BLINDER ON DEMOCRATS AND REPUBLICANS

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Blinder, Alan. *Hard Heads*, *Soft Hearts*: *Tough-Minded Economics for a Just Society*. Reading MA: Addison-Wesley, 1987.

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Hirsh, Michael. “Economists on the Run.” *ForeignPolicy*.*com*. 22 Oct. 2020. 25 Oct. 2020. Web.

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Michael Hirsh noted that recently, as usual, “economists pushed efficiency at all costs at the expense of social welfare . . .”

That reminds me of a number of comments that Alan Blinder made back in 1987 (in *Hard Heads*, *Soft Hearts*).

. . . the Democratic party has shown more concern for the principle of equity while the Republican party has paid more respect to the principle of efficiency.” (28)

[Republicans have] hard-headed respect for economic efficiency . . . (ix)

[The free market] generates great inequalities. (27)

Traditional Republican policies, in economics and elsewhere, often evince a hard head but an equally hard heart. (13)

The soft-hearted attitude holds that we ought to soften the blows for those who play the economic game and lose, or who cannot play it at all. That objective can be served by making the game less vigorous and risky—which is the rationale for Medicare, social security, and unemployment insurance. Or it can be done by making the victors share some of the spoils with the vanquished—via welfare benefits, public housing, Medicaid, and progressive taxation. (24)

[Democrats] gave us such major interventions in the economy as unemployment insurance, social security, and federal deposit insurance [as well as Medicare, Medicaid, WIC, Obamacare, etc.]. . . . examples of soft-hearted social and economic legislation have made this country a better place to live. Most of them were opposed by the Republican party. (14)

Another point that Blinder makes is: “the winners from any increase in efficiency can in principle compensate the losers. But no such compensation mechanism [is usually] set up . . .” (19)

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Here is substantiation for Blinder’s point:

The 22 rich-country governments represented by the OECD’s donor committee devoted 0.33% of their annual income to aid in 2005. As a measure of the rich world’s commitment to the poor, this sum seems paltry . . . (Cox 236)

Within the US, I think more state intervention is necessary if the plight of the suffering poor is to be alleviated. But I worry about the state becoming too powerful. Hobbes called the state “Leviathan,” and that was a good analogy: in the Bible, Leviathan is a crocodile (Job 41).

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Blinder may have gotten his contrast of efficiency and equity from Arthur M. Okun (1928-80). Okun was on Kennedy’s Council of Economic Advisers and later chaired it (1968-69). He also wrote *Equality and Efficiency*: *The Big Tradeoff* (Brookings Institution, 1975).

About Okun, William D. Nordhaus, Yale economics professor, has said:

In his magnificent book on the tradeoff between equality and efficiency, Arthur Okun wrote that he would award two cheers for the market but not three. He referred to the fact, often overlooked by market zealots, that markets contain no automatic mechanisms to guarantee that market outcomes lead to an equitable distribution of income and wealth . . . (Nordhaus)