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What is the connection between the following: 'Bean, Mirrlees, Moore, Sutton'? If you cannot answer this tough quiz question, do not despair dear reader, as I doubt any *Mastermind* or *Brain of Britain* champion would spot the link either. These are past presidents of the Royal Economic Society (the oldest association of economists in the world) and arguably some of the most respected exponents of the discipline in the UK (they include a Nobel Prize winner).

With the exception of Sir Charlie Bean, whose duties as former deputy governor of the Bank of England included some media exposure, you will not have seen on TV or heard on the radio any of the others, for the simple reason that academic economists do not 'do media'.

Only last week I was reminded of the extreme reluctance of qualified economists to share with the general public some of the achievements of their discipline when I was listening to a Radio 4 programme on supply-side economics. The presenter was introduced as 'an economist', but the name did not ring a bell and so I Googled him. It turns out that his formal qualifications in economics are a politics, philosophy, and economics undergraduate degree at Oxford (followed, to be fair, by work at the Bank of England and other research centres).

This is far from unusual: as 'economist' is not a professional qualification (unlike, say, barrister or accountant). Anyone can call themselves an economist and indeed proceed to castigate other 'economists' for their mistakes or even point to the failures of 'modern economics' as a discipline. So what? Who cares if *soi-disant* economists with no training whatsoever in economic theory share their views with the (unsuspecting) general public? The cacophony of theory-free public pronouncements has some very real

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Left in the dark?

effects, especially when coupled with the virtual absence of theory-based opinions (due to the media-shyness of academic economists referred to above).

Take a topical issue: 'excessive profits' by oil and gas companies and associated 'windfall tax'. What are excessive profits and what are the pros and cons of a windfall tax? Excessive profits is not a term any (proper) economist would ever use, as it is an emotive, undefined, and hence un-measurable concept. The correct term is 'super-normal profits'.

Let me explain. As the word suggests, 'normal' profits are the level of profits required to attract investment in a given industry, having taken riskiness into account. Profits can be above this level (super-normal) for either a systemic reason or a random reason. The systemic explanation is that the industry is not competitive, in the sense that the process whereby any profits above the norm are eroded away (either by new firms entering the now very profitable industry or by existing firms lowering their prices) is not working. The correct policy in this case is to remove the market power that allows firms to sustain their over-normal profitability.

The other phenomenon that can produce super-normal profits is any unforeseen, unpredictable, random shock that either reduces firms' costs or (as in the case of oil and gas companies in the wake of the war in Ukraine) substantially increases the market price. The key words are 'unforeseen' and 'unpredictable'.

To see why they are crucial in understanding the relationship between super-normal profits and windfall taxes, we have to remind ourselves of a fundamental fact about taxes. So fundamental that any economist, from the rabid right-wing Institute of Economic Affairs to the most left-wing of think tanks, would agree: taxes are inefficient in so far as they distort behaviour. A tax on wages changes the optimal work-leisure balance; a tax on diesel changes the optimal petrol-diesel choice, and so on. But, and this is the crux of the matter, a tax on unforeseen unexpected extra profits cannot, by definition, change firms' behaviour: it is the perfect tax.

Seen in this light, the position taken by the then PM Boris Johnson and supported by the then Chancellor Rishi Sunak, to the effect that 'the disadvantage of [windfall taxes] is that they deter investment […] they need to invest in new technology' is revealed as totally baseless and crass. The basic fact of the optimality of a windfall tax on super-normal profits also explains the statement by BP CEO Bernard Looney that his company would not change its investment plans if a windfall tax were imposed (because, to repeat the obvious, such plans are made on the expectation of normal profits).

Both the SNP and Labour did criticise the Johnson-Sunak opposition to a windfall tax, not for its economic ignorance but on fairness grounds, thereby shifting the debate from an objective fact highlighting the glaring contradiction of espousing free-market economics and rejecting one of its established principles to a subjective matter, where different opinions can be justified.

On social occasions, when I have to come out as an economic theorist, people invariably ask me 'what is the value of economic theory?', often accompanied by a smirk when pronouncing the word 'theory'. My answer is: '£17.5bn, if you please,' followed by an explanation to relieve the uncomprehending look on their faces.

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What a *waist* of time...

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Back in 1999, Gordon Brown had taken two excellent decisions: (a) to auction the 3G Telecom licenses; and (b) to appoint two economic theorists to design the auction. Based on previous sales of licences, the auction was expected to raise £5bn. Ken Binmore and Paul Klemperer designed the auction on the basis of frontier economic theory, the kind of 'over-mathematical' modelling that is criticised by people who are not qualified enough to read it, let alone understand it. The auction raised £22.5bn (or 2.5% of GDP).

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