

When Institutional Forgetting is Convenient: Economists and the Great Recession

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Worldwide economic news gives us every reason to suppose that efforts to stem the so-called “Great Recession” have been largely ineffective because the effects of the recession have been with us so long. With respect to the USA in particular, an Associated Press release of July 20, 2012 indicates that “A raft of economic news Thursday sketched a picture of a weakening U.S. economy held back by sluggish home buying and factory production.” (Rugaber and Wiseman 2012). One would hope that there are economic models that would suggest solutions to the problem.

As a student in the 1960’s, I was taught that effective macro-economic policy could shorten the pain from inevitable recessions. Prudent fiscal policy dictated that governments needed to spend during economic downturns to stimulate the economy and tax during periods of better than expected growth in order to balance budgets. Similarly, prudent monetary policy meant that governments should expand the money supply during recessions and contract it during periods that threatened runaway inflation. More than forty years later I was surprised to discover Paul Krugman’s assertion that the traditional principles of fiscal policy had been forgotten, even disparaged, by the current generation of economists, and was not even to be found in the current textbooks (2012, 197-233). Was it really possible that these scholars had not read and understood Keynes? If he was right that this studied ignorance was prevalent, how did this happen? An analysis of the quite public disagreements about economic policy might provide some insight.

In organizational communication studies, the concept of “organizational forgetting” is sometimes applied to organizational cases in which once successful organizations forget the lessons that brought them success in the first place. Maybe organizational forgetting can be

applied to an entire academic discipline, in this case, economics. Can this type of institutional forgetting explain our current economic plight, and, if so, how is it possible that this information did not get passed on from one generation of economists to another with sufficient fidelity that it could be effectively used to improve the situation?

The Great Recession

The Great Recession is so named because of the devastating consequences of the economic downturn that started in about 2008. Initially, the stock market lost half its valuation, the greatest fall since the Great Depression in which the market plunged 79%. Housing prices fell approximately 37%. The recovery from this recession is the slowest since the Great Depression, and since the the Gross Domestic Product began to grow again, it has not grown at rates that signaled recovery from recent recessions. The loss of GDP is estimated at 9% in the USA (Barro 2011).

The most notable feature of this recession has been the very high unemployment rates. These rates are high internationally. The rate is twice as high as what has been considered acceptable in the past in the USA where unemployment rates show no signs of improving. “Job growth slowed to 75,000 a month from April through June, down from a healthy 226,000 pace in the first three months of the year. Unemployment is stuck at 8.2 percent.” (Rugaber and Wiseman 2012). Being stuck at 8.2% might seem to be an attractive plight for some countries on the periphery of the European Community. Consider Spain where unemployment is running 23.6% and 50% among young people (Krugman 2012, April 15).

Setting aside the horrible personal effects of unemployment ranging from penury to mental

depression, these high levels of unemployment affect all of us financially because they diminish the overall economy. Governments are able to do less with programs to support the common good, and the range of goods and services available to each of us is limited. In the USA, the Congressional Budget Office estimate of the “productivity gap,” the amount that the economy is reduced by failing to use available human and other resources, is close to a trillion dollars a year (Krugman and Wells 2012). We are also experiencing a disappearing middle class as the distance between the rich and poor has grown disproportionately in comparison to historic levels (Stiglitz 2012).

The US attempted to stimulate the economy in the early months of the Obama administration by spending on “shovel ready” projects and by an expansionary monetary policy. This met with ambivalent results. The attempts of other nations to improve the economic situation, usually in the form of austere fiscal measures, have been largely unsuccessful. The European Community has responded to the higher levels of debt, both public and private, by slashing government spending and insisting on balanced budgets. This did not solve the problem. Recently, the EC countries met to try to remedy the situation. Was it successful? Krugman does not think so.

So what we know even for the US is that the TARP and QE were perhaps enough to forestall disaster, but not to produce recovery — and Europe has the additional problem of huge needed realignments in competitiveness, which would be much easier if the ECB announced a dramatic loosening — which it didn't. (Krugman 2012, June 30).

At the present time, then, most nations' economies are stagnating. Unemployment levels are too high, and the world's economies are far short of their potential.

