

# World Economics Association Newsletter

To *plurality*. The Association will encourage the free exploration of economic reality from any perspective that adds to the sum of our understanding. To this end it advocates plurality of thought, method and philosophy.

## Inside this issue:

Damien Cahill interview on neoliberalism	<u>2</u>	<u><a href="#">html</a></u>
Book review: <i>What every economics student needs to know...</i>	<u>4</u>	<u><a href="#">html</a></u>
News on the <u>WEA conferences</u> front	<u>4</u>	<u><a href="#">html</a></u>
Don't rock the ideological boat (too much)	<u>5</u>	<u><a href="#">html</a></u>
Rethinking Economics	<u>5</u>	
C T Kurien and real life economics	<u>6</u>	<u><a href="#">html</a></u>
World student movement—a major player?	<u>7</u>	
Econometric forecasting—a retrospective assessment	<u>10</u>	<u><a href="#">html</a></u>
<i>Economics: The User's Guide</i> , Ha-Joon Chang - reviewed	<u>11</u>	<u><a href="#">html</a></u>
Contact the WEA	<u>12</u>	

### Greece and austerity policies. Where next for its economy and society?

An online conference from the WEA, 20th October - 21st December, 2014

**WEA young  
economists**

**Facebook group**  
(now 1100+ members)

*Past Newsletters available at:*

<http://www.worldeconomicsassociation.org/newsletters/>

**World Economics  
Association**

**Voluntary annual  
membership fees:**

<http://www.worldeconomicsassociation.org/membership/annualfees>

### WEA Pedagogy Blog

...welcomes posts about your experiences and suggestions on teaching and learning economics, with a strong focus on methods leading to deep understanding of current real world economic issues.

### WEA National Chapters

**Get involved!**  
**Is your country listed?**  
**Become a contact!**  
**Add a link or post!**

## Damien Cahill interview on neoliberalism

Damien Cahill is the author of *The End of Laissez-Faire? On the Durability of Embedded Neoliberalism*, published in September 2014 by Edward Elgar. He has a blog at: <http://damiencahill.net/>. Here he answers some questions from Newsletter editor Stuart Birks:



### 1. What do you understand by the term neoliberalism? Is it what people refer to as 'mainstream economics'?

Neoliberalism has several dimensions. First, it is a set of ontological doctrines about how the economy and society more generally operate, and a set of utopian normative visions about how it should, ideally, be organised. Second, neoliberalism is a policy regime marked by the microeconomic processes of privatisation, deregulation, marketisation and macroeconomic policies of inflation targeting and an end to full employment as the proper goal of states. Third, neoliberalism is a set of economic transformations whereby capital has been freed from many of the constraints upon its ability to operate within and between borders that had been in place during the post-World War II economic order. Clearly, these three dimensions of neoliberalism are interrelated.

As a doctrine there is significant overlap between neoliberalism and mainstream, or neoclassical, economics. Indeed, to a very great extent, neoliberal doctrine entails taking the foundational principles of neoclassical economics to their logical conclusion. At its heart, neoclassical economics proposes a situation in which asocial individuals voluntarily exchange with one another through markets for mutual benefit. State regulations, other than the provision of basic framework of rules, are cast as an exogenous interference in this otherwise self-regulating system. Neoliberals have taken this idea and argued that such a free market system is not only the most efficient way of organising the distribution of goods and services, but also the most moral, since it is the best way of preserving individual liberty (when defined negatively as freedom from coercion). From this follows the policy proposals of privatisation, marketisation and deregulation – that is, engaging private capital in the provision of public services and freeing it from constraints that prevented from doing so efficiently.

