

isrf bulletin

Issue IX

Economics

...Serious, But Not Hopeless

Edited by Dr Rachael Kiddey

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FROM THE DIRECTOR OF RESEARCH

Dr. Louise Braddock

In our second Economics-focused Bulletin we say the situation is 'serious but not desperate' – at least if protest is a harbinger of change. The ISRF's voice is a small one in a vociferous critique and dissent about current institutional arrangements and would-be status quo. The limitations of economics as profession and discipline are not going unnoticed in the world. In all of this the ISRF, as a small, European, independent research funding organisation, has a quite specific aim: to support social scientific research which addresses real-world problems, which is unlikely to be funded elsewhere in the current climate, and which is interdisciplinary in a way that is productive of new understandings and approaches. All the social sciences are, to our way of thinking, connected to each other anyway; what we seek in economics research is the sort of work, empirical and theoretical, that there are grounds for thinking needs to be carried out if human beings are to manage resources fairly, and care for each other and for their environment.

At a meeting at Nice in France, last autumn, we consulted with a small group of social scientists, students, and others concerned with economics, about ways forward for it as both discipline and profession. What emerged was a strong emphasis on the need for support to methodological pluralism in economics, and for broadening the reach of economics research into areas such as the family and kinship, the firm, business and money; that is, in directions which would naturally involve work with other disciplines. Equally important were the complex and considerable institutional barriers to disciplinary and professional change, and the state of affairs in economics teaching where the student voice is insistent in its demand for a broader and more relevant economics curriculum.

The articles in this Bulletin are chosen to give a sense of the content of that meeting; of the ideas that were raised, the issues that came

up for discussion, the concerns raised about institutional inertia and the over-narrow education and professional formation of future economists. The conversations begun at Nice are a first step in an ongoing process of consultation which the ISRF will continue. In practical terms the ISRF has identified two main avenues of research support: for methodological pluralism within economics research (so-called 'heterodoxy') and for broadening the areas of economics' application. At the same time there needs to be more 'Economics *and*...' research, widening and encouraging interdisciplinary engagement with economics on the part of anthropologists, sociologists, political scientists, philosophers and psychologists (of all persuasions), cultural theorists, and historians, of both economics and economic thought. Researching this field should be open-ended and inclusive, 'social scientific study of the economic world'. Surely this is not a new idea!

EDITORIAL

Dr. Rachael Kiddey
ISRF Editorial Assistant

Welcome to the Spring 2016 edition of the ISRF Bulletin. In the previous issue *Economics I: The Situation is Serious…* problems with global economics in its current incarnations were identified. To summarise, it was suggested that part of the reason for the discipline's recent failings could be attributed to the fact that real-life, human issues of instability – recession, unemployment, unforeseen disasters of all kinds – were eclipsed from mainstream economics, decoupling it from the society it intends to explain. Economics, to crudely paraphrase contributors to the last edition of the *Bulletin*, left out History, refused to collaborate with Philosophy and Social Science and made an impolite gesture to Ethics, before racing off with all the toys. The result was not only disappointing and immoral but dangerous and potentially fatal for those with financial shoulders less broad. In this issue *Economics II: …Serious, But Not Hopeless* the aim is to suggest possible ways to tackle problems posed earlier.

In his characteristically erudite contribution, Dr Chris Brooke, Lecturer at POLIS at the University of Cambridge, reminds us of the value in going back to the source, spending time reading the Greats for ourselves. If we are willing to engage with complicated ideas, Brooke argues, we can identify observations that speak directly to contemporary problems. But to do so, we must be willing to re-examine and re-interrogate those texts we think we know rather than trot out 'dismal' interpretations. Of course, if we really do want people to think critically about economics from a range of philosophical perspectives then we must create the opportunities for them to do so. A promising student with an interest in the world might be forgiven for thinking that taking a course in Philosophy, Politics and Economics (PPE) would offer just such a chance.

Professor Elizabeth Frazer, Head of Department at the Department of Politics and International Relations at the University of Oxford and Dr

Martin O'Neill, Senior Lecturer at the Department of Politics, University of York allowed me to record them in conversation about the current general nature of PPE courses in the U.K. Frazer and O'Neill observe how the 'natural' trio (PPE) has come to be taught, very often, in ways that are overly technical, overly mathematical and separated from essential debates that put people, philosophy and ethics firmly in the centre-ground. Far from blaming economics, Frazer and O'Neill, both political philosophers by training, recognise that politics and philosophy must take shared responsibility. Reinvigorating PPE so that it properly involves political economy, philosophy and ethics requires inter-disciplinary effort and may well demand that courses are longer. Echoing the frustrations identified by Frazer and O'Neill, J. Christopher Proctor offers a perspective on the current student experience. As an American post-graduate of two European universities, J.Christopher's solution-focused viewpoint is presented with passion.

Despite some excellent work, it is not routinely the case that a student of economics leaves university with a genuinely rounded, comprehensive economics education - someone comfortable using mainstream models and maths but also well-versed in the history of economic thought, able to apply relevant theories from a wide range of social sciences and encouraged to think in terms of ecological sustainability. If it were the case then we – humans - might find ourselves better equipped to deal with current social, economic and environmental problems. Dr Jamie Morgan, Reader at the School of Accounting, Finance and Economics at Leeds Beckett University has kindly contributed a two part essay to the Bulletin. The first part of his essay can be found in the previous issue – *Economics: The Situation is Serious...* In the second part of his essay (this issue), Morgan explores what economics could look like – with a bit of joined up thinking – and the good it could achieve for us all.

