, the Black Death killed at least a third of Europe's population.
NYT May 11 2020 Credit...Werner Forman/Universal Images Group/Getty Images

The Coming Battle for the COVID-19 Narrative

Samuel Bowles (SFI) and Wendy Carlin (UCL & SFI)

Santa Fe Institute, May 2020

Words: Narrative, Vernacular, Policy paradigm

Narrative : A particular way of explaining or understanding events

- Example: A social democratic-New Deal narrative
 - “The Great Depression occurred because workers weren’t paid enough to buy all the goods they produced.
 - It ended because of war induced deficit-spending by the government.”
 - The “golden age of capitalism” that followed was sustained by the spending of high wage trade union workers and the welfare state.

Vernacular: Everyday speech common among the general population

- Example: A neoliberal vernacular:
 - “There is no such thing as society”
 - “Labor unions are special interest groups”
 - “Welfare Cadillac”

Policy paradigm: comprising four mutually reinforcing levels 1) ethical commitments 2) an economic model 3) emblematic policies and 4) vernacular economics

- Example: classical liberalism
 - 1) equal dignity
 - 2) division of labor, specialization, comparative advantage
 - 3) end to chartered monopolies, anti-tariffs
 - 4) “it’s all done by everyone minding their own business” (said Alice to the Queen, 1865)

The battle for the narrative is already underway

- *The Economist* sounds the alarm: “Big government is needed to fight the pandemic. What matters is how it shrinks back again afterwards. ... A pandemic government is not fit for everyday life.” March 26th 2020
- The *Financial Times*’ editorial board does not agree – “Radical reforms – reversing the prevailing policy direction of the last four decades – will need to be put on the table. Governments will have to accept a more active role in the economy. ... Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix.” April 3rd 2020
- In the COVID crisis, childcare becomes an ‘essential service’ in Australia and provided free to parents

An essential service

As Australia faced the threat of the collapse of the sector, the role of early childhood learning and care was thrust into sharp relief: this is an essential service. The government could not leave it to crumble and expect society to continue functioning through or after the crisis.

**The
Guardian**

The government has vowed to roll back universal free early education once the crisis passes, but returning to a pre-Covid-19 state could be politically fraught

Will the pandemic change the narrative?

- Yes ... but not just a shift along the “government vs markets” continuum

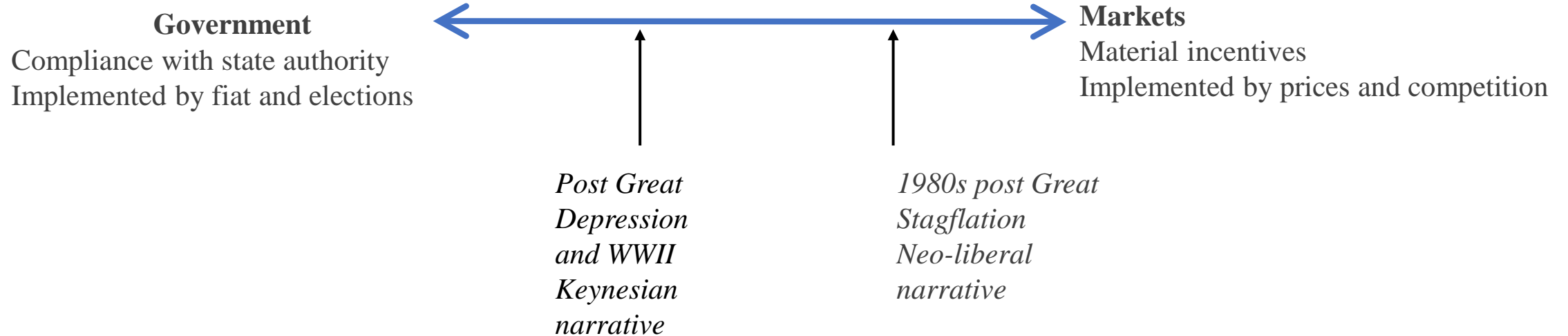


- A pole – here ‘government’ or ‘market’ – refers to both the institution or ‘**rules of the game**’, and to the **motivations and social norms** that make those rules work well
- COVID-19 is not just a massive market failure that might be addressed by a movement to the left along the line.
- A new narrative may bring in a third pole – community or civil society – expanding the state space for policies by drawing on ethical motivations of **solidarity** and **duty** that underpin community and go beyond **material gain** and **compliance with governmental fiat**.