One should not ignore however the influence of other currents of thought in the development of neoliberal doctrine – especially that of Austrian economics, predominantly via Friedrich Hayek's work. In contrast to neoclassical economists, Hayek was skeptical of the ability of humans to understand the world or complexity through the application of reason. This is actually at the heart of his defence of and preference for a market order. According to Hayek, it is only the unhindered operation of the price mechanism that allows for the multiplic-

ity of subjective individual preferences in a large complex economy to be registered and responded to. So, he arrives at a similar policy conclusion to that of a fundamentalist neoclassical economist like Milton Friedman, but by a different route. Where he and Friedman did differ over policy was with respect to the proper role and size of the state. Whereas Friedman advocated a fairly consistent 'small state' line, Hayek believed that a range of state forms were consistent with the maintenance of a competitive market order.

### 2. Do you see it as having a theoretical foundation, or is it more a political and ideological phenomenon?

While many neoliberal politicians (Margaret Thatcher is a case in point) have certainly been inspired by and influenced by the writings of neoliberal fundamentalists like Friedman and Hayek, it is important to distinguish between neoliberal theory and practice.

On the one hand, there are clearly correlations between the two. For decades, neoliberal intellectuals advocated policies of privatisation, deregulation and marketisation and, indeed, this policy suite has become the common sense of state regulators across the capitalist world. On the other hand however, the more closely one scrutinizes 'actually existing neoliberalism', the more problematic is the fit between neoliberal theory and practice.

If we take neoliberal doctrine to be promoting a small state agenda (something certainly advocated by Friedman and many of the major neoliberal think tanks), then it is clear that this vision has not been realized. Not only has the economic size of the state not been reduced under neoliberalism, but neoliberal policies of deregulation, privatisation and marketisation have almost always entailed augmentation of new forms of social and economic regulation and the construction of new institutions to regulate markets in which newly privatised entities will operate.

If, however, we instead look to Hayek for the foundations of neoliberal doctrine, then we end up with all manner of state forms potentially being justified – from the authoritarian state of Pinochet's Chile, to Sweden's social democratic welfare state – so long as they facilitate the expansion of a capitalist market order. The problem here is that no test of causation is really possible, as Hayek doesn't offer a blueprint.

This is why I think the most satisfactory way to understand role of neoliberal ideas in the construction of the neoliberal policy revolution is in ideological terms. The neoliberal doctrines of Hayek, Friedman and others provide a highly malleable set of discursive tools that have been selectively appropriated to justify neoliberal poli-

cies in both philosophical and economic terms. The neoliberal policy regime has therefore become embedded within a powerful and pervasive ideological matrix.

### 3. Why do you see it as being embedded?

The policy regime of neoliberalism has proven to be highly durable, even in the face of the crisis that has beset the global capitalist economy since 2007. When this crisis hit, many believed that neoliberalism had been forced onto its last legs - that the global financial crisis as a sign of failure heralded its decline. Those who predicted that the crisis signaled the end of neoliberalism have been hard-pressed to explain its subsequent resilience. One reason for this, I believe, is that they grounded their analysis primarily in the realm of ideas. In doing so, they mistook the decline in legitimacy that neoliberal ideas certainly underwent after the onset of the crisis, for a retreat from neoliberalism more generally.

Such commentators missed the ways in which the neoliberal policy regime has become deeply socially embedded, not simply in a pervasive ideological framework, but also within new institutional rules and a reshaped set of class relations. This has given it enormous inertia. By institutionally embedded I mean not only that states have developed new neoliberal regulations but, more importantly, they have enacted or signed up to a framework of rules that commit governments to further neoliberalisation, irrespective of their political colours. Competition policies and the articles and rules of supranational institutions such as the World Trade Organisation, the economic constitution of the European Union, and the numerous 'free trade' agreements to which states are increasingly signatories are examples of this institutional embedding of neoliberalism.

As for the embedding of the neoliberal policy regime within class relations, this refers to ways in which the profit making strategies of capital have come to depend upon the maintenance or extension of neoliberal forms of economic regulation, as well as the fact that the ability of capital to achieve this goal has been bolstered by the strengthening of its political power, and well as its power within the employment relationship.