It pleases me, as an archaeologist by training, to see that a common theme throughout the contributions to this edition of the *Bulletin* is the recognition that there is great value in understanding the nuances of our interconnected social reality and situating economics in historical context. The past – as a tangle of events, ideas, people, locations and resources – can help us to spring forward in fairer, more inclusive and sustainable ways.

BEING CRITICAL OF THE CONTEMPORARY DISCIPLINE OF ECONOMICS

Dr. Christopher Brooke
Lecturer, Department of Politics & International Studies, University of Cambridge

If you hang around in circles of people who are being critical of the contemporary discipline of Economics, there are various things that you hear from time to time. You will be reminded, for example, that Adam Smith was the author of *The Theory of Moral Sentiments* as well as of *The Wealth of Nations*, and that whereas the latter book was built around a theory of self-interest, the former was organised around a theory of sympathetic sociability that economists today have tended to neglect. Or you may hear the subject described as 'the dismal science', a label that has been in use for over a hundred and fifty years. Or you may come across critics who think that Economics has baked into it a fairly attenuated moral theory—a crude version of Benthamite utilitarianism—and who think that the field is unwarrantedly dismissive of richer strands of moral philosophy, or that Economics has failed to accommodate John Stuart Mill's sophisticated revisions to the utilitarian theory. In these brief remarks, I want to suggest that all three of these moves are more troublesome than those whom make them generally think, and that while Economics is certainly a subject with problems, these criticisms are not especially powerful ones, when we inspect them a bit more closely, and such would-be critics would be best to look elsewhere.

Smith's *Theory of Moral Sentiments* does indeed offer a complex account of human conduct, and one that seems to stand apart from narrow theories of self-interest, right from its famous opening sentence: 'How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and

render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it.'[1] Human nature wasn't simply a story about selfishness, true enough, and 'sympathy' in particular played a central role in the theory that Smith went on to elaborate. But Bernard Mandeville's argument from *The Fable of the Bees* - which really was a story about selfishness - could not, Smith went on to write, have been so provocative 'had it not in some respects bordered upon the truth', and he went so far as to say that the view of those like Mandeville, Thomas Hobbes, or La Rochefoucauld, which explained all human behaviour in terms of self-love, 'seems to me to have arisen from some confused misapprehension of the system of sympathy'. In other words, the patterns of behaviour generated by Smith's 'system of sympathy' could look an awful lot like the behaviour we might expect from a system of pure selfishness, such that it would take the most subtle of moral psychologists to point out what the differences actually were.

Smith's contemporaries in the world of Scottish academic moral philosophy weren't sure that the *Theory of Moral Sentiments* offered an account of moral philosophy at all. For Dugald Stewart, Smith helped to illuminate how one might assume 'the appearance of virtue', with his book providing not so much a guide to morals as an explanation of 'the real foundation of the rules of good breeding in polished society'.[2] And Thomas Reid thought that, according to Smith's argument, 'social virtue seems to be resolved either into Vanity or into self interest', such that the 'System of Sympathy'[3] was 'indeed only a Refinement of the selfish System'; and he quoted Cicero's verdict on Epicureans, to suggest that Smith 'undoubtedly preaches the simulation of justice instead of the real and genuine thing'.[4] Perhaps Stewart and Reid were wrong, and there is more to Smith's moral theory than politeness, good breeding, and a refinement of the selfish system. But to show that requires a complicated argument, and a complicated argument

1. Smith, Adam (1976) *The Theory of Moral Sentiments* Oxford: Oxford University Press, p. 9.
2. Stewart, Dugald (1828) *The Philosophy of the Active and Moral Powers of Man* Boston: Wells and Lilly, p. 228, quoted in Hont, István (2015) *Politics in Commercial Society* Cambridge, MA: Harvard University Press, p. 30.
3. *Ibid*., p. 313, p. 317.
4. Reid, Thomas 'A Sketch of Dr. Smith's Theory of Morals' and 'Letter from Thomas Reid to Lord Kames' in Reeder J. *On Moral Sentiments: Contemporary Responses to Adam Smith* Bristol: Thoemmes Press, p. 77, p. 66, pp. 81-2, quoted in Hont (2015), p. 29.

is not what people think is needed when they glibly remind those around them that Smith didn't only write *The Wealth of Nations*, but *The Theory of Moral Sentiments* as well.

What, then, of those who insist on calling Economics 'the dismal science'? Perhaps they have just heard the label somewhere, and are casually repeating it. Perhaps they think that it is an old reaction to Malthus, perhaps because they have read this claim in the best-known book about the classical political economists that there is, Robert Heilbroner's *The Worldly Philosophers*, where on pp. 60-61 of my 1983 Pelican edition we find the remark that, 'No wonder that after he read Malthus, [Thomas] Carlyle called economics "the dismal science"'. Well, Carlyle did indeed say something like that. He wrote of 'social science' that it was not 'a "gay science"...like some we have heard of; no, a dreary, desolate, and indeed quite abject and distressing one; what we might call, by way of eminence, the *dismal science*.' But he didn't do so in reference to Malthus's dismal forecasts of human starvation on a grand scale. Carlyle's words were written over half a century after the publication of the first edition of the *Essay on the Principle of Population*, and they come from his 'Occasional Discourse on the Negro Question', an article which appeared in the December 1849 issue of *Fraser's Magazine*, and which was subsequently revised and republished in pamphlet form as his *Occasional Discourse on the Nigger Question* in 1853.[5]

Why was economics 'the dismal science'? Straightforwardly, because of its preference for free labour over slave. The alliance between political economy and 'Exeter Hall philanthropy' (i.e. evangelical anti-slavery), Carlyle forecast, would 'give birth to progenies and prodigies; dark, extensive moon-calves, unnameable abortions, [and] wide-coiled monstrosities, such as the world has not seen hitherto'.[6] The economists had not always been opposed to slavery. Adam Smith had been a critic, on grounds of both ethics and efficiency, but not all of his successors followed suit, so that J. R. McCulloch, for example, who held the chair in political economy at the new University College in

5. Carlyle, Thomas (1849) 'Occasional Discourse on the Negro Question' Fraser's Magazine, Vol. 40, December p. 672. Carlyle (1853) *Occasional Discourse on the Nigger Question* London: Bosworth. More generally, Levy, David M. (2001) *How the Dismal Science Got Its Name* Ann Arbor, MI: University of Michigan Press.
6. Carlyle (1849), pp. 672-3.