Fiscal Policy

As intimated above, governments have been criticized for their haphazard use of fiscal policy. Krugman argues that fiscal austerity is a poor idea in the current situation, and that that should be common knowledge (2012, 96-437). There is a resistance to fiscal policy among many

conservative politicians and policy analysts. A common refrain is that “the government doesn't create jobs, businesses do.” Some, who are of this persuasion, believe that the economy will naturally adjust itself quickly and that governments should avoid both monetary and fiscal policy. Most macro-economists are convinced otherwise, and many are convinced that fiscal policy is an important tool of government.

Meanwhile, there's actually a lot of evidence for a broadly Keynesian view of the world. Not, to be fair, for fiscal policy, mainly because clean fiscal experiments are rare. But there's huge evidence for sticky prices, lots of evidence that monetary shocks have real effects — and it's hard to produce a coherent model in which that's true that doesn't also leave room for fiscal policy. (Krugman 2011, August 25).

Krugman is pointing out that prices (and wages) are “sticky,” that they don't quickly adjust to economic cycles. This refutes the idea that the free market will respond to changes in supply and demand; it is a call for government intervention. Monetary shocks, which are sometimes unforeseen and not understood until long afterward, need to be ameliorated or they can have deep effects on the overall economy for a very long time. Again, these phenomena are a call for expansionary monetary and fiscal policy during recessions.

Sadly, though, fiscal responses that seem designed to promote austerity have been implemented instead. Nations throughout Europe that have turned off the fiscal tap have sunk themselves even further.

Europe has had several years of experience with harsh austerity programs, and the results are exactly what students of history told you would happen: such programs push depressed economies even deeper into depression. And because investors look at the state of a nation's economy when assessing its ability to repay debt, austerity programs haven't even worked as a way to reduce borrowing costs. (Krugman 2012, April 15).

The justification for the imposition of fiscal austerity is the belief that troubled economies resulted from profligate spending. The only European country in which this seems to be an

apt explanation is Greece. Spain is suffering a severe depression now, but it had a balanced budget when its economic difficulties began. The housing bubble burst. This was all due to the extension of credit to Spanish banks from northern Europe. Money was loaned without careful oversight or regulation. So, the problem was a familiar one, and similar to the situation in the USA prior to the 1930's: too much leverage from private, rather than public, debt (PBS 2012, June 19).

As in the USA, Europe has doled out its fiscal and monetary stimuli sparingly. On the verge of a severe financial panic in the fall of 2011, the European Central Bank offered credit in exchange for the bonds of several European nations. This solved the problem temporarily (Krugman 2012, April 15). A year later with several European countries on the brink of economic collapse, the ECB seems poised to dole out a little more help. ECB President Mario Draghi said that the bank would do "whatever it takes to preserve the euro." Stock markets in the US and London rose significantly, a fact that was attributed to Draghi's promise that the ECB would act (Gogoi 2012).

In the USA, the Obama administration initially pushed through a spending stimulus package. The spending plan for "shovel ready" projects seemed huge to many analysts. The stimulus bill was called the American Recovery and Reinvestment Act and amounted to \$787B in spending and tax cuts. At the time, Krugman predicted that it was too small to do the job.

I see the following scenario: a weak stimulus plan, perhaps even weaker than what we're talking about now, is crafted to win those extra GOP votes. The plan limits the rise in unemployment, but things are still pretty bad, with the rate peaking at something like 9 percent and coming down only slowly. And then Mitch McConnell says "See, government spending doesn't work." Let's hope I've got this wrong (Krugman 2009, January 6).

Krugman was not alone. Another Nobel laureate, Joseph Stiglitz wrote:

I think there is a broad consensus but not universal among economists that the stimulus package that was passed was badly designed and not enough. I know it is not universal but let me try to explain. First of all

that it was not enough should be pretty apparent from what I just said: It is trying to offset the deficiency in aggregate demand and it is just too small. (Quoted in Krugman 2012, p. 253).

Today unemployment is close to the level Krugman predicted it would be, and, also as predicted, the policy argument is now about whether the Obama program results prove that fiscal stimulus does not work or whether it was too small to work. Those in the latter camp think the economy would be in even worse shape without the stimulus. Krugman points to his record as a prognosticator.