### 4. What alternative perspectives might there be?

In my view, the alternative to neoliberalism is de-commodification through the quarantining of people's livelihoods from market dependence. This can be achieved by nationalization, direct state provision of services as well as various forms of social protection in areas such as finance, housing, education and healthcare. There is no

shortage of good ideas among progressive economists for realizing these aims, including financial speculation taxes, guaranteed minimum wage schemes, and various proposals for capturing the surpluses circulating in the financial sphere of the economy and directing them towards socially beneficial investment. Moreover, the broad family of heterodox economic approaches offer a far richer understanding of actually existing capitalism than do neoliberal doctrines, not to mention that they provide a range of policy options focused upon the needs of ordinary people, not just those of the 0.1% of the population.

### 5. Do you see change being possible in the short term?

The onset of the global economic crisis has actually opened a window of opportunity for progressive, non-neoliberal change in the short term - but such change is by no means guaranteed. The crisis has demonstrated the perils of the market dependence that has been such a key feature of neoliberalism. It has exposed the power imbalances and inequalities at the heart of the capitalist polity and economy. And it has seen state elites turn to nationalization, a political dirty word prior to the crisis, in order to save the capitalist system from collapse. Although none of the nationalisations conducted by the major capitalist powers in response to the crisis have resulted in the enterprises operating for need, rather than profit, the turn to nationalization has, I believe, given a legitimacy to this form of policy that didn't exist in the two decades prior to the crisis.

Nonetheless, it must be acknowledged that the dominant form of crisis response by states has been further neoliberalisation, including privatization, deregulation and austerity budgets that are eroding working class living standards. For me, that states have turned to neoliberalism in the face of a crisis that was itself the result of such policies underscores the durability of the neoliberal policy regime.

But it also suggests that good ideas alone won't be sufficient to dislodge neoliberalism from dominance. Non-neoliberal ideas will need to be allied with and carried forth by strong social movements. We've already seen glimpses of this - from the occupy movement, to the anti-austerity protests in Greece and elsewhere in Europe, to the mobilisations against anti-labour laws in the USA as well as the post-crash economics movement. So there are reasons to be hopeful that after the devastation and despair brought about by the crisis, neoliberalism can be consigned to the dustbin of history.

*"Through a number of steps eighteenth-century capitalism underwent a radical change: economic behavior became separate from ethics and human values, indeed, the economic machine was supposed to be an autonomous entity independent of human needs and human will. It was a system that ran by itself and according to its own laws. The suffering of the workers as well as the destruction of an ever-increasing number of smaller enterprises for the sake of the growth of ever larger corporations was an economic necessity that one might regret, but that one had to accept as if it were the outcome of a natural law."*

P.7 of Fromm, E. (1976). *To have or to be?* New York: Harper & Row.

## Book review: *What every economics student needs to know...*

Book Review: John Komlos, *What every economics student needs to know and doesn't get in the usual principles text*. (New York: M.E. Sharpe, Inc.; 2014; ix, 258 pages; ISBN 9780765639233)

By [Norbert Häring](#)

John Komlos, Professor Emeritus of the Ludwig Maximilian University in Munich, has written an ambitious book with an ambitious title. He challenges the simple neoclassical pseudo-truths that most introductory textbooks are feeding to their unsuspecting customers. This is a very worthwhile undertaking. John Komlos is not the first to do so. There has been Steve Keen with his *Debunking Economics*, which came out in first edition already in 2001 and Rod Hyatt and Tony Myatt with their *Economics Anti-Textbook* (2010), to name just two. There is no doubt that a student who would otherwise be left just with the textbook wisdom will benefit greatly from reading this book at the side and seeing that there are other ways to do economics.

Compared to Keen they do not get an analysis that is as thorough and well organized. Compared to the *Economics Anti-Textbook*, they get a less pluralistic alternative to the usual mainstream texts. What they get is an engaged, often quite angry criticism of modern textbook economics from a particular perspective, which Komlos calls Humanistic Economics. This is a concept which I like, but not everybody might share his philosophy to the same extent.

"I prefer to focus on human beings and how they live and feel, rather than inanimate objects such as money or abstract concepts such as output or gross national product", Komlos writes. He thinks a kinder and more just capitalism is possible, one that empowers people and enables them to live with less fear and uncertainty. He

claims that this encompasses zero unemployment, zero inflation, zero trade deficits and zero government debt.