London, had argued in his *Dictionary of Commerce* for the superiority of slave labour for the cultivation of sugar.[7] But Carlyle was faced with a younger generation of economists such as Harriet Martineau and John Stuart Mill, who were uncompromising in their hostility to racial slavery in the Americas, and theirs was a dismal science, Carlyle said, because a labour market regulated by 'supply-and-demand' was no kind of substitute for that happier time when 'the idle black man in the West Indies, had…the right…to be *compelled* to work as he was fit'.[8] The dismal science, in short, is a badge of honour, and one that economists should wear with pride.

Finally, it is true that some in the political economy tradition have operated with a crude theory of utilitarian morals. But we shouldn't lose sight of the extent to which this was a source of its egalitarian attractiveness, and not any kind of ethical weakness. For Jeremy Bentham, for example, it was straightforward that European imperialism stood condemned at the bar of utilitarian ethics. 'It is for the purpose of governing it badly, and for no other, that you can wish to get or to keep a colony', Bentham wrote in his 'Plan for an Universal and Perpetual Peace', since any colony would necessarily be governed with an eye to the benefit not of its native population, but of the imperial metropole. He also thought that imperialism ran contrary to the interests of the imperialists themselves, with the same 'Plan' arguing 'that it is not the interest of Great Britain to have any foreign dependencies whatsoever', partly because colonies were 'seldom, if ever, sources of profit to the mother country', and partly because 'distant dependencies increase the chances of war', for example because they increased 'the number of possible subjects of dispute' in a context where men cared 'less about wars when the scene is remote, than when it is nearer home'.[9] Two of Bentham's pamphlets were directly addressed to Britain's colonial rivals: *Emancipate Your Colonies!* was delivered to the French Revolutionary government; *Rid Yourselves of Ultramaria* to the people of Spain.[10] Compare this clear-sighted anti-imperialism with John

7. Drescher, Seymour (2002) *The Mighty Experiment* New York: Oxford University Press, p. 55.
8. Carlyle (1849), p. 672, p. 674.
9. Bentham, Jeremy (1843) 'Plan for an Universal and Perpetual Peace' in *The Works of Jeremy Bentham* Edinburgh: William Tait, Vol. 2, p. 548, p. 547.
10. Bentham (1843) 'Emancipate Your Colonies' in Works Vol 4, pp. 408-18. Bentham (1995), *Rid Yourselves of Ultramaria in Colonies, Commerce, and Constitutional Law* Oxford:Clarendon Press, pp. 3ff.

Stuart Mill's subsequent apology for the British Empire. Mill's moral theory was a far more sophisticated affair than Bentham's, replacing his simple hedonism with a complex distinction between 'higher' and 'lower' pleasures, for example, and introducing a very different account of 'progress' in human affairs, whose uneven geographical distribution allowed him to argue for the benignity of British rule in India.[11] Sometimes it really is the simpler theories that generate the most powerful results.

11. For more on Mill on empire, see Pitts, Jennifer (2005) *A Turn to Empire* Princeton NJ: Princeton University Press, ch. 5.

THE IDEA OF PPE: A CONVERSATION

Towards a vision fit for the the 21st Century

Professor Elizabeth Frazer
ISRF Academic Advisor & Associate Professor of Politics

Dr Martin O'Neill
Senior Lecturer, Department of Politics, University of York

Tensions within PPE: steering a course between generalism and specialisation

Martin O'Neill (MO'N): I want to start by addressing a tricky problem that has struck me which is no doubt familiar to others who are involved with teaching PPE students. The problem is that each of the disciplines – philosophy, politics and economics - has developed in a way that makes it harder for students who are taking courses in these three disciplines to build intellectual bridges between them. For example, further study in economics increasingly involves students needing a common background in sophisticated mathematical techniques; one sees similar tendencies towards technical specialisation in philosophy, and in, for example, quantitative political science. Doing sufficiently well in any of these three academic disciplines therefore puts pressure on one of the core aims of the PPE enterprise: the idea of bridge-building and of helping students to integrate the insights of the different disciplines together in addressing particular problems.

The rationale for a joint degree is that students are equipped to go out and think, in a rich way, about how different considerations interact when they address some practical problem in politics or public policy, or whatever career they go on to have. We're left with a puzzle, then, of how to navigate between, on the one hand, the laudable ambitions

of interdisciplinary education and the general intellectual development that it might foster and, on the other hand, the narrower and more focussed specialisation that each discipline increasingly demands.