- In the UK, the National Health Service asked on 24 March for 250,000 volunteers to assist them. Recruitment to the scheme was temporarily halted five days later so that the initial 750,000 applications could be processed.
- As of 9 April, half a million South Koreans had been tested for the virus, a level of participation that would have been impossible to enforce on a recalcitrant citizenry by governmental fiat.

The narrative has changed before

- Along the blue line



- A new model and vernacular economics encapsulated in Paul Samuelson's 1948 textbook, *Economics*

What Students Learn in Economics 101: Time for a Change

Samuel Bowles

Wendy Carlin

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A new vernacular introduced to 1st year students

Comparison of themes (derived using LDA topic modelling) in the popular economics textbooks of the day
 Ely et al. 1930 (1893) to the right
 Samuelson 1948 to the left

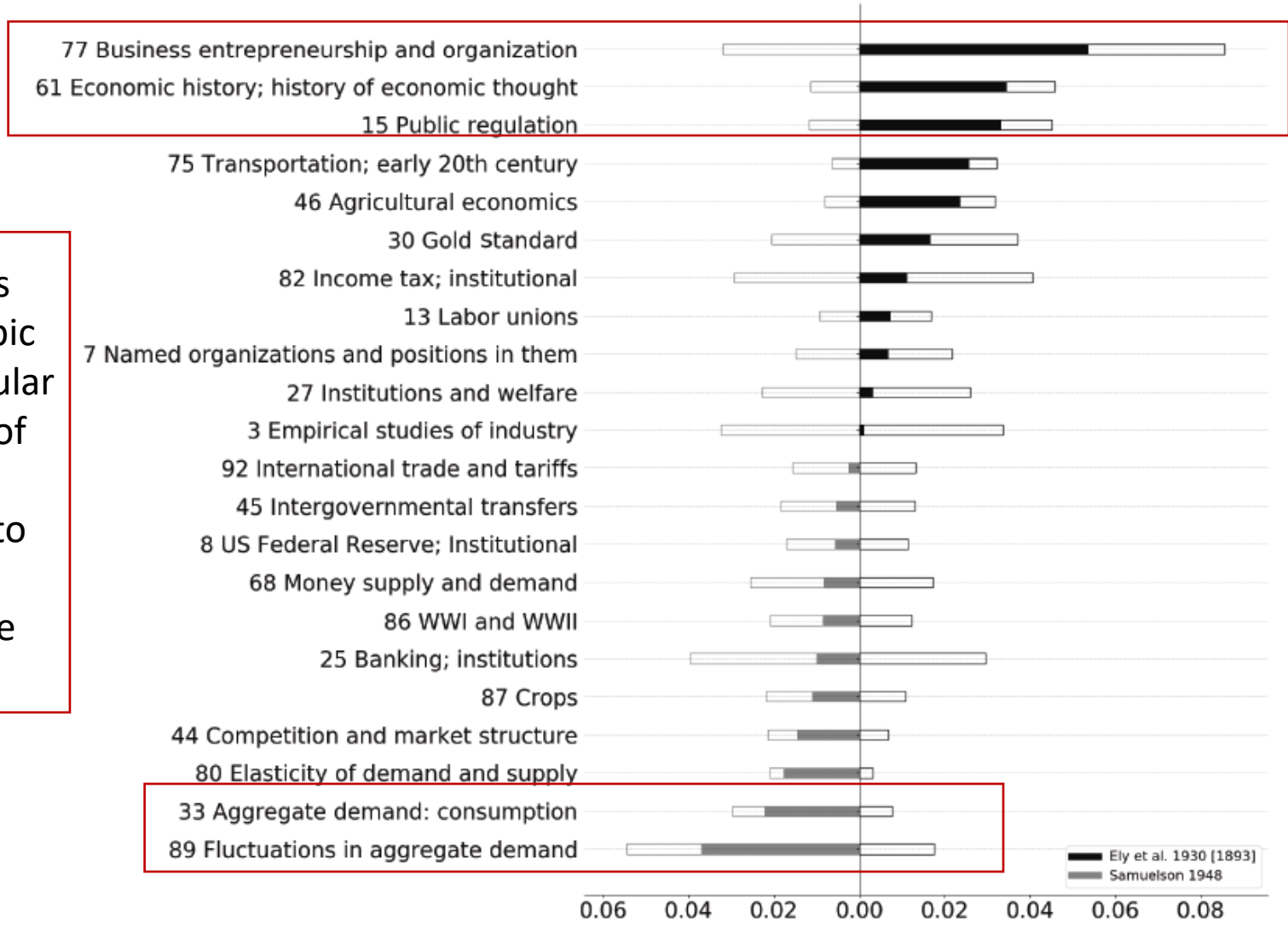


Figure 4. Comparison of Content in Samuelson (1948) and Ely et al. (1930)

Notes: A topic is excluded if it has a weight less than 0.015 in both textbooks or the token with the greatest weight is less than 0.01. The topic numbers are simply identifiers, which convey no relevant information.

navirus

South Korea sheds jobs at fastest rate since Asian financial crisis



Coronavirus latest: UK scientists join hunt to find genetic link to Covid-19



Asia stocks dented by pandemic fears and US-China tension

Opinion **The FT View**

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Virus lays bare the frailty of the social contract

Radical reforms are required to forge a society that will work for all

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Volunteers pull carts full of food donations in London.

A new narrative may bring in a third pole – community or civil society – expanding the state space for policies by drawing on ethical motivations of solidarity and duty that underpin community and going beyond material gain and compliance with governmental fiat.

Messages: Prices cannot do the work of morals

Guidance

Critical workers who can access schools or educational settings

Updated 5 May 2020

Health and social care

doctors, nurses, midwives, paramedics, social workers, care workers,