It is a strong claim that all this is possible and desirable. Unfortunately, Komlos does not structure his book accordingly, but is rather too caught up with extensively criticizing the mainstream. I suspect he is pushing at open doors there, for most of his readers. There is no extensive elaboration of how this better system of the four zeros could be achieved and maintained. How would an economy work at zero unemployment? What will keep unions from demanding an ever greater share of the value added? Government debt is not an entry in the table of contents and is not systematically treated in the text. There are seven pages on international trade, but, as far as I can see, there is no attempt there to make and prove the claims that trade deficits are best eliminated.

This is unfortunate. Komlos misses the chance to set his own agenda and spell out an alternative, rather than piling on onto the criticism of the existing dogma. After Komlos has discharged his frustration with standard economic textbooks in this way, it is very much to be hoped that he will undertake to show, in a focused way, that the alternative, kinder economics is indeed possible. I suspect that he will have to water down some of his claims, but I can be convinced otherwise.

Hill, R., & Myatt, T. (2010). *The economics anti-textbook : a critical thinker's guide to microeconomics*. Black Point, N.S.: Fernwood Pub.

Keen, S. (2001). *Debunking economics: the naked emperor of the social sciences*. Annandale, N.S.W.: Pluto Press

## News on the WEA conferences front

The [Brazil conference](#) has just ended. There have been several excellent papers. They received a good number of comments in spite of the overlap with more attention-seeking activities in Brazil such as [La Copa do Mundo](#). Many thanks to Maria Madi and Marcelo Milan for organizing it.

Our next conference will be on: [Greece and Austerity Policies. Where next for its Economy and Society?](#) The leaders are: Yannis Dafermos, Marika Frangakis and Christos Tsironis. The Discussion Forum will be open: 20<sup>th</sup> October to 21<sup>st</sup> December. There is still time to submit your paper. The deadline for submission is: 27<sup>th</sup> September.

WEA members may have noted that we have lengthened the Discussion Forum period for our conferences. We noticed that many conference papers continued to have a substantial number of hits well after the closing period of the original 6 weeks Forum. This prompted us to change our strategy and allow a longer period for people to think through their comments. It should also be noted that papers which have no or few comments may still have a considerable number of hits and downloads which shows interest in them.

Future plans include a conference on: *The nuclear industry after Fukushima* led by Profs Ken-Ichi Oshima and Chikako Nakayama. Work is in progress and the dates have not been fixed yet. It will be in 2015.

Two more conferences are under discussion: one on **the Welfare State** and the other on **Europe and the EURO**. They are still at early stages.



## Don't rock the ideological boat (too much)<sup>1</sup>

By [David Wells](#)

In his opening keynote address at the recently-concluded [Rethinking Economics conference in London](#) (June 28-29, 2014), Lord Adair Turner dismissed the need for changes to microeconomics by referring to the beneficial use made of micro by two committees he chaired, the Pensions Commission and the Low Pay Commission.

His committees may well have benefited from microeconomic insights but that does not leave micro in the clear. After all, the centrepiece of the micro banquet is the model of perfect competition which is foundational for the theory of General Equilibrium which in turn lies behind those models which assured mainstream economists that the financial crash of 2008 was not merely unlikely but actually logically impossible: so micro has a lot to answer for.

Lord Turner then focused his attention entirely on macroeconomics. The obvious problem with this limitation is that it leaves most of the foundations of mainstream orthodox economics intact and so student rebels against orthodoxy are likely to be disappointed.

Every session I attended at the conference included at least one reference to ideology. In addition, 'Whig' as in Whig history was heard at least once, and 'neoliberal' several times.

Yet no-one put these themes together to actually come out and say plainly that the ideology of mainstream economics is (extreme) liberal, let alone to argue that this ideology which naturally and inevitably promotes *laissez faire* and free markets and so on, leads to distorted and inadequate models of experience, as seen in current economic textbooks and in the 2008 crash.