Elizabeth Frazer (EF): In the 1950s philosophy, politics and economics was a natural trio. They were bound together by the core idea of political economy - you couldn't do that without an ethical normative framework, and you also couldn't do it without a good deal of conceptual analysis. So you needed the philosophy in order to do political economy. We can't any longer take it that those three belong together that way due to the divergence of the disciplines and specialisation, and because mastery of any of the three disciplines, or part thereof, now involves students facing greater technical challenges. That enhanced technical nature of the disciplines, which has gone together with computerisation and new technologies, just as much as it's gone together with mathematical and logic breakthroughs, programming and so on, means that it's harder to have a liberal arts education, or any of the classical models of pedagogy and education, including PPE, as modern greats. They're somewhat going against the grain of our times, and I think that there's no point denying that. On the other hand, citizenship and political action, and ethical life do require that people have a generalist grasp of human values. We've got to have both; we can't concede the world to the technocrats or the technologists.

Therefore, it seems to me that we face two paradoxes: 1) there is increased demand for PPE courses at a time when the constituent disciplines have evolved away from one other and when the idea of political economy is eclipsed in economics departments, and; 2) there remains an appetite for PPE specifically, as a named combination course. PPE as an inter-disciplinary course is perceived to offer something more than a generic social science degree.

MO'N: One other thing that both of us might have to admit as political philosophers, for whom it's perhaps too easy (and not always fair!) to criticise economists, is that, our own discipline has been bad at thinking about certain kinds of mid-level or mid-range questions. Political philosophy has often been bad at asking questions that connect with policy, and questions that are about real institutions. So, political

philosophers are possibly as much to blame as economists for the ways in which the disciplines have come apart. Political philosophers have often engaged in debates that involve very pared-down, abstract models; we've had very involved and complicated debates focused on different positions within those abstract models. So in thinking about social justice, if we are going to try to think in a more concrete way, to be explicit about values and about the normative issues that are in play – for example, with regard to policy, economic institutions, or any other aspect of economic life - it seems we need to ask more of our discipline – political philosophy - as well as for something more from economics. There is this mythical problem-solving tradition within political economy that suggests it could unify the efforts of these other related disciplines. However, to reach that point of greater integration and insight it will require effort and work across disciplinary boundaries and being prepared to do things somewhat differently, regardless of the disciplinary background from which one starts.

EF: Yes, I think that's an excellent point. A lot of the blame and opprobrium has been heaped on economists recently, but the tendencies in economics are mimicked just as much in political science and philosophy. As in economics, the tendency is to enhance technicality, a super-learning curve with the assimilation of techniques. You can't just pick it up out of a textbook anymore. Also, where there is a professional market for economists, whatever we want to say about it, then, to a lesser extent, there's a professional market for political thinkers and political analysts. Those political thinkers and political analysts might not give two hoots about philosophy! In fact, quite a lot of them don't, right? There's a market out there for a range of services which require very dedicated and professional training, the same way as the market for, for example, cartographers now require enhanced technical skill beyond what used to be necessary. I think the question is, what's happened to political economy? What is the status of the field of study? Is it a discipline anymore? Some academics are definitely thinking of political economy as a solution to all the current ills of economics. But there's a problem if political economy is constructed as heterodox economics - methodologically pluralist, left wing as opposed to right wing, progressive as opposed to reactionary. That doesn't follow.

MO'N: I agree with you. And I agree that there seem to be a number of distinct issues at play here that tend to get bundled together. One issue is the degree of abstraction in current economic thinking (or, for that matter, thinking in philosophy or political science), as opposed to thinking about, for example, real-world issues regarding the organisation and consequences of economic activity. The second issue is the degree to which the different disciplines – philosophy, politics and economics - talk to one another when they deal with concrete economic or political phenomena or institutions. A third issue concerns the place of values in economics or in other empirical social sciences. And a fourth issue concerns the methodological assumptions of economics. Should economics be a heterodox discipline, embracing methodological diversity, or are its current micro-foundations fully adequate? Often, these different issues get bundled up together, and we end up hoping for one particular solution that will resolve all of these questions. That may be an unrealistic ambition.

I suppose in some ways, it's hard to say what the state of play is with the discipline or the tradition of political economy because while some people might think of themselves self-consciously as being of that tradition, a lot of people don't. However, it's noteworthy that, despite the frequency of people lamenting the decline of political economy as a tradition, the most splash-making work of economics of the previous decade, Thomas Piketty's book, *Capital in the Twenty-First Century,* feels like a clear example of a work of political economy. It draws on history and it also gets its toes wet engaging, in a small way at least, with normative thinking in political theory. It is also interested in lessons to be drawn from literature. It's a very open and pluralist book, and perhaps it will encourage other work that tries to be discipline-spanning in similar ways.

Bridging the Gaps

MO'N: When one thinks about the structure of a PPE degree, one possible model of teaching, and it's one that we've pursued successfully in teaching PPE at York, is that in the third year we have three bridging modules, one for each of the three hinge points of the three disciplines. The students really enjoy and get a lot out of them. There is a sense of things coming together through bringing more than

one discipline to bear on a particular set of issues or problems.

There's one module on philosophy and public policy, which might look at different specific public policy issues in different years, one on rationality, morality and economics, which looks at issues including social choice and public choice, theories of rationality, and so on; and then there's one module on political economy that provides a link between politics and economics. Now, I think those are pedagogically successful courses and they're popular with the students. Of course, their existence is one of the reasons why undergraduates might sometimes be concerned that they've not had enough time to study core economics, because time constraints mean that there can be trade-offs between taking specialist modules and taking these more interdisciplinary modules. But, in general, I think the bridging modules work very well, and I think they offer something in between the subject-specific modules, a more interdisciplinary research project or something of that sort...

EF: Yes, you raise an important point there about how we do the bridging. There are obvious bridge papers - political economy, philosophy of the social sciences, ethics itself. However, one of the stories that Oxford tells is that the intellectual links – for the students - come at the end of the course. With hindsight, students make the connections between the three disciplines themselves. It's really only when you're revising for your finals that you make the connections, and the fact that you make them for yourself is good thing!