Portes quotes a three-year-old piece from Niall Ferguson I mercifully missed, ridiculing me as the "man from Econ 101" who believed, foolishly, that huge government deficits could fail to raise interest rates in a depressed economy. Indeed, that is what Econ 101 said – and it has been completely right. Basic IS-LM macro also said that under these conditions printing lots of money would not be inflationary, and that cutting government spending sharply would cause the economy to shrink. All of this has come true. (Krugman 2012, June 26).

He further argues that an entire generation of economists has not read Keynes and contemporaries and has not understood the macro-economic lessons he gleaned from the Great Depression of the 1930's.

Forgetting Keynes

Macroeconomics was invented by Keynes and his contemporaries following the Great Depression. Subsequently, tools for coping with economic downturns have been modified and refined. Compared to the economic problems of the 1930s, and the 19th century for that matter, subsequent 20th century recessions were dispatched fairly readily. Perhaps because of this relative success, many economists seem to have become overconfident. Consider this quotation from a basic textbook in the 1980s:

On the question of whether it could happen again, there is agreement that it could not, except, of course, in the event of truly perverse policies. But these are less likely now than they were then. For one thing, we have history to help us avoid its repetition.

Taxes would not again be raised in the middle of a depression, nor would attempts be made to balance the budget (Dornbusch and Fischer 1987, 425).

Here's a comment from Nobel laureate John Lucas:

Macroeconomics was born as a distinct field in the 1940s, as a part of the intellectual response to the Great Depression. The term then referred to the body of knowledge and expertise that we hoped would prevent the recurrence of that economic disaster. My thesis in this lecture is that macroeconomics in this original sense has succeeded: Its central problem of depression-prevention has been solved, for all practical purposes, and has in fact been solved for many decades. (Lucas, 2003).

Four years in to the Great Recession, it is tempting to suggest that these heroes of economics were brought low by their own hubris, but that is only part of the story. The two quotations predicting the end of depressions are based on two different sets of premises. Note that the earlier one from the Dornbusch and Fischer textbook said that no one would try to balance budgets during an economic downturn, and yet that is exactly what governments worldwide have insisted on doing. The second quotation is coming from a more modern perspective.

It seems that the field of economics changed dramatically in the past thirty years. The monetarist school of the University of Chicago business and economics faculties came into ascendancy. The monetarists, led by Nobel laureate, Milton Friedman, held that the role of government in matters economic should be limited to that part of monetary policy involved in maintaining an adequate money supply. The Great Depression was blamed on government for not fulfilling this one role. In this scheme, there is no need for fiscal policy because free markets were efficient and would respond with optimal results. Therefore, taxing and spending should be kept to a minimum.

Here is the monetarist position on spending to stimulate the economy as summed up in an interview of University of Chicago finance

professor, John Cochrane. He said that the idea that a stimulus would work is a "fairy tale."

"It's not part of what anybody has taught graduate students since the 1960s," Cochrane said. "They are fairy tales that have been proved false. It is very comforting in times of stress to go back to the fairy tales we heard as children but it doesn't make them less false."

To borrow money to pay for the spending, the government will issue bonds, which means investors will be buying U.S. Treasuries instead of investing in equities or products, negating the stimulative effect, Cochrane said. It also will do nothing to unlock frozen credit, he said. (Staley & McKee 2009).

Given this stance, it is not surprising that there would be resistance to the Obama stimulus package. In a forum following a 2009 address to the Council on Foreign Relations John Lucas dismissed the Moody's estimated multiplier for the stimulus spending of 1.5 for every dollar spent. He said he thought Christina Romer must have come up with that because it was her first day on the job and she had to have something ready for Monday morning. He called it "schlock economics." (The State of Economics 2009).

The *Economist* magazine reporters at the time provided an interesting account of the disputes about the stimulus package (The State of Economics 2009). They quote Krugman as disparaging recent work in macro-economics as applied to the current situation. Krugman said it is "spectacularly useless at best, and positively harmful at worst." In concurrence, the *Economist* cites Buiter of the London School of Economics.

Mr Buiter, who helped set interest rates at the Bank of England from 1997 to 2000, believes the latest academic theories had a profound influence there. He now thinks this influence was baleful. On his blog, Mr Buiter argues that a training in modern macroeconomics was a "severe handicap" at the onset of the financial crisis, when the central bank had to "switch gears" from preserving price stability to safeguarding financial stability.

