Q: You argue in Zombie Economics that certain long-held economic beliefs no longer apply, and that they have in fact contributed to the recent crises, but they nevertheless are still walking around like zombies. While many would agree with you, others may feel that the zombies still serve us well and should be kept alive. What would you say to these advocates?

A: At this point it is necessary to compare the experience of the Keynesian social-democratic period, from the 1940s to the 1970s, with that of the market liberal period, the 1970s to the 2000s. Both applied models that seemed to work for an extended time and both also ended in crisis.

In the postwar golden age, the experience of the leading economies was very different from today: full employment was sustained for decades on end, social equality was greater than at any time before or since, and economic growth rates were higher than at any time before or since.

But the Keynesian-social democratic period ended in the crisis of the 1970s, indicating that the model was not perfect. Now that the market liberal model has also produced a systemic crisis, any reasonable comparison would suggest that the market liberal model has not served us well—except for the very wealthy.

It is true that, during this period, developing countries such as China and India have done very well. But the same was true during the postwar boom for Japan, Southern Europe, and many other countries that were poor in 1945; and they used a wide range of economic models.

Q: Could simply killing the zombies and replacing them with alternative economic theories for the 21st century prevent another crisis? If so, what would you call this new economics?

A: This crisis differs from the Great Depression, when Keynes presented the General Theory, and from the stagflation of the late 60s and early 70s, when Milton Friedman offered both a convincing analysis and a plausible alternative. In this case, there is no ready-made solution.

In Zombie Economics, I make a number of suggestions regarding the way forward, including the use of realistic rather than idealized models of individual behavior, attention to historical evidence, and a focus on real-world relevance even at the expense of theoretical rigor. But these suggestions do not amount to an alternative economics. Perhaps what is most important is “humility instead of hubris.” That is, given the spectacular failure of the theories and policy approaches that were dominant for the past thirty years, economists should be more willing to admit fallibility and more open to new ideas.

Q: There are many factors other than economic theories and policies that affect people’s lives: for example, good and bad political and corporate governance including corruption, access to technology, and environmental quality, to name a few. What is the role of economics in this broader context?

A: Economics has something to say about all these issues. But economists need to be more open to insights from other social sciences, and more willing to admit that social sciences, including economics, are shaped by history (more like evolutionary biology) rather than being purely deductive (like pure physics).

Q: You mention the need for realism (vs. rigor), equity (vs. efficiency), humility (vs. hubris). What are your thoughts on the role of development organizations including the World Bank in shaping the future of development by adopting these qualities? And do they have a role to play in putting the zombies to rest?

A: As regards development, the biggest lesson is probably the importance of equity. The experience of the last 30 years, particularly in the U.S., shows that it is possible to produce reasonably strong growth in measured GDP while not generating a sustained improvement in living standards for much of the population. So, it is evident that GDP growth alone is not a reliable measure of economic performance, and that it is necessary to look at such variables as the change in median household income and in the income of the poorest deciles of the population.

Zombie Economics: How Dead Ideas Still Walk Among Us.