Four year structure?

MO'N: I think that British degree courses can feel like they go by very quickly. In the U.K. we push people through much more quickly than the four-year degrees that one sees in the United States or elsewhere. So thinking about the possibilities of four year courses might give more scope to do things differently.

Connected to this issue of the structure of undergraduate degrees, there is an issue with regard to fairness in access to master's degree programmes. Often, there is PhD funding available in the UK but people have to self-finance their Master's degrees. In many cases

this results in a predictable skew in the social background of those who access masters's degrees. So if there was something that looked a little bit more like a Master's programme integrated into a four year undergraduate degree, it might solve another important issue: solutions to two different kinds of problems might actually go together. It might be that we're coming to the limits of what can be achieved in a three-year degree and that we need to start thinking about longer courses. A four-year degree would enable us to combine ambitions towards breadth and generalism, on the one hand, while retaining intellectual depth and specialisation, on the other. Plus, as I say, it could be fairer in terms of the student demographic advancing to further study thereafter.

There are interesting things to learn from what is done well in U.S. higher education, particularly in terms of finding space for generalism alongside disciplinary specialisation. If a student's main concentration at Harvard, for example, is in philosophy, he or she might still have done a basic economics course ("Economics 10" at Harvard). So, that student would have been to 24 lectures on basic economic theory. Or if someone is a physicist at Harvard, well, they may well have listened to Michael Sandel give 24 lectures on the idea of justice. Clearly, these 'core curriculum' or 'general education' courses don't have the depth that is offered by a more advanced final-year module at a British university. However, they play a really important role in giving students a mental map of disciplinary areas in which they are not themselves specialists.

EF: I agree. People are very critical of U.S. education, both in schools and at college level, on the grounds that it's superficial and mythological. On the other hand, it's better to have at least thought about public political life, and, for example, the constitution, and the role of the Supreme Court than never to have heard of them at all.

MO'N: Absolutely, although of course there's then a further concern about the actual content of these general courses. One might worry about the fact that so many American undergraduates take one and only one economics course and that this can put a very particular kind of neoclassical economic thinking into everyone's head. But in another way, you might think that the benefits of doing such a course – albeit

not perfect - are still there. There's an idea, at least, of a broader liberal arts education.

EF: Better to have learned and forgotten, or even learned and not quite understood, than never to have learned it at all.

Political Economy and the ongoing need for radical critique of society

EF: The debate about political economy can tend to be polarised. Marx tells you the story of Smith and Ricardo and where they'd gone wrong. So, at its inception, political economy was a clash. Marx took on classical 18th century political economy, and said, "Well, they hadn't looked at this, and they hadn't considered that, and they were oblivious to human welfare, and they didn't mind children dying..." and so on and so forth. Marx injected human political concern into what was being constructed in certain quarters as an impersonal set of systems premised on social physics. So, already the very idea of political economy contains within it that idea of contestation, and party contestation at that. How can economic flows, whether we think of those as physics, or whether we think of them as purely human transactions, how can they be squared with a whole range of values like efficiency, or justice, or equality, or welfare? It is true that some economists don't want much truck with that, that injection of both partisanship and political ideology and ethics is seen as a sort of pollution or a corruption of something which ought to be studied pure.

MO'N: Yes. There are at least two ways in which, philosophy might come in as a more radical critique. Firstly, when we think about the justice of particular regimes - values of autonomy, individual liberty, how power is located within a system - if we bring a full, normative vocabulary to bear in thinking about some real-world problem, then we'll be thinking about a range of values that can't all be captured well by economic reasoning alone. So the first critique simply involves bringing to bear a range of values that might go missing in economics when they don't think about these kind of distributional concerns, or don't think about justification with regard to sources of power, or don't think about autonomy, or whatever other kind of normative consideration one might think relevant for judging institutions and outcomes.

Then there's a second level of critique, which is more to do with methodological assumptions that might be illuminated by considerations from the philosophy of social science, especially with regard to worries about the role of ideological thinking. We might ask, for example, "What are we doing when we think about processes, agency of causation in a certain way or when we think about agency in a certain way?" Philosophy of social science should have, I think, a special role within the project of PPE education. This isn't so much about bridging two disciplines – economics and political science - as it is about providing certain kinds conceptual underpinnings (or at least raising certain foundational conceptual and methodological questions) for social science in general, and for economics and political science in particular.

I think that a strong case could be made for a philosophical critique of a certain dominant, neoclassical way of thinking about economic institutions, and that is quite separate from thinking about the values that ought to be in play in public culture. We might look at PPE, as an anthropologist, and ask, "What's being unspoken here? What are the assumptions that need digging out?" And that 'digging out' (to use an archaeological metaphor) gives philosophy an important role. It's a role which is related to, but separate from, equally important philosophical questions about the range of values that should be in play when we think philosophically about politics and economics.

ON STUDYING ECONOMICS

J. Christopher Proctor
Graduate student in Political Economy, Kingston University and Université Paris 13

A Student's Perspective

I started studying economics in high school in the United States in 2009. The financial system had just collapsed. Things were getting bailed out left and right. Hundreds of thousands of jobs were being lost each month. The biggest economic crisis since the Great Depression was entering its second year.

But in economics class? None of that. Each day, as the economy disintegrated, we would open our textbooks to shifting supply and demand curves and movements along production possibilities frontiers. It was all so remote, and had little to do with the economy we saw at home and in the news. Towards the end of the year we learned about business cycles and aggregate supply and demand. This was closer, but if economists knew all these things, why on earth couldn't they stop the sky from falling?