Ha-Joon Chang in his concluding keynote called forcefully and eloquently for pluralism in economics teaching, without considering that some of the schools of thought within economics that he identified preach (the correct word) ideas and claims that are deeply ideological and deeply damaging, the prime culprit being the hegemonic

and extreme liberal neoclassical school. Thus, I presume that DSGE models ought *not* to be included in any pluralist course, except possibly as a terrible example of ivory tower economists running amok.

Finally, just before the final keynote address, a short video was played in which Robert Johnson, the President of INET, sent his best wishes to the conference and congratulated the organisers - but also suggested at one point that the students should be 'guided' by INET.

This is strange. Why should the students be 'guided' by INET? Why not the other way around? After all, it is the students who are the instigators of this revolution and who are at the front line, manning the barricades. INET are very active in their own way - the CORE curriculum project is especially interesting - and they supply invaluable funding, including for this conference<sup>2</sup>, but they are essentially secondary actors on the stage. The protagonists are the students, not just in the UK but all over the world: the ISIPE now has (at least) 65 member associations in 30 countries.

Putting these points together, and writing as one of the older generation who was actually there at the time, I am reminded of the 1965 essay by Herbert Marcuse on 'Repressive Tolerance'.

Lord Turner is happy to use his vast experience to re-examine macroeconomics, but the foundations are, frankly, OK. Everyone acknowledges that ideology is present, but no-one actually wants to analyse it deeply. Robert Johnson wishes the students well but hopes that they will accept his avuncular guidance, while Ha-Joon Chang favours pluralism but without examining any ideological skeletons that various schools might be hiding in their cupboards.

If I were a student, I think that I would find this extremely disturbing.

<sup>1</sup> Reposted from the [Rethinking Economics Blog](#)

<sup>2</sup> And for researchers. I applied for a grant myself and was rejected, probably quite rationally.

## Rethinking Economics

Rethinking Economics ([www.rethinkeconomics.org](http://www.rethinkeconomics.org)) is an international network of students and young professionals. We organise to increase the awareness and acceptance of the pluralist movement in economics departments. In May 2014 we launched an Open Letter with our international partner networks (the German and French student networks) calling for pluralism across the world. This Open Letter has now been signed by 60 student groups in over 30 countries, plus many academic and professional associations. See [www.isipe.net](http://www.isipe.net) for more!

## New York City September 12-14 2014

Our New York 2014 conference (Sep 12-14) will feature prominent academics such as Paul Krugman, James Galbraith, Michael Sandel and Deirdre McCloskey.

See <http://www.rethinkecon.com/> for more on the conference!

## CT Kurien and real life economics

By [Stuart Birks](#)

Kurien may not be well known outside India, but his highly readable work over many decades highlights limitations in mainstream economics. The publisher of his recent book, *Wealth and Illfare: An Expedition into Real Life Economics* (Kurien, 2012), has provided a pdf of the book for wider circulation. It is available free for download from the World Economics Association website [here](#).

On the face of it, the book is an introduction to economics. In reality it is an accessible outline and critique that incorporates aspects of alternative approaches to economics.<sup>1</sup>

It does not present these alternatives as competing schools of thought. Instead, Kurien indicates how the framing of mainstream economics overlooks important factors which are addressed elsewhere. Pluralists are likely to appreciate this perspective and it may lead some mainstream economists to reassess their interpretation of the dominant theories.

The book is in four parts, plus a conclusion, but I see it as having three sections. The first includes Parts I to III and develops a picture of economic activity by means of 'thought experiments'. The result is a story outlining the evolution of economic relations as primitive pastoral communities develop into more complex, interconnected societies with division of labour and differences in income and wealth. The context is India, but that has its own advantages. Readers from elsewhere are drawn into a representation of social evolution uncluttered by their views of their own history. Presumably this was not Kurien's intention. Nevertheless, it can be effective. Such detachment has been deliberately used in political writing for centuries in literature such as Bunyan's *Pilgrim's Progress* and Swift's *Gulliver's Travels*, not to mention Voltaire's *Candide*.