Education and childcare

childcare
support and teaching staff
social workers

Key public services

those essential to the running of the justice system
religious staff
charities and workers delivering key frontline services
those responsible for the management of the deceased
journalists and broadcasters who are providing public service
broadcasting

Food and other necessary goods

This includes those involved in food: production processing
distribution sale and delivery

Public safety and national security

police and support staff
Ministry of Defence civilians
fire and rescue service employees (including support staff)
National Crime Agency staff

Transport

This includes those who will keep the air, water, road and rail
passenger
and freight transport modes operating during the COVID-19 respo

Utilities, communication and financial services

staff needed for essential financial services provision
the oil, gas, electricity and water sectors (including sewerage)
information technology and data infrastructure sector
key staff working in the civil nuclear, chemicals, telecommunicatio
postal services and delivery
payments providers
waste disposal sectors

Messages: Abusive exercise of unaccountable power by private actors

Private exercise of power is absent from the conventional paradigm; it becomes central when information is limited

(H. Simon, 1950, Coase 1938)



▲ Workers at Tyson's Camilla, Georgia, poultry processing plant. Photograph: Tyson/AP

**'We're modern slaves':
How meat plant workers
became the new frontline
in Covid-19 war**

What will we have learned

- *Good laws and good incentives are no substitute for good citizens.* If citizens are amoral and self-interested, market signals and government fiat no matter how cleverly designed are not sufficient to address challenges like this pandemic (or climate change)
 - A lesson consistent with the last 4 decades of mechanism design –
- *There are plenty of good citizens.* People facing extraordinary risks and costs have indeed acted with generosity and trust on a massive scale
 - A lesson consistent with the last 2 decades of behavioral economics –
- Other-regarding preferences also include hostility to outsiders, for which the pandemic may provide fertile ground (the ‘Chinese’ virus)