I needed to know more, so I studied economics at university, but here too I felt the economics curriculum sidestepped a real discussion of what was going on outside. The models were more complex and mathematical, but just as remote; theories to be memorised and reproduced, but not tested, debated or applied to the real world.

I knew I was not the only one who was unhappy with what was being taught, but I had no idea that around the world, hundreds of dissatisfied economics students were beginning to organise to demand something more. Today, groups such as Rethinking Economics, Post-Crash Economics, PEPS Économie, Netzwerk Plurale Ökonomik, and the International Student Initiative for Pluralism in Economics have

been formed by students like myself who want to create a better undergraduate economics experience.

What does an economics education lack?

Real world applications

Economics classes are painfully disconnected from the real world. Most of the time is spent memorising theoretical models and recreating those models for examinations but for many students, these models are never applied to real world situations or data. Most classes rarely break with the textbook to address contemporary events such as the Great Recession and Eurozone Crisis, or historical events like the Great Depression or the stagflation of the 1970s. Real world data is almost never brought into economic courses which produce graduates able to precisely define terms like Gross Domestic Product or unemployment rate but unable to estimate the actual figures for their countries.

Methodological context

For an alarmingly long time I thought that the supply and demand graphs I learned in my economics classes were something that had somehow been constructed empirically. Judging by the centrality of these concepts and the confidence with which lecturers presented them it seemed that there was a small army of economists out there interviewing people and analysing purchases to construct supply and demand charts for different markets. When added up, voilà! Aggregate demand and supply.

Somewhere between Intermediate Microeconomics and History of Economic Thought I realised this was not the case, at all. Supply and demand, and almost everything else I had learned, were just models; theoretical abstractions used to highlight a small portion of a complex system. While it seems painfully obvious to most economists theoretical modelling is something new for most economics students as they start out. This is exacerbated by the fact that most economics courses are structured and taught more like physics classes than humanities or social sciences. It is therefore understandable why students feel confused. A little historical context for the content of the textbook could go a long way not only in helping students understand *what* they are learning but to see the possibility offered by different

models, based on different assumptions that yield different results. While many courses are doing a better job of starting to acknowledge the contribution of behavioural or experimental models, there is still a long way to go if basic economic models are to be properly contextualised.

Diversity and pluralism

Take a look at a leading economics textbook, and you will see not the raging civil war described in the last edition of the *Bulletin*, but a placid, decided subject that exudes all the confidence of a physics or mathematics textbook. Economics is a massive field, with an amazingly colourful array of different paradigms, methods and focuses. While it is understandable that the central research paradigm of modern economics — the so called neoclassical school or neoclassical-Keynesian synthesis — might feature prominently on an economics degree syllabus, completely ignoring the dissenting views gives a false sense of the discipline. It also severely limits the room for critical thought among undergraduates.

Different schools focus on very different topics and ignoring these schools leaves students unaware that economics can be more than just studying markets and exchange. Marxists have tools to analyse power relations and Post-Keynesians to deal with uncertainty and situations of crisis. Feminists bring gender into the equation and challenge normative notions of what qualifies as work, while Institutionalists situate economics in historical time and space, filling in detail where other schools leave broad strokes. Ecological Economics challenges all the others, insisting that human 'economic' activities be seen in a broader ecological context, one in which sustainability becomes not a buzzword, but the central concern. Additionally, far too many economics degrees leave no room for inter-disciplinarity, leaving economics students unaware of even the basic principles of related disciplines such as political science, sociology, anthropology and history. Omission of these specific disciplinary schools of thought has concrete consequences. It leaves graduates unprepared to deal with issues like inequality and sustainability that fall outside of neoclassical economics' focus on markets and exchange. Today's students are tomorrow's policymakers, and so our call for pluralism is a statement about the economic toolkit our citizens and leaders should be

equipped with.

Critical Thinking

How much critical thinking can you really do on a multiple choice test, the likes of which are so often found in an undergraduate syllabus? Like mathematics, economics at undergraduate level is presented as something that has hard, universally accepted answers, with debate only taking place at much higher and nuanced levels. It's not just that students are not encouraged to critique the models they are taught, it is implied that the models are unquestionable!

An economics degree should be more than a set of models that one memorises and then forgets after the test. An economics degree should give students a broad understanding of the landscape of the economy and equip them with the ability to critically process and assimilate new information into that economic worldview. No doubt, this is a more difficult task than offering three or four years of rote learning but economics students around the world are pleading for the chance to really think.

How do we do it?

The core priorities of an economics education need to be rethought. We want an education focused on engendering critical and creative economic thought rather than memorising (and forgetting) overly abstract and remote models. To get there, we need to focus on two tasks: reforming existing economics modules and adding new ones to the curriculum.

As far as existing core classes like macroeconomics and microeconomics, the first suggestion is for economics teachers to simply teach better. While this may sound harsh and unconstructive, there is a surprising amount of space for individual teachers to address many of the critiques listed above simply in how they structure and deliver their classes. Teachers could connect theory to current events, to provide context for the models, and to introduce a variety of thinkers and schools of thought. Classes could have discussion and debate built in and economics could be made to feel personal rather than remote.

But this is about more than the failings of university lecturers. At the

institutional level, departments need to think long and hard about what *value* students should receive from economics courses, and be brave in implementing changes. Globally, new textbooks need to be written and standardised course plans created to allow teaching pluralism to become as easy as possible.