The motivation for his approach is clear when contrasted with mainstream theory and its emphasis on a supposedly ideal system of markets in perfect competition. This latter is highly abstract. In 1966 Kurien critically assessed the nature of this approach relating it to Koopmans' (1957) 'postulational method'. In a series of lectures he presented it using a line of reasoning:

"...that theories are propositions derived from a model, and that a model is an ordered set of classes defined by the postulates. It is in this 'universe' and only in this universe, set up by the postulates, that theory, even in its purest state, has unconditional generality." (Kurien, 1970, p. 24)

He describes theory as having two distinct aspects, the syntactical which uses logic to draw conclusions from propositions, and the semantic where the theory is related to the real world. We could conclude that Kurien has reservations about the semantic stage in mainstream economics. He would contend that the syntactical findings are being applied widely to real world problems without considering their applicability in specific instances.

Kurien's thought experiment considers aspects of mainstream thinking, but his narrative clearly indicates the role of ownership, intermediation and asymmetric information. In a farming-based society some people have surplus land and are in a strong bargaining position. Some are at the other extreme, having no land and little bargaining power. This can lead, in time, to increased inequality. Similarly, when surpluses are taken to town to be traded, one farmer may take the surplus on behalf of a group of farmers. This person may gradually assume the role of sole buyer from the other farmers and gain more knowledge of the market where the produce is sold. Such specialisation can result in increased power and wealth for this person. Also, when farmers need loans to carry them through to harvest, those with funds are in a strong bargaining position and can set the terms of the loans. Structures and hierarchies develop benefiting some and penalising others.

Kurien's narrative is of evolving social and institutional arrangements. The purely economic dimension is just one aspect of the whole. As such, Kurien not only gives a context for mainstream economics, but also highlights its limitations.

The second, shorter, section of the book is contained in Part IV. It describes the Indian economy as a whole, stressing that "Real Life Economics is unavoidably political economy". Kurien looks at some of the data and challenges the perception of high growth in recent years. A breakdown by sector indicates that, while GDP has been increasing rapidly, the benefits have been concentrated in a small part of the economy, in particular the high-tech area. Meanwhile, much of the population has faced significant disruption and is actually worse off than in the past. Moreover, Kurien argues, growth should not be seen simply in terms of numbers, but rather as a 'societal process'. It "impacts different sections of people differently apart from having tremendous ecological implications".

Mainstream economics, by narrowing down the parameters of the analysis, fails to consider wider, dynamic, social and other implications such as these. In particular, the atomistic treatment of individuals conceals the importance of interactions and people's place in society. I was recently at a [symposium on neoliberalism](#) in which it was asked why neoliberal ideas had become so dominant. One reason might be the dominance of a small number of core textbooks which comprise, for many students, their only exposure to economics. They are given ever shorter courses giving a narrow perspective with little or no recognition of limitations and alternative viewpoints.

The third section is the conclusion. It is shortest and might come as a surprise to some. It is where Kurien looks forward while also being at his most critical. He contends, with some justification, that dominant economic theories justify the capitalist economic order while failing to recognise the role of intermediation. This

failing in the theory, along with capitalism's characteristic of 'dehumanisation', lead him to look for alternatives. His recommendations are not as radical as some might expect. He has drawn attention to several phenomena, such as those that lead to increasing inequality and to lack of regard for social dimensions of society. He sees greater emphasis on these as a way to ensure that economic activity benefits many, rather than only a few.

Any framing emphasises some aspects and excludes others. Alternative framings can be useful for broadening our understanding. Inevitably, some will wish to challenge some of Kurien's specific points and perhaps even the whole approach. However, his work highlights limitations of mainstream thought in a stimulating and accessible way. He also introduces readers to heterodox economics without overtly naming the alternatives. The uninitiated may be more receptive to such an approach in that it avoids the risk of preconceived judgements. Ku-

rien is one of a large number of writers who present alternatives to the mainstream. It would be good to see such reading incorporated into the standard curriculum.