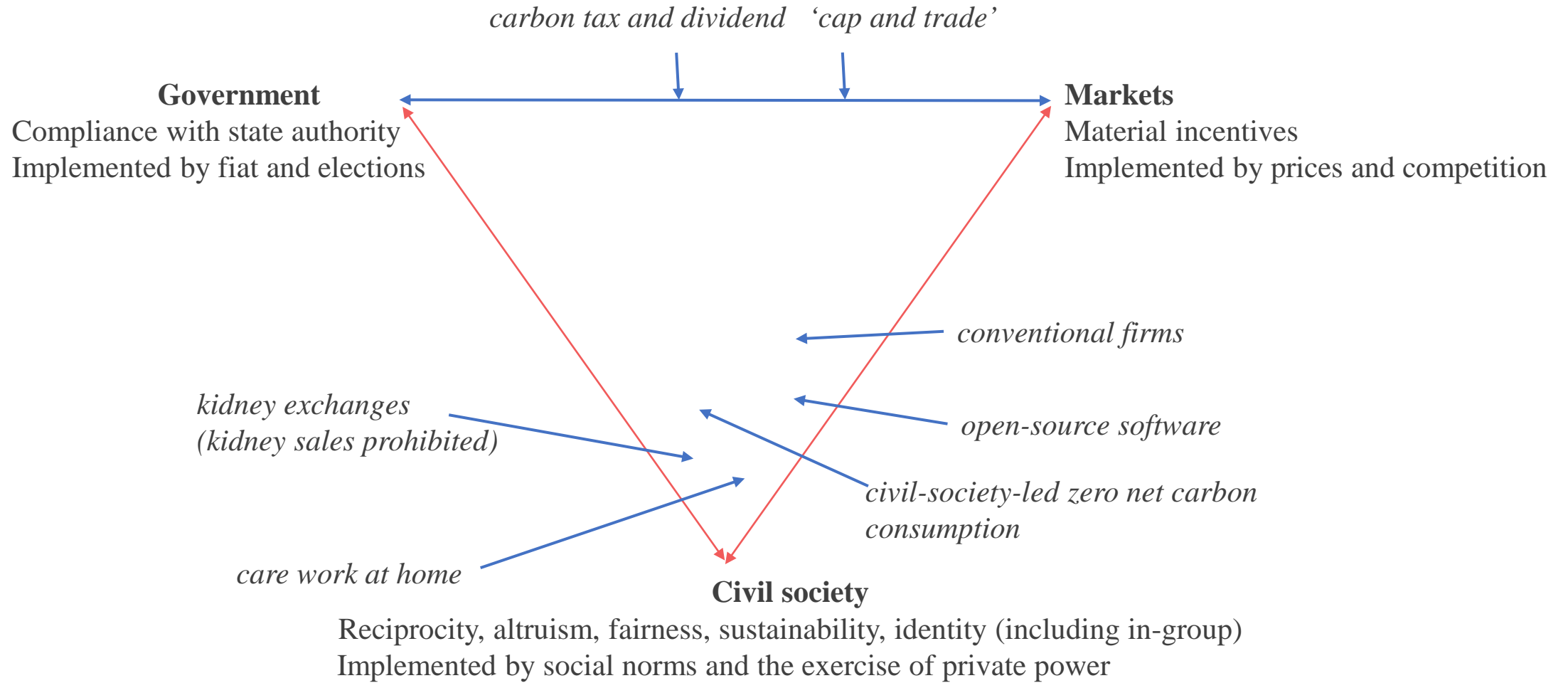
Government
Compliance with state authority
Implemented by fiat and elections



