

## The Morality of Radical Economics: Investigating the Value Neutral Aspect of Neoclassical Economics

As related in Chap. 1, my awareness of the destructive effects of NC economic thinking on public policy took a very practical turn early in my professional career. As a graduate student I had the good fortune to land a job as an economic forecaster for AT&T, a job that allowed me to earn a good living and have time at work, once I found a telecommunication-based topic, to complete my dissertation. I thus began my economics career as a telecommunications economist, an expertise that morphed into “utility regulation economist” shortly thereafter when I left AT&T and took a telecommunications policy job with the New York State Department of Economic Development. At the time (1993) leading NC microeconomists, including the dean of deregulation economists, Alfred Kahn, President Carter’s former Civil Aeronautics Board Chair who had just presided over the deregulation of the airlines industry and completed his canonical text on regulation economics (Kahn 1993), were infusing the utility regulation and telecommunications policy community with appeals to *economic science* precepts of *efficient marginal-cost-based* utility pricing. Kahn, a self-described “good liberal Democrat,”<sup>1</sup> who taught at Cornell university, in fact sat, along with an assortment of NYC investment bankers, union reps, and consumer advocates, on the “Telecommunications Exchange” for New York State that I staffed. I was thus immediately thrust into the debate over telecom deregulation that Kahn and company were pushing for. Ironically, the New York State

<sup>1</sup>Thierer (2010).

Public Service Commission (PSC) had a reputation of being one of the toughest and most effective utility regulators in the country. I personally witnessed PSC staff's detailed interrogations of New York Telephone (NY Tel) executives using their own separate *shadow accounting* system, forcing the company to reallocate investment to underserved and unprofitable areas in the Bronx. PSC staff were in my experience committed progressives—lawyers and engineers who wanted to serve the public. Nonetheless, at the behest of their boss (a Gov. Mario Cuomo appointee and also, like the governor and most of the PSC staff, a political liberal) PSC staff pushed through *price cap telecommunications deregulation* that was, by any previous standard, inequitable and unfair to lower income consumers. They believed that somehow the market would, as Kahn's book emphasized, enhance overall *consumer welfare*.

In short, market led-pricing was in vogue and the PSC largely gave up its extensive utility monitoring operations. I remember trying to explain that Kahn's utility regulation *marginal cost equal price* rule was, like all of NC economic theory, based on *ignoring* equity. I was told to "go talk to economists" and that is what I did, by getting an academic job in Chicago and writing the papers that underlie much of Part III. Unfortunately, as I write (in 2015), the 2008 financial crash, our apparent collective inability to deal with catastrophic global warming, and the continued sway of neo-liberal policy over much of the world, show that the destructive reach of NC economic ideology has not weakened much.

Is there any basis at all to NC *value neutrality* claims? Are *welfare* and *efficiency* separable as NC theory claims? Part III investigates this *value neutral aspect* of NC economics, reviews its actual policy impact, and contrasts it with the *values-based* foundations of radical and heterodox economics.