The article goes on to report that Krugman and those economists who agree with him are inclined to cite Keynes and Minsky and others who lived through and studied the depression. Those who disagree with this position believe that these texts are antiquated and that recent scholarship has made them obsolete. Krugman describes this as a failure, the “dark age of economics.” (The state of economics 2009).

For Krugman, the key condition that the monetarists and others have missed in their analysis of the current situation is that interest rates are approaching a zero lower bound. They cannot go much lower than zero. So, the Federal Reserve Board’s chief monetarist tool to expand the economy is effectively hamstrung. They cannot get interest rates any lower. In previous recessions they could always increase the money supply. Now they have to use fiscal policy; government has to spend to stimulate the economy.

To those who argue that the market will lose confidence in government bonds if they spend too much money, Krugman says that we have no evidence that this becomes a problem under most circumstances. No one can say where the line is that cannot be crossed in terms of government borrowing to stimulate the economy.

If we look at countries that issue their own currency and borrow in their currency, it’s hard to find any evidence that there’s ever a red line. It turns out that Britain, when Keynes was writing, had a debt level substantially above what we have now. Japan keeps not having a debt crisis. But even if you’re worried about it, what do you propose we do? Fiscal contraction, right now, is almost certainly self-defeating. (Klein 2012).

And what should Europe do?

The Continent needs more expansionary monetary policies, in the form of a willingness — an *announced* willingness — on the part of the European Central Bank to accept somewhat higher inflation; it needs more expansionary fiscal policies, in the form of budgets in Germany that offset austerity in Spain and other troubled nations around the Continent’s periphery, rather than reinforcing

it. Even with such policies, the peripheral nations would face years of hard times. But at least there would be some hope of recovery. (Krugman 2012, April 15).

Krugman concludes that economic policy experts seem to have forgotten the lessons learned from the Great Depression. The evidence is clear that important economists disagree about what those lessons were, and they all seem to be busy putting their stamp on what they think should be remembered.

Institutional Forgetting

What Krugman has observed with respect to the economics profession seems very close to what organizational communication scholars have called “institutional or organizational forgetting.” In his 1993 book analyzing the space shuttle Challenger disaster, Tompkins describes “a kind of “organizational forgetting or institutional memory loss. By forgetting, I mean a gradual process in which successful, proven practices and procedures are not actively promoted or monitored.” (11) . In addition to his genius as an engineer, Werner Von Braun was apparently an ingenious manager and was able to articulate his management theories. Tompkins describes effective communication practices implemented by Von Braun including on-site “penetration” of contractors by NASA representatives; “Monday Notes” in which he provided marginalia to reports written each Friday by subordinates two levels below him and “automatic responsibility” in which employees take on all problems that fall within their areas of expertise, even if not directly assigned to them, and communicate upwardly about the status of problems they cannot solve. These concepts were unique to NASA’s Huntsville operation. Tompkins became aware of them in work he did there in the 1960’s and 70’s. To test his hypothesis of organizational forgetting, he went back to interview key employees after the Challenger exploded. He found that these practices had disappeared. (1993, 171-177).

Unlike previous anthropological work that held that that which was functional was remembered and that which is not is soon forgotten, Tompkins noted that the practices forgotten by NASA Huntsville’s top managers were critical to its early success and their status as “forgotten” is a possible explanation for subsequent failures and disasters. The

forgetting was selective. For example, weekly notes from subordinates continued, probably because of routinization, but the Monday feedback, characteristic of the Von Braun era, had disappeared. Penetration was curtailed due to personnel cutbacks and was replaced with contract monitoring. Management styles had shifted, and the upward communication of problems resulted in "killing the messenger." A big reduction in force at Huntsville constituted a shock to the system that began the process of organizational forgetting. Turnover reduced the number of managers who remembered the culture and the communication practices of the earlier organization.

Interestingly, the concept of organizational forgetting has developed a rich literature in the larger interdisciplinary literature of organizational studies. About the same time that Tompkins was writing about NASA, Walsh and Ungson (1991) published a seminal essay on organizational memory. Six years later a British management consultant, Arnold Kransdorff, published a book entitled *Organizational Amnesia* (1998), a term that Tompkins had used with respect to NASA.