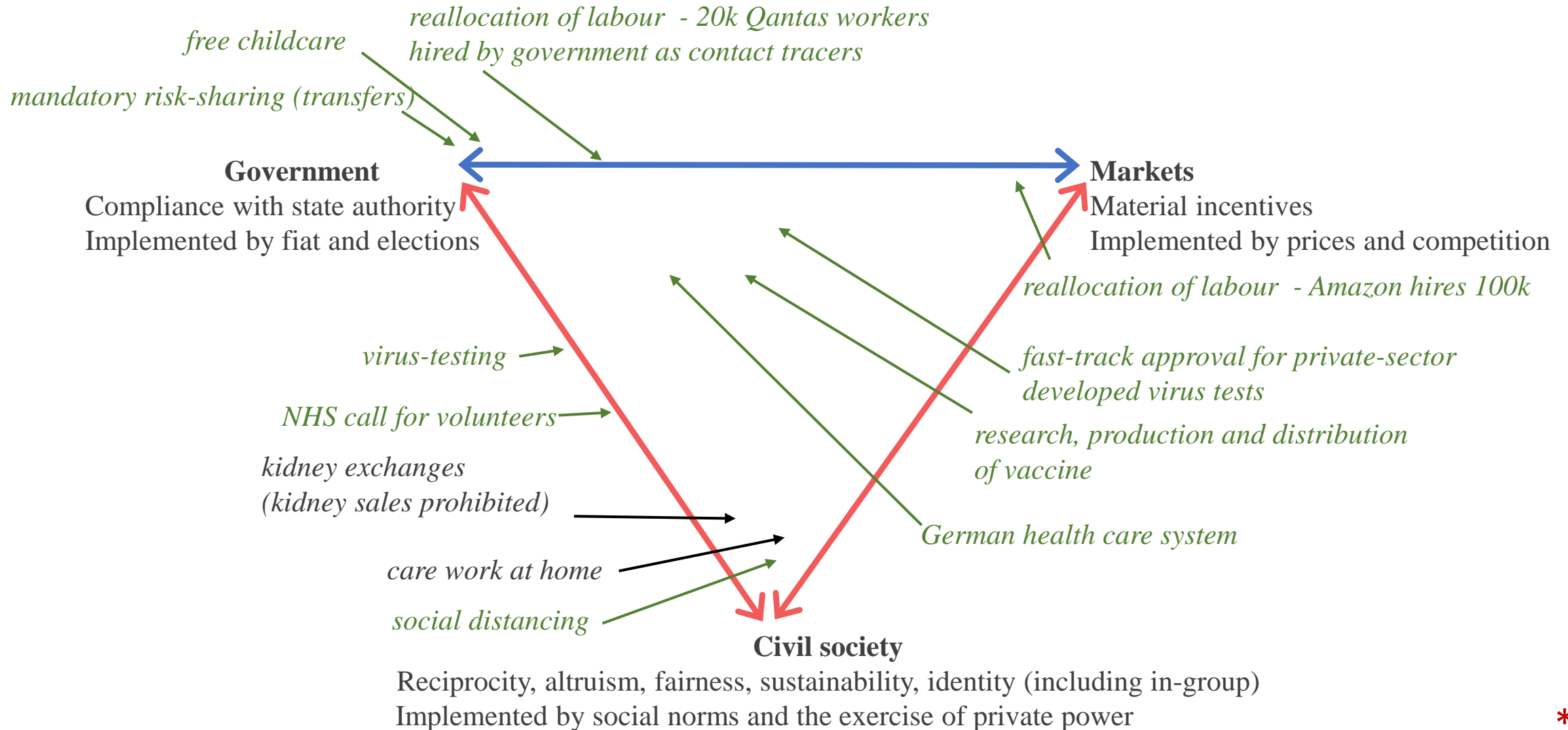
Markets
Material incentives
Implemented by prices and competition

?

- What we call civil society (or the community) provides essential elements of a strategy to kill COVID-19 without killing the economy.
- The dual elements of the new theory – the **limits of private contract** and **governmental fiat**, along with a new view of a **(sometimes) socially oriented economic actor and citizen** – open up a space in which economic discourse using concepts of **private exercise of power** and **social norms** can engage with the pandemic



The third pole – a new state space for policy and rules of the game



What does the expanded state space give us? A new paradigm in the making

- Successful policy paradigms combine a set of ethical values with a model of how the economy works, a property of which is that the pursuit of those ethical values contributes to the performance of the economy as represented in the model *and* in the empirical economy
- An economic model
 - that treats external effects (contagion, climate change) as the norm, not the exception
 - that recognizes the private exercise of power and
 - the importance of social norms in economic interactionscan contribute to the critique of the present but also the design of alternative institutions consistent with the pursuit of shared affluence *and* an expanded concept of freedom.
- What can we learn from past policy paradigms?