- Hare, P. (2012). *Vodka and pickled cabbage: Eastern European travels of a professional economist* [Kindle edition] Retrieved from <http://www.amazon.com/Vodka-Pickled-Cabbage-Professional-ebook/dp/B008IGP6RK>
- Koopmans, T. C. (1957). *Three essays on the state of economic science*. New York: McGraw-Hill.
- Kurien, C. T. (1970). *A theoretical approach to the Indian economy*. London: Asia Publishing House.
- Kurien, C. T. (2012). *Wealth and illfare: An expedition into real life economics*. Bangalore: Books for Change.

<sup>1</sup> A similarly accessible book that questions the direct application of mainstream economics is Hare (2012).

## World student movement—a major player?

By [Edward Fullbrook](#)

**The world student movement could become a major player in the struggle to bring pluralism and freedom of enquiry to economics.** An emergent worldwide grassroots movement of economics students, the [International Student Initiative](#), has the potential of becoming a major force that could work alongside the academics' [World Economics Association](#) (now 13,000 strong) to break the neoclassical stranglehold on economics and to bring the real world back into the classroom. Launched in May, the ISI already boasts 65 associations of economics students from 30 countries, 5 continents and representing 13 languages groups. For the most part they are based in individual universities. Together they constitute a coordinated grassroots base that has the potential of serving as the launch pad for a massive worldwide student rebellion in the coming academic year, one that would see 100s more of these associations formed, each focused on reforming the economics curriculum of their university.

**The formation of these student associations can be greatly facilitated by encouragement and moral support from faculty members. If you would like to help please go to <http://www.isipe.net/supportus/>**

Below is the ISI's manifesto, a partial list of the student organizations, a partial linked list of their websites, and a linked list (67) of media coverage. Here to begin with is a world map showing ISI associations to date:

<https://mapengine.google.com/map/edit?mid=zvX9yagJNn6Q.kvsKlktWIgGeg>

The ISI states its objectives as follows.

**It is not only the world economy that is in crisis.** The teaching of economics is in crisis too, and this crisis has consequences far beyond the university walls. What is taught shapes the minds of the next generation of policymakers, and therefore shapes the societies we live in. We, over 65 associations of economics students from over 30 different countries, believe it is time to reconsider the way economics is taught. We are dissatisfied with

the dramatic narrowing of the curriculum that has taken place over the last couple of decades. This lack of intellectual diversity does not only restrain education and research. It limits our ability to contend with the multidimensional challenges of the 21st century – from financial stability, to food security and climate change. The real world should be brought back into the classroom, as well as debate and a pluralism of theories and methods. Such change will help renew the discipline and ultimately create a space in which solutions to society's problems can be generated.

**United across borders, we call for a change of course.** We do not claim to have the perfect answer, but we have no doubt that economics students will profit from exposure to different perspectives and ideas. Pluralism will not *only* help to enrich teaching and research and reinvigorate the discipline. More than this, pluralism carries the promise of bringing economics back into the service of society. Three forms of pluralism must be at the core of curricula: **theoretical, methodological and interdisciplinary.**

**Here is a partial list of the student associations**

- Mouvement étudiant québécois pour un enseignement pluraliste de l'économie, Canada
- Estudios Nueva Economía, Chile
- Grupo de estudiantes y egresados de la Facultad de Economía y Negocios de la Universidad de Chile, Chile
- Det Samfundsøkonomiske Selskab (DSS), Denmark
- Post-Crash Economics Society Essex, England
- Cambridge Society for Economic Pluralism, England
- Better Economics UCLU, England
- Post-Crash Economics Society Manchester, England
- SOAS Open Economics Forum, England
- Alternative Thinking for Economics Society, Sheffield University, England
- LSE Post-Crash Economics England
- Pour un Enseignement Pluraliste de l'Economie dans le Su-