The concept of organizational forgetting was investigated by others. Walsh and Ungson (1991) had described organizational memory as stored in "bins" that could vary in scope from individuals to structures to external archives. Martin de Holan and Phillips (2004) worked on constructs related to "organizational forgetting," and described it in terms similar to those used by previous work on organizational memory. Whereas Tompkins (1992) did not consider organizational forgetting as potentially positive, these authors argued that it could be either positive or negative.

Casey and Olivera (2011) hope to unify the concepts of organizational memory and forgetting, and suggest that future research explore some of the reasons for organizational forgetting such as the passage of time and power relationships in the organization. They suggest that rather than conceiving of organizational memory as stored in retention bins, that it could be thought of as being continually constructed through human interactions (307). Like Tompkins, organizational memory is related to ever-changing organizational routines, and the possibility of organizational forgetting, as those

routines change. Interestingly, NASA's mishaps and problems are suggested as examples of the "politics of forgetting" or "strategic forgetting." (2011, 308-9; Nissley and Casey 2002). The organizationally powerful often decide what the organization should remember both in terms of what is archived and through decisions about how practices and routines will be altered.

Organizational Forgetting and Communication Studies

With their emphasis on ongoing interaction as central to organizational memory, Casey and Olivera (2011) have placed the construct clearly within the purview of communication scholars. The idea that memory is constructed in these interactions also suggests that it would be fruitful to view organizational memory through the lens of the social constructivist. To say that organizational memory is reproduced in communication transactions emphasizes the fact that all communication is constructed and re-constructed. In a sense this viewpoint begs the question of memory loss. If we can say that memory is constructed, how can we say that there is a loss of memory? Our construction may be that current practices are based on constructs that differ markedly from previous constructions, indeed written constructions of the "correct" procedures may have been placed in the organizational archives, but constructed differently in the process of reading and discussing.

It may be more parsimonious to apply the much older information theory view of communication. Simply put, organizational memory is going to deteriorate, or lose fidelity, as it is passed from one person to another. A necessary remedy is to build sufficient redundancy into the system that the information we are trying to retain can hold up against both channel noise and entropy. The trade-off, however, is with efficiency. It takes time and energy (and usually money) to build in redundancy, whether we are talking about mere repetition in a single medium, the use of multiple media (Hsia 1968a, 1968b), elaboration through explanatory detail and examples, creating a relevance set (Brissey 1961), or by some other means.

Interestingly, the earliest work on memory in psychology relied on the serial reproduction of information through chains of communicators

(Bartlett 1932). In this way, they were able to study the process of the erosion of information as reproduced from one person to another. Of course, this method, which has been used in thousands of communication classrooms as a demonstration of problems associated with information fidelity, exposes the perils of relying on the memories of each person in the chain. What seems remarkable eighty years later is that memory loss initially was implicitly a problem of communication rather than a matter of the neuro-physiology of brain mechanisms.

One can go back earlier, of course, to the third century, by which time *memoria* had been established as one of the five canons of rhetoric. It was deemed essential that the speaker remember the speech while delivering it, and aids to that end were suggested by the handbooks of the time. By the mid-twentieth century, Redding (1966, 66-67; see also Pace 1977, Davis & O'Connor 1977, Haney 1964, Campbell 1958) had suggested that the study of serial reproduction through various "relay points" in the organization was one of a dozen fruitful areas of research that had the potential of providing an in-depth understanding of the relatively new sub-field of organizational communication. The study of memory seems to have always been tied to communication studies, and concerns about organizational memory are no exception. Organizational forgetting, in part, may be attributed to the problems of information fidelity in serial reproduction.

Institutional Forgetting and Economic Policy

The similarities between cases of organizational forgetting, such as Tompkins's analysis of NASA, and what has happened in the economics profession, make a strong case that something akin to organizational forgetting is at work with the economists, at least in the USA.

