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Advice and Dissent: Why America Suffers When Economics and Politics Collide by Alan S. Blinder, 368 pp., Basic Books (2018), ₹1005

Economic policy is very often felt to be less than optimal and ineffective in addressing issues facing the public. This happens despite the plentiful economic advice available from eminent economists and experts in different areas. Professor Alan S. Blinder's book *Advice and Dissent: Why America Suffers When Economics and Politics Collide* explains this conundrum and offers some practical solutions to make the outcome of policymaking more effective and meaningful. The author is a professor of economics and public affairs at Princeton University and has been actively contributing to policy advisory circles. He has authored about 20 books on economic policy, drawing on his wide-ranging experience and expertise. This latest book, written primarily in the context of the United States, contains principles and practices that are applicable to other countries, including India. Its 13 chapters, though not divided into sections, follow three key themes – the reasons for dissent between economic advisers and policymakers, proposed breakthroughs or ideas to reconcile such dissent and their application in the context of certain economic challenges.

The author explains that economic advice is routinely kept in abeyance while framing public policy. As a result, public interest at large is somewhat compromised and social welfare gets eroded. It is therefore, imperative to find consonance between economic advisers and policymakers. The book begins with the assertion that policymakers often turn to economists for *post facto* validation of their policy choices rather than engaging them *ab initio* in formulating policies. Blinder cites instances where economic wisdom has been used from the word go to arrive at certain policy reforms: some popular examples include the deregulation of the trucking and airlines sectors in the United States (US) in the 1970s and 1980s, the US tax reforms in 1986 and the move towards liberalisation, privatisation and globalisation in India in the 1990s. However, instances of *post facto* validation are more ubiquitous, and there is a felt need to shift the focus to the *ab initio* kind of economic advisory process.The author argues that it is contingent upon economists to come up with policy proposals that are largely rational with minor fault lines (to accommodate the concerns and interests of the policymakers) as this will encourage policymakers to entrust economists with policy formulation to begin with. He is sanguine this will help frame policies that are 'mostly good' with insignificant stains, rather than ill-framed policies with occasional bright spots.

The second chapter focusses on understanding the basic reasons underlying the fundamental differences in the thinking of policymakers and economic advisers and their approach to an issue. The former are more concerned with general economic principles (efficacy, efficiency, costs and benefits), while the latter focus more on political aspects, face value of a policy decision, and the implementation process. Such differences often lead to a diminished role of economic principles in policy formulation. In addition, the author enumerates three impediments to annealing economic sense in framing policies – ignorance of economic principles ('economic illiteracy' among the common populace), overemphasis on ideology (instead of balanced eclecticism with a preference for 'fact and logic over ideology') and the role of interest groups (where compact and vocal groups such as industry associations are better united and more influential than dispersed groups such as consumers).

The third chapter discusses the difference in time horizons for policymakers and economic advisers. While policymakers may often have a short time horizon driven by electoral cycles, economic advisers tend to have a longer time horizon. Bridging this gap in timescale is an area that holds great promise for reconciling the views of policymakers and economic advisers. Furthermore, eminently logical and economically reasonable assumptions such as 'independence of irrelevant alternatives' and 'transitivity of preferences' may not hold water in the realm of policymaking because of the differences in the way an issue is approached in actual policymaking scenarios. As for reconciliation, the author argues that policymakers need to better appreciate the long-term consequences of their actions, thereby coming closer to the thought process of economists.

The fourth chapter deals with the skilful art and clinical science of 'messaging', that is convincing the public about the usefulness of a policy.

The author acknowledges that economists – in deference to their fairness and integrity – find it hard to express their unqualified support for any policy. He goes on to say that popular support for a policy is elusive when the verdict from economists is ambiguous or nuanced, more so in present times of shortened attention spans. The author suggests that economic advisers should extol the virtues of a proposed policy, while confining their apprehensions to fine print. The subsequent chapter elaborates on the role of the media in aiding the economist in messaging, analysed through the prism of the 'principal-agent framework' of economic theory.