<i>Policy paradigm</i>	<i>Normative foundations (Level 1)</i>	<i>Provenance of normative foundations</i>	<i>Economic model (Level 2)</i>	<i>Provenance of economic model</i>	<i>Emblematic policies (Level 3)</i>	<i>Vernacular economics (Level 4)</i>
Classical liberalism	Order, rule utilitarianism, anti-paternalistic liberty, autonomy (contra social hierarchies)	Hume Smith Bentham J.S. Mill Paine	Division of labor, specialization, competitive markets, comparative advantage, Ricardian growth; precursors of mechanism design; cardinal utility	Mandeville Hume Smith Ricardo Bentham	Free trade, anti-monopoly, complementarity of state-provided infrastructure and private investment	"It is not from the benevolence of the butcher, the brewer, the baker that we expect our dinner, but from their regard to their own interest." Additivity of "moral sentiments" and material interests
Keynesian social democracy	Solidarity, security, fairness	Tawney Beveridge B. Webb S. Webb T.H. Marshall	Aggregate demand, paradox of thrift, solidarity wages, theory of the second best	Pigou/ Marshall Keynes Meidner/ Rehn	Demand management, tax, transfer and public goods redistribution, egalitarian supply-side policies	Well-paid workers sustain demand. Saving is prudent for a family but not for a government when the economy is in recession.
"Neo liberalism"	Negative (formal) freedom, procedural justice	Von Mises Hayek Nozick Gauthier	Self-interest (individuals & government officials) and competitive markets. No interpersonal comparisons of utility. Pareto criterion.	Marshall/ Walras Buchanan Friedman	Laissez-faire, school vouchers, "negative income tax"	"The government that governs best, governs least." Labor unions are special interest groups. "There is no such thing as "society". You get what you pay for.

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Shrinking Capitalism[†]

By SAMUEL BOWLES AND WENDY CARLIN*

A successful policy paradigm ...

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)	Emblematic policies (Level 3)	Vernacular economics (Level 4)
Classical liberalism				
Keynesian social democracy				
“Neo liberalism”				
New paradigm				

Classical liberalism

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)
Classical liberalism	Order, anti-paternalistic liberty, autonomy, equal dignity	Division of labor, specialization, competitive markets, comparative advantage, ...

Classical liberalism

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)	Emblematic policies (Level 3)	Vernacular economics (Level 4)
Classical liberalism	Order, anti-paternalistic liberty, autonomy	Division of labor, specialization, competitive markets, comparative advantage, ...	Free trade, anti-monopoly, complementarity of state-provided infrastructure and private investment	“It is not from the benevolence of the butcher, the brewer, the baker that we expect our dinner, but from their regard to their own interest.”

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Neoliberalism

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“Neo liberalism”	Negative (formal) freedom, procedural justice	Self-interest (individuals & government officials) and competitive markets.

Neoliberalism

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)	Emblematic policies (Level 3)	Vernacular economics (Level 4)
“Neo liberalism”	Negative (formal) freedom, procedural justice	Self-interest (individuals & government officials) and competitive markets.	Laissez-faire, school vouchers, “negative income tax”	“The government that governs best, governs least.” Labor unions are special interest groups. “There is no such thing as “society””.

New (unnamed) paradigm

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)
New (unnamed) paradigm	Undominated social relations, voice, sustainability	Social preferences and principal agent models; “identity economics”, ...

A new paradigm?

Policy paradigm	Normative foundations (Level 1)	Economic model (Level 2)	Emblematic policies (Level 3)	Vernacular economics (Level 4)
New (unnamed) paradigm	Undominated social relations, voice, sustainability	Social preferences and principal agent models; “identity economics” ...	Wealth redistribution to support inclusive innovation. Home price insurance to reduce risk exposure; Workplace rights and voice. Competition for the market via corporate governance reform. Substantial weakening of IPR.	Cooperation works. Complementarity of “moral sentiments” and material interests.

The battleground for the new paradigm

- As was the case with the Great Depression and WWII, we will not be the same after COVID-19. And neither, we also hope, will be the way people talk about the economy.
- But the pandemic of that era – massive unemployment and economic insecurity – was beaten by new rules of the game that delivered immediate benefits
 - unemployment insurance,
 - a larger role for government expenditures and,
 - in many countries, trade union engagement in wage-setting and in adoption of new technology

These emblematic policies reflected the ethics and the analytics; and in turn were part of the vernacular of the new paradigm

- The result – decades of shared affluence referred to as the golden age of capitalism – made both the new rules and the new vernacular difficult to dislodge

A paradigm is successful when there's a story people can tell about how the values they hold are reflected in policies that make the economy – represented well by the model – work better

What emerges from the battle for the COVID-19 narrative will depend critically on whether the mounting costs of climate change and recurrent pandemic threats will provide an environment in which a new paradigm can – like the new post Great Depression paradigm – guide a symbiosis between new policies and institutions yielding immediate concrete benefits

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By Victoria Gill
Science correspondent, BBC News

🕒 7 May 2020

CRAMMING FOR YOUR EC 101 EXAM



BY ANMEI ZHI