In the first place, the failure to read Keynes might constitute a serial reproduction problem. If the professors are not reading Keynes, it seems likely that the students are not reading him either. They see writings of fifty years ago as archaic and suppose that modern theories encompass the old. The old models, such as that which would predict fiscal difficulties when the interest rate approached a zero lower bound, were not included in many of the recent

textbooks. These models do not become part of the exercises that students and professors discuss. These opportunities for redundancy are missed, and the system becomes less predictable, seemingly more entropic and confusing. Here is Krugman's account of changing fashions in economic thinking.

Time was when Keynesians were highly skeptical about the effectiveness of monetary policy under any circumstances; evidence, including, but not only, Friedman and Schwartz, persuaded the school otherwise. The idea of the natural rate, that there was no long-run tradeoff between inflation and unemployment, was very much disliked by people like Jim Tobin, but accepted by nearly everyone after the experience of the 1970s.

More recently the revisions have tended to go in the other direction, with a revival of the concept of the liquidity trap in the light of Japan's experience, and a renewed acceptance, again based on evidence, that wages are downwardly rigid – and hence that the natural rate hypothesis breaks down at low inflation. And there's a widespread acceptance that we were paying too little attention to debt and the financial sector. (Krugman 2012, June 30).

All of this is abetted by the factors similar to those observed by Tompkins at NASA. First, over the years, more senior economists may be replaced by younger economists who have not learned the old models. Personnel changes result in organizational forgetting. Secondly, changes in leadership and reductions in budget might fuel organizational forgetting as happened at NASA. It seems reasonable to suggest that the voices of leadership within the economics profession could have a similar effect, and that pecuniary motives may come into play.

In fact, the topic of leadership suggests influence and power which those who have thought about organizational forgetting suggest are contributing factors. There is evidence that the "politics of forgetting" or "strategic forgetting" was operative within the economics profession. For one thing, it is in the interest of those with wealth to avoid inflation, increased taxes, and government spending that can lead to either inflation or taxes. To the extent that money can buy influence, models that favor solutions other

than fiscal policy might come to be preferred. There is some evidence that that has happened. We will look first to the choices made by the Obama administration about how to respond to the economic crisis already evident when they took office.

Their solutions seemed to favor Wall Street, and the stimulus was inadequate to stem the difficult problem of unemployment, which would have been more of a concern to those without much influence. This seems to have happened because President Obama took the advice of Wall Street appointees like Timothy Geithner over others who had no close ties to the banking world. Bush's TARP program was implemented by Obama without extracting any costs from the banks which had precipitated the crash with careless lending practices, and the stimulus package was trimmed down even before it came to negotiations with the Republican leadership. (Scheiber 2012).

One who gave good advice to the President was the aforementioned Chair of the Council of Economic Advisors and UC Berkeley Economics Professor, Christina Romer. She advocated a much larger stimulus package. Her voice did not prevail. Although the size of the stimulus was trimmed before it left the White House, the Republicans insisted on trimming it even further.

The proposal to change regulation of derivatives trading put forward by the Obama administration had been written by the banking industry, which crafted a proposal without teeth. The bankers, such as those at Goldman Sachs, were paid in full for their speculative trades which had brought down AIG. The government did not extract ownership requirements for money that was fronted to pay for losses in speculation. The taxpayers simply loaned the bailout money to the banks on favorable terms. (Scheiber 2012, Krugman and Wells 2012).

So, those with wealth and influence took care of themselves and their cronies in the bank bailouts, but they resisted either mortgage help or sufficient stimulus to help the unemployed. This suggests that forgetting how to deal with the crisis benefitted those with influence in the Obama administration.

To some extent, the same charge may be laid to those who resist fiscal measures and are from within the economics profession itself.

There is a well-financed incentive for scholars to take up the side of the wealthy that comes from sources like the Koch and Olin Foundations which are dedicated to promoting economic theories favored by the politically conservative. Krugman refers to this possibility in the abstract.

A touchier subject is the extent to which the vested interest of the 1 percent, or better yet the 0.1 percent, has colored the discussion among academic economists. But surely that influence must have been there: if nothing else, the preferences of university donors, the availability of fellowships and lucrative consulting contracts, and so on must have encouraged the profession not just to turn away from Keynesian ideas but to forget much that had been learned in the 1930s and 1940s. (Krugman 2012, 208).