To really change the content of an economics education, new modules will also need to be added to the curriculum. The list of worthy candidates is long, but Economic History, History of Economic Thought, Epistemology of Economics, Ethics and Political Economy would be good to start with. Modules that introduce key concepts from cross-disciplinary subjects such as anthropology, sociology and other social science should be woven in to the core programme. Many of these new modules could simply replace the Advanced Maths, Statistics and Econometrics modules that take up roughly half of an economics degree today. I acknowledge that maths and statistics are necessary for advanced theoretical and empirical economics work but they should not dominate the undergraduate experience, as they currently do, at the expense of a real understanding of economic issues.

What are we doing?

Through a mixture of campaigning, events and engaging projects, Rethinking Economics is demanding a university curriculum which includes real-world application, room for critical thought, inter-disciplinarity and a plurality of methodologies.

If anything you've read in this article has resonated with you, we need your help. If you're a student or recent alumnus, join us! Start your own group, or join as an individual organiser. There are so many exciting projects to get involved in! A few examples of our recent work include beginning to publish both a heterodox economic textbook and a book about the pluralist movement, working with academics to create modules in the history of economic thought and 'unsettled ideas in economics', meeting with politicians and government officials to explain our concerns, collecting evidence in the form of curriculum surveys and employer testimonials, building an economics public education website, engaging with the media to reach broader audiences, and hosting annual conferences to discuss and promote

our ideas. To get involved, email membership@rethinkeconomics.org. You can find us at 'Rethinking Economics' on Facebook and @rethinkecon on Twitter. Please also check out www.ecnmy.org.

WHAT COULD ECONOMICS LOOK LIKE?

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Many have provided constructive contributions to the critique of economics and provided important platforms for a different sense of what economics can be. For example, Tony Lawson has explored problems arising from a common inappropriate social ontology[1], Ha-Joon Chang has explored the myths of capitalist development[2], while Edward Fullbrook has been pivotal in providing an institutional basis for a more pluralist economics via the Real World Economics Review and the World Economics Association (as well as through edited texts and his own contributions)[3]. What is clear is that new thinking is required on many fronts.

Take, for example, quantitative easing (QE). QE has been a relatively unorthodox approach to monetary policy, albeit one that has reconfirmed the centrality of monetary policy as an alternative to genuinely expansionary fiscal policy.[4] QE involves multiple effects on the economy through its effects on financial assets. Some of these effects are highly mechanistic in so far as they affect standardised measures and practices. Creating and buying government securities increases the liquidity available to other financial actors. The intention is to support credit provision in the economy (offsetting the deleveraging by the large banks that followed the Global Financial Crisis (GFC), whilst, in principle, creating some scope for investment in an economy – thereby forestalling recessionary feedback loops as investment and

1. Lawson, T. (2003) *Reorienting Economics* London: Routledge
2. Chang, H. (2011) *23 Things They Don't Tell you About Capitalism* London: Penguin
3. Fullbrook, E. editor (2008) *Pluralist Economics* London: Zed Books & Fullbrook, E. (2013) 'New Paradigm Economics,' *Real World Economics Review* 65: 129-131
4. Strictly speaking QE is termed quantitative policy (QP) and is differentiated from monetisation (a variant where the central bank buys sovereign debt direct from the state rather than in the open market) and from monetary policy (monetary policy targets interest rates, QP targets money supply). In ordinary language terms, however, all tend to be amalgamated.

demand collapse). But institutional investment models price assets in markets with reference to the risk-free rate of return (for which AAA government securities and their yields provide the proxy). If base rates in the major economies are close to zero and yield curves for government securities are reduced by QE, then the net present value of future cash-flows from any asset measured in terms of the securities is augmented. This provides a signal to buy any such asset – corporate bonds, equities, property etc. - so, the concomitant of QE and liquidity is an artificial inflation of the perceived (computed) value of financial assets and a flow of available capital to those assets. Within loose monetary policy, banks renew their balance sheet based on exploiting the largesse of central banks, and institutional investors channel capital into assets – creating a bubble. QE has been, in the main, not a source of expanded investment in structural transformations of economies but rather an attempt to prevent financial collapse with real economy consequences. As a corollary of the form QE has taken it has in many respects simply exacerbated problems of financialisation of economies. Since 2009, 10 year UK government securities' yields have decreased by more than 40%, whilst the FTSE 100 has experienced a bull market, increasing by more than half (despite volatility based on continued information effects as problems are reported elsewhere). The period has been one of mainly low or slow growth in the UK and elsewhere, and so the changes are not related to productivity led growth (though they have involved increasing profit shares).

So, one challenge facing economists today is to think differently about financialisation. This has not yet occurred. The vast majority of legislation and focus of analysis has been oriented on curbing excess and limiting losses; it has been about planning for failure rather than focusing policy on why we have a system that fails. This is as true of macro-prudentialism as it is of ring fencing, Basel III, and other initiatives such as the Volcker Rule.[5] One cannot simply solve the problems of the financial system from within it, one must consider the nature of the economy which gives rise to financialisation – and then use this as a guide to definancialise. This is not simple. Neoliberalism (and its variants) have reduced the role of the state to providing welfare for citizens (health care, pensions etc.) and increasingly

5. Morgan, J. and Sheehan, B. (2015) 'Has reform of global finance been misconceived? Policy documents and the Volcker Rule,' *Globalizations* 12(5): 695-709

shifted responsibility to the individual, thereby augmenting the flow of capital to collectivised forms of individual protections (a trend that already existed). Pension funds and insurance funds must manage large pools of capital and earn a return as institutional investors. They are a significant demand side that requires financial assets to exist. Financialisation then is not a simple story of speculative activity and ephemera (though it involves these).

