

The Institute for Fiscal Studies is a reactionary force...

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The [Guardian](#) has an editorial today in which they say:

Economics dominates public debate while being seen as an abstract authority over which people have little control. This has helped fuel post-truth politics, encouraged by politicians who want to exploit the lack of understanding of economics.

The Guardian is right about this. General awareness of economics is dire. People's awareness of their own situations is frequently fundamentally wrong. And this not only can be exploited, it is exploited.

One organisation that explores this more than any other is itself a purveyor of economic ignorance. This is the Institute for Fiscal Studies. As my Progressive Economy Forum colleague [Prof John Weeks](#) has noted on Open Democracy:

On its [donations page](#), the IFS describes its purpose as follows:

“During an election campaign, objective analysis of economic policy is more important than ever...Our commentary on party manifestos and campaign promises leads the public debate, providing individuals with the tools to understand and evaluate complex decisions. What's more, the IFS is entirely independent of political parties, companies and pressure groups, allowing us to hold politicians of all stripes to account when their numbers don't add up or their policies are poorly designed.”

As John then argues, this claim does not stack. John's version of this argument is good, but let me reiterate my own.

There are numerous problems with the IFS. Every one of them makes clear why this organisation is a reactionary force in economics.

The first is that even if the IFS is free from party politics (as I would also claim, with justification to be) it is not free from bias. An individual cannot avoid that. But the IFS should.

In the case of the IFS this issue arises because it may be free from party politics but it is closely identified with dogma. That dogma is neoliberalism.

How do I know this? Because I have read the work of many of its key researchers, a lot of whom are linked to the Oxford Centre for Business Taxation, or the Oxford Centre for the Non-Taxation of Business as I have long described it. Set up in 2005 (as I recall) within the Said Business School (the name of which in itself says far too much about Oxford) with funding from the FTSE 100 and with the aim, as Chris Wales, who was one of its co-founders, told me at the time of reducing the UK corporation tax rate to 15%, it has made substantial progress against that aim.

It is the work of Prof Mike Devereux at Oxford that, for example, underpins the IFS claim that corporation tax increases are actually paid for by wage cuts. The claim has been resoundingly shown to be unfounded by Prof Kim Clausing, but it persists. And that's despite the fact that Devereux's work was based on pure free-market ideology in its most absurd form and data from corporation tax increases alone, almost all of which arose in times of economic stress when a decline in wages arose for reasons wholly unrelated to corporation tax rate changes. But there was a correlation, and that's been good enough to make this claim ever since.

That work is typical: it's microeconomic; it relies on data not necessarily fit for purpose; it uses a method (correlation) to support a claim that common sense suggests is very unlikely to exist for the stated reason, and it assumes that markets work. The last of these is the most pernicious. And yet the IFS falls into this trap time after time, as does almost all microeconomics as does macro, because quite absurdly most theoretical macroeconomics is based on microeconomic assumptions.

The result is that when the IFS gets anywhere near macro it applies microeconomic assumptions and uses general equilibrium models to analyse the scenarios it claims to address. But those models assume:

- a) Markets work;
- b) Markets have already delivered us to an optimal position and anything else will be worse than where we are now;
- c) Government interference in markets is always suboptimal;
- d) Tax creates market imperfections and misallocation of resources.

And it also assumes we all also know this.

So whenever the IFS 'objectively' looks at whatever Labour, in particular, proposes it 'objectively' suggests that the outcome is worse than now because it is further from the market-based solution that it has assumed is already optimal. That's not objective fact. It's an assumption based statement. The result is that the IFS is always biased.

So the second reason for the IFS's bias to consider is why it persists with these fallacies. And that is easy to answer. These models of market supremacy reign almost wholly supreme in economics because they permit an easy to teach and examine form of crass quasi-mathematical modeling of something that is far removed from the economy that we really live in and which adds almost nothing at all to human understanding but which does cause untold harm whilst allowing academics to progress their careers whilst arguing the state of their second differentials.

And third, why are they funded to do this? Because so complete is the stranglehold of economics by this school of thought that it has eliminated the teaching of almost all forms of qualitative thinking and the history of economic thought. Anyone now educated in what is called economics has, almost certainly, been reduced to a form of thinking that equates to 'market good; all else bad' which strongly correlates with 'Tory good; Labour bad' when it comes to so-called objective political commentary.

To return to the Guardian, they concluded in their editorial:

To create policy in the interests of the public will need politicians who can convincingly rethink — and are unafraid of rethinking — the economic consensus.

I agree. But to achieve that goal they need to talk to those few heterodox economists working in the UK and reject their own dependence on the IFS, who exist as an organisation to support the status quo. You cannot rethink using the old logic. The Guardian needs to realise that. And it needs to lead a campaign to fund an alternative to the IFS. We very badly need one.