The Koch foundation has been accused of trying to buy particular "free enterprise" orientations by its contributions to economics departments at several universities. (Lee 2011, Wilce 2011). The problem of money influencing academic economic advice is serious enough that some scholars have put out a call for a professional code of ethics. Carrick-Hagenbarth and Epstein (2012) investigated those who were the most outspoken in favor of austerity. The authors were interested in whether economists publicly revealed who their benefactors were.

While one cannot be sure these payments affect views on financial theory and regulation, they certainly create a conflict of interest. Perhaps these connections help explain why few mainstream economists warned about the oncoming financial crisis. Perhaps they help explain why support among many of these economists for strict financial regulation has been relatively weak. And perhaps they help us understand some of the pressures that have led so many economists to propose austerity as a solution to the economic crisis they failed to warn about. Yet, as we show here, these economists almost never reveal their financial associations when they make public pronouncements on issues such as financial regulation.

Ideology plus conflicts of interest among academic financial economists play a joint, powerful, yet hard-to-disentangle role in this

widespread lunge toward crisis and austerity. (p. 44).

Under circumstances in which professional economists have no code of ethics and do not reveal who their paymasters are before taking positions to influence policy, institutional forgetting may be convenient.

Remembering, Re-constructing, and Recriminating

The participants in the economic policy debates, at least in the USA, seem to be aware that they are participating in the construction of institutional memory. The way that memory is formed, the way history is written, is being contested. Krugman, as a key participant in these debates, sees it this way:

What bothers me, and should bother you, about much of this debate is that it pretty clearly is *not* in good faith. Too many economists and commentators on economics are clearly playing for a political team; too many others are clearly playing professional reputation games. Their off-the-cuff reactions to policy issues were wrong and foolish, and I think they know in their hearts that they messed up; but instead of trying to remedy the fault, they're trying to defend the property values of their intellectual capital. (Krugman 2012, March 8)

"They were wrong and foolish." It is clear that in the age of web-blogs there are few rules of engagement. In another place Krugman accuses Barro of intellectual laziness (Krugman 2011, September 12). Name-calling and labeling are the order of the day.

This applies to both sides in the quarrel. Recall that John Cochrane called the idea that spending could stimulate the economy a "fairy tale" that we do not teach graduate students any longer. Robert Lucas belittled Christina Romer as being on her first day on the job and coming up with "schlock" economics. Apparently in 1980 Lucas was approving the belittling of Keynesian ideas being presented in seminars, saying that students would "whisper and giggle" if someone brought up these ideas. Krugman says that "anyone who invoked Keynes, was banned from many classrooms and professional journals (Krugman 2012, 208). Krugman responds by saying, "What was striking and disheartening about these barriers to action

was—there's no other way to say it—the sheer ignorance they displayed" (Krugman 2012, 229). Krugman re-emphasizes the idea that the other side was "refusing even to teach alternative views" (Krugman 2012, June 30).

This level of deprecation in the dispute signals that the participants believe there is much at stake here. In the background is the question of how organizational memory will be constructed.

Conclusion

The Great Recession is still very much with us, in terms of the productivity gap and intolerable levels of unemployment. As there is a profound disagreement about whether government should attempt to remedy the situation through fiscal policy, there is an implicit dispute about what economic theory should be remembered and what should be forgotten. Many economists believe that if standard economic tools had been applied, the problem could have been solved by now. It appears that some of these tools, and the important models that support their use, have been forgotten, particularly by a new generation of economists.

Theories of institutional and organizational forgetting seem to apply here. The old models are often not taught anymore, are not reproduced with fidelity and sufficient redundancy from one generation of scholars to the next. They are ignored in many textbooks and graduate seminars. Those who retired from the profession, who knew the old models, were replaced by those who were not as familiar with them. Whether forgetting these particular macroeconomic models is positive or negative depends upon one's scholarly viewpoint. Those who saw the forgetting in positive terms, put them aside, sometimes with ridicule, contempt, and invective. In recent years this has been met by the same type of contemptuous response from the other side. Forgetting seems to be encouraged by those with access to power and money who stand to lose if application of the old models results in inflation, government regulation, or a reduction in bond income. Economists, whose theories are beneficial to the wealthy, rarely reveal the source of their consulting income when they make public policy pronouncements.

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