But consider the opportunity here to actually integrate (without conflating) monetary and fiscal policy to some good purpose. If QE reduces yields on government securities it also reduces the borrowing costs of the state (which is of course also an aim of QE, though only usually tacitly acknowledged by heavily indebted countries).[6] UK 30 year government securities currently have a yield around 2.5%. Borrowing is, therefore, cheap. Immediately after the GFC economists in all the major capitalist countries stated that the event was a watershed (quickly now forgotten), and that structural transformation of economies was required. The UK, for example, has fundamental infrastructure problems. Why not combine targeted borrowing and investment with an independent state bank into which pension and insurance contributions can be channelled (earning a return), and focus this on investment in green technologies and a renewable energy infrastructure (the UK has a thinly promoted version of this already: the Green Investment Bank). This would have multiple effects. It would create an actual modern manufacturing base in the UK, it would change the dynamics of capital and asset interactions - and hence some of the demand side that affects financialisation - and it would help the UK meet and exceed the commitments in the 2008 Climate Change Act (and meet the need to preserve ourselves as a species in tandem with significant social redesign). Of course, such a change would not be problem free. But no system is perfect. The real question is what kinds of problems would we rather be dealing with? Privatised under-capitalised delayed infrastructure transformations in a financialised system of debt accumulation, consumption and profound instability? Or the possibility of what Austrians term mal-investment?[7]

6. There is of course also dispute regarding the way money is created that are also relevant to how we view this subject – state theory of money, credit theory of money and modern monetary theory.

7. Malinvestment originates with Mises, it refers to poorly motivated (distorted) investment decisions induced by monetary policy that has affected the cost and availability of

Integrated and transformative thinking on fiscal and monetary policy is just one example. It too has context and that context is a different way of thinking about economics. Given that what economics looks like involves a series of underlying commonalities, failures and absences, the renewal of economics must incorporate recognitions of problems and positive encouragement of different ways of doing what is already done (a reversal of Boulding). I have set this out elsewhere[8] and can do no better than[9]:

In recent decades economics has placed too great an emphasis on a narrow range of ways of theorising and of conducting research. This has overly restricted the theoretical insights of economics, restricted the explanatory focus of economics, constrained the analytical skills of economists and the contributions of economists to society in general, and the nature of policy advice. In order to broaden the field it is necessary to reconsider how we conceive of economics, and it is also necessary to actively encourage previously under-emphasised aspects of the discipline through the way in which we teach economics and in terms of what we teach:

1. Economics is the study of social provisioning or the different ways in which psychological, social and material well-being are and can be achieved through an economy. An economy is a historical and dynamic entity and its construction necessarily involves institutions and an emergent political framework that fosters particular trajectories for that economy. An economy is embedded in an ecology and there are material limits to development which cannot be ignored and are central to the continued achievement of well-being. Deliberation is fundamental to informed decision making at a micro and macro level and so economics is also an ethical science. Economics is integral to political processes and so has implications for policy

credit.
See also: Morgan, J. and Negru, I. (2012) 'The Austrian Perspective on the Global Financial Crisis: A critique', *Economic Issues* 17(2): 27-55
8. See also: Morgan, J. (2014) 'Necessary pluralism in the economics curriculum: the case for heterodoxy', *Royal Economics Society Newsletter*, Number 167, October: 14-17
9. Morgan, J. (2016) 'Is economics responding to critique? What do the UK 2015 QAA Subject Benchmarks indicate?' *Review of Political Economy* 27(4): 518-538

and for how citizens live. It is always also political economy.

2. In so far as economics is the study of the social provisioning process, its insights are based on different sets of theoretical commitments or emphases. There are then many different ways to approach an economic problem and many different ways to construct theory and pursue an economic investigation. Economics is therefore necessarily pluralistic. Historically it encompasses different schools of thought that consider economic problems from different points of view based on different foci, concerns and ultimate aims. Since economics is deliberative and economies can qualitatively change there is also an ongoing need to consider new kinds of theorisation, to consider old problems in new ways and new problems based on new insights. Economics is contested but this is not simply a data issue; it is also an issue of the consequences of the dynamics of different approaches to social provisioning. Pluralism is ultimately a commitment based on the recognised value for the vitality of the discipline of constructive engagement with different approaches to an economic problem. It is rooted in the complexity, contingency and malleability of social reality.
3. Social reality is an integrated whole and economics is one way of demarcating an aspect of that whole. Its insights ought then to cohere with those of other social sciences, and productive interchange between the disciplines is an important way each can both inform and temper the claims of the others. It is therefore important that economics considers the theories, critiques and methods of other disciplines rather than primarily transpose its modes of analysis onto the subjects of other disciplines. This is part of what it means to be effective in studying economic phenomena in their historical, political, social, institutional and international contexts.
4. A successful economics education produces well-informed, responsible and critically aware citizens able to contribute more effectively to deliberation regarding issues of social provisioning. It also produces more productive economic participants and effective economic analysts.
5. Economics is in the broad sense a realist science. It prioritises realism and relevance over precision. It recognises that there are many methods that may provide insights into an economic

problem. It recognises that there are limits to the use of any given method. It recognises that an effective economics education develops an economist's ability to understand the limits and potentials of different methods and different ways of theorising. In so doing, it recognises that the ability to construct theory, and evaluate and use methods, requires a framing context of critical awareness. That awareness necessarily requires all students to be versed in the history of economic thought and the progress of economic history. It is also enhanced by the reflexive skills provided by the philosophy of economics, including, for example, social ontology. Without these, model building, the use of given methods, and of quantitative and qualitative data can all too readily be misused.

This issue features:
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Elizabeth Frazer
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J. Christopher Proctor