

Female economists shaking things up – a review of three books

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It's an exciting time to be an economist.

We are currently in an era where fundamental assumptions about economics are being questioned, in areas as wide-ranging as [macroeconomic models](#) and [human behaviour](#).

It's also a really exciting time to be a female economist. This interrogation of the economics profession and the assumptions underlying economic theory is being led by some inspiring women.

I recently had the opportunity to read three great books by female economists. This blog will summarise each and then outline my observations and learnings from reading all three.

The Deficit Myth

Stephanie Kelton released this book just as the pandemic kicked off last year – a fortuitous time to be explaining myths about government deficits as the world faced its largest need for government support since the GFC.

The Deficit Myth brings together decades of Kelton's research and work on Modern Monetary Theory or MMT. She covers six myths surrounding federal deficits and debt.

One is the myth that government finances work the same way as household finances – whereas a government's ability to draw on more debt works entirely different to a household's (for any country that is the monopoly issuer of a fiat currency – including the US, the UK, Australia, Canada, Japan and so on). Or the myth that government spending and deficits always crowd out private sector investment.

She argues that the main limit to drawing up debt through persistent deficits is inflation, representing the actual productive capacity of the economy. The raise of the US debt ceiling [this month](#), which has been lifted over 100 times since 1939, provides further argument for this view. Importantly, Kelton also reminds us that the real deficits (no pun intended) we face as a society and economy today include the climate crisis, inequality and stagnant wage growth.

Mission Economy

The Apollo Mission of the 1960s was a controversial explosion of activity and spending in the space sector, led by the Kennedy government in an effort to land on the moon by the end of the decade. But Neil Armstrong walking across the world's televisions in 1969 was not the most important takeaway of this period, argues Mariana Mazzucato.

Setting an ambitious goal of walking on the moon led to significant technological advancements, spurring innovations that we still rely on today including the data processing in software and freeze-dried food. It also represented a change in the way government was organised and interacted with the private sector.

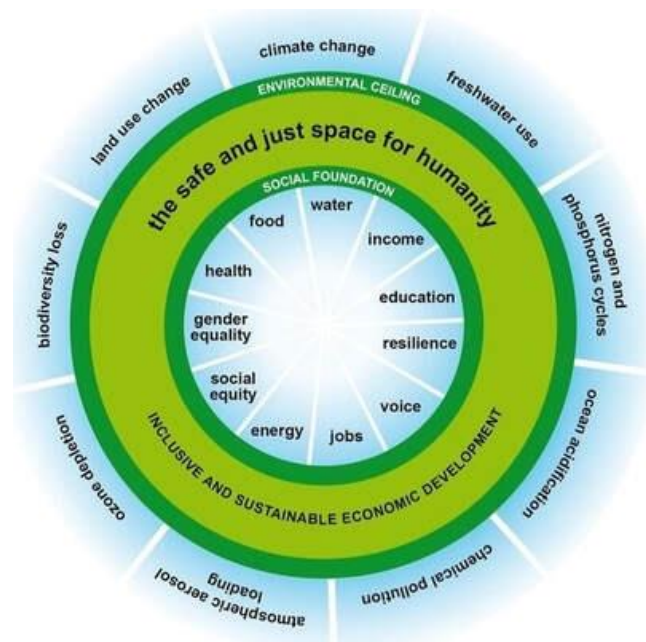
The Apollo Mission acts as a shining example of the far-reaching benefits of government presenting a mission or vision to society, and acting as a market maker rather than a market-fixer. A modern example is the role of government in telecommunications. Companies like Apple are considered to be ultimate examples of private sector innovation, but their underlying technologies were funded by the Government when it was too risky for the private sector to do so.

Government's role, writes Mazzucato, should be reimagined to invigorate the economy, catalyse private sector innovation, and invest in our biggest challenges, rather than to fix things when they go wrong. Drawing on lessons learned through the Apollo Mission, her book explores how government should be reorganized today, for example through better risk allocation in public-private sector contracts.

Doughnut Economics

"Economics concerns the allocation of scarce resources." All economists are taught this in our first economics class, whether at school or university. However, our natural world is not a stockpile of resources to be used as we fit, albeit allocated in the most efficient way possible through economic forces. Instead, the economy sits within broader society, which fits within the Earth, and our natural resources should be appropriately managed within the circular economy.

This is one of the core re-thinkings presented by Kate Raworth in *Doughnut Economics*, providing seven ways to reteach economics in the 21st century. Central to the book is the concept and diagram of the Doughnut (see below) – representing the "just" place for humanity to thrive. This ideal zone provides an upper limit of planetary boundaries such as carbon emissions and fertiliser use, and a lower limit of human dignity boundaries, including access to clean water, decent work and political voice.



Source: [Open Horizons](#).

Using the Doughnut, Raworth breaks down our obsession with GDP growth, putting a monetary value on everything and using natural resources without replenishing the environment in-kind. In place of outdated economic principles, she paints a picture of an economy which is regenerative and redistributive by design.

Lessons Learned

All three books highlight the number of defunct assumptions and conventions embedded in the economics practice and taught to students around the world. For example:

- The “rational man” persona who guides micro – and macro – economics. He has perfect information, good foresight and acts in self-interest. There is no equivalent person in the world (*Doughnut Economics*).
- The role of government is limited to correcting market failures, for example through taxation and regulation – until another big bank requires a bailout (*The Deficit Myth* and *Mission Economy*).

While it is easy to keep working within the current framework of economics, this is ultimately not beneficial to society as it does not reflect society. Designing and adopting new frameworks that better reflect our world will be difficult and require more complex thinking.

However, the books ensure that we are not left feeling hopeless about economists’ ability to contribute to humanity and the environment. Each author provides solutions to moving forward and using a new and improved economics toolbox to face the issues that matter most at this point in our history.

Using the examples from above, some solutions include:

- Replacing the “rational man” concept with a complex individual who is naturally biased and socially inclined, and using our improved understanding of humanity to redesign incentive programs.
- Reinvigorating governments to explicitly spend on the disasters of our world today, firstly because they are financially able to do so, as Kelton argues. But also because doing so will not bring the economy crashing to a halt, but in fact spur on further economic activity, as Mazzucato argues.

Studies show that part of the reason students choose to study economics is they think it can be [used for the social good](#). [Women in particular](#) are motivated by the possibility of using economics to contribute to society. So – I think that the economists of today and tomorrow are up to the task of using guiding books, such as those discussed in this blog, to update economics for the betterment of people and the Earth.