After elaborating on the various avenues where policymakers and economists often differ in their diagnosis and preferred course of remedy, the author sets upon the task of suggesting reforms in the way economists make policy prescriptions. To this end, he advocates 'hard-headed but soft-hearted' policy choices that wed the virtues of free markets with compassion for those who are disadvantaged in the marketplace. While conceding that the stumbling block towards achieving such an optimal blend lies in inflexible attitudes, Blinder very persuasively establishes that such attitudinal changes are easy to accomplish, saying 'we must start thinking with our heads and feeling with our hearts, rather than the other way around'. He cites the example of negative income tax (NIT) pioneered by Milton Friedman in 1962 whereby the government would top up the income of a family whose income fell below a certain threshold as a hard-headed but soft-hearted policy that sought to alleviate poverty with only minimal disincentives to work. He then recounts that there has been bipartisan support for anti-poverty programmes in the US which are modelled on the lines of NIT, thus fortifying the case for such eclectic policies.

The author discusses the application of the foregoing discourse to three specific economic issues. On international trade, the author argues that trade always creates 'winners' and 'losers' in a country – and because the latter are mostly a starkly visible minority whereas the former are a diffused majority, there is much opposition to freer trade. However, free trade is always Kaldor-Hicks superior to restricted trade and the author therefore urges for a revamping of the income redistribution scheme in the US – the Trade Adjustment Assistance – to increase acceptability of freer trade amongst people. Nevertheless, some restrictions to free trade may be justifiable in respect of national defence, infant industry, *etc.,* and Blinder has reviewed the contextual and contemporary relevance of these grounds.

Blinder goes on to discuss the high degree, durable and comparatively elevated level of inequality in the US. Some of the factors contributing to high inequality include the dominant role of technology and relatively lower progress in education, receding unionisation, sagging minimum wage, breakdown of the implicit social contract between labour and capital, and, more remarkably, tax policies. Offering concrete remedies, he discusses the nature of redistributive policies that would be effective without the loss of efficiency (an instance of the eclectic brand of policies talked about earlier), as also other workable initiatives such as nudging corporates towards sharing profits with labour, revitalising unions, and invigorating apprenticeships. He notes that policies to reduce inequality often receive scant political support. Though the discussion pertains to the US, the key essence is universally applicable. It debunks some myths that hinder policymaking in this matter and offers sensible wisdom to economic advisers to approach this contentious policy issue with tact.

Blinder then turns to the question of tax reforms and brilliantly demonstrates the working of interest groups in holding up desirable and sensible rationalisation of tax legislation. He illustrates how economic advisers and policymakers hold divergent opinions on this question,whereby the former are concerned with adherence to certain laudable economic principles and the latter are sensitive to the interests of small but significant constituencies like industries, professions, commodities, *etc.* Nevertheless, by employing the example of the Tax Reform Act of 1986,which fared well by economic reasoning and was simultaneously politically palatable, he builds a case for improving upon what might initially appear as a stalemate between economic 'will' and political 'won't'.

In the concluding chapter, the author elaborates upon the possible way forward in terms of approaches to policy that would concurrently be good economics and also be favoured by policymakers. A key requirement of such a likelihood is that the populace should have better awareness of economics so that they can demand more of it in the policies made for them. The second principle relates to framing policies that offer upfront dividends while deferring the costs of adjustment to the future. The popular examples cited in the book relate to medical insurance, fiscal deficit and climate change. However, the author has not deliberated upon a potential threat to this approach, namely the 'time inconsistency argument', that is, a policy may turn inappropriate before it runs its projected course. Third, persuading policymakers to lengthen their time horizon for more meaningful and enduring policies – entirely in their own interest – is an urgent imperative for economic advisers. The author then explores cases where matters of policy are voluntarily abandoned by policymakers to technical experts, for instance, monetary policy and trade deal negotiations. He evaluates the relative merits of the same and undertakes a counterfactual analysis to see if this can be extended to more areas. Blinder concludes the book by suggesting ways in which economists can bridge the gap between themselves and policymakers through subtle changes in their words, thoughts and value judgment.

On balance, the book is a scholarly analysis addressing one of the longest-standing challenges to sound policymaking and strikes a commendable balance between theory and empirics in the elucidation. It deserves praise for de-jargonising precepts from the literature on political economy and conveying the essence of the same to a wider audience, as also enriching public discourse with celebrated economic principles such as independence of irrelevant alternatives, principal-agent problem, comparative advantage, to name a few.The book is peppered with easy-to-comprehend illustrations of intricate economic ideas and theories, including those that have come to form the staple of the discipline of political economy. It echoes Keynes in reiterating 'The ideas of economists… are more powerful than is commonly understood. Indeed the world is ruled by little else ...', providing germane ways in which economists can raise their contribution to policymaking that better serves public interest.

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