- périeur (PEPS-Economie), France
- Netzwerk Plurale Ökonomik (Network for Pluralist Economics), Germany
  - Oikos Köln, Germany
  - Real World Economics, Mainz, Germany
  - Kritische WissenschaftlerInnen Berlin, Germany
  - Arbeitskreis Plurale Ökonomik, München, Germany
  - Oikos Leipzig, Germany
  - Was ist Ökonomie, Berlin, Germany
  - Impuls. für eine neue Wirtschaft, Erfurt, Germany
  - Ecoation, Augsburg, Germany
  - Kritische Ökonomen, Frankfurt, Germany
  - Arbeitskreis Plurale Ökonomik, Hamburg, Germany
  - Real World Economics, Heidelberg, Germany
  - Student HUB Weltethos Institut Tübingen, Germany
  - LIE – Lost in Economics e.V., Regensburg, Germany
  - Javahpur University Heterodox Economics Association, India
  - Economics Student Forum – Tel Aviv, Israel
  - Economics Student Forum – Haifa (Rethinking Economics), Israel
  - Rethinking Economics Italia, Italy
  - Grupo de Estudiantes por la Enseñanza Plural de la Economía, UNAM, Mexico
  - Oeconomicus Economic Club MGIMO, Russia
  - Glasgow University Real World Economics Society, Scotland
  - Movement for Pluralistic Economics, Slovenia
  - Post-Crash Barcelona, Spain
  - Asociación de Estudiantes de Económicas de la Universidad Autónoma de Madrid, Spain
  - Estudiantes de Económicas e Empresariales, Universidade de Santiago de Compostela, Spain
  - Lunds Kritiska Ekonomer, Sweden
  - Handels Students for Sustainability, Sweden
  - PEPS-Helvetia, Switzerland
  - Rethinking Economics, UK
  - Rethinking Economics New York, United States
  - Sociedad de Economía Crítica, Argentina and Uruguay

#### Here a partial list of student association websites.

- Better Economics UCLU, London <http://bettereconomicsuclu.tumblr.com/>
- University of Cambridge, United Kingdom <http://www.cambridgepluralism.org>
- Det Samfundsøkonomiske Selskab (DSS) [DSSAarhus.dkwww.facebook.com/DSSAarhus](https://www.facebook.com/DSSAarhus)
- Economía Crítica Extremadura <https://www.facebook.com/groups/Economiacriticaext/>
- Economics Student Forum, Haifa, Israel (with Rethinking Economics) <http://rethinkeconhaifa.wordpress.com/>  
<https://www.facebook.com/RethinkeconIsrael>
- Estudiantes de Económicas e Empresariales, Universidade de Santiago de Compostela <http://www.etres.tk/>
- Estudios Nueva Economía <http://www.estudiosnuevaeconomia.cl> [contacto@estudiosnuevaeconomia.cl](mailto:contacto@estudiosnuevaeconomia.cl)
- Was ist Ökonomie? Kritische WissenschaftlerInnen Berlin & Potsdam <http://www.wasistoekonomie.de/>,  
<https://www.facebook.com/wasistoekonomie> Con-

- tact: <http://www.kritische-wirtschaftswissenschaften.de/start.htm>
- Gibanje za ekonomsko pluralnost, Ljubljana <http://gibanjezaekonomskopluralnost.weebly.com>
- Glasgow University Real World Economics Society (GURWES) <https://www.facebook.com/GURWES/info>, blog: <http://gurwes.wordpress.com/>, WEA coverage: <http://www.worldeconomicssociation.org/newsletterarticles/gurwes>, Contact: [gurealworldeconomicssociety@gmail.com](mailto:gurealworldeconomicssociety@gmail.com)
- Lunds Kristiska Ekonomer [facebook.com/KritiskaEkonomer](https://www.facebook.com/KritiskaEkonomer)
- Mouvement étudiants québécois pour un enseignement pluraliste de l'économie [in-fo@economiepluraliste.asso.st](mailto:in-fo@economiepluraliste.asso.st), <http://economiepluraliste.asso.st/>, [https://www.facebook.com/pages/Mouvement-%C3%A9tudiant-qu%C3%A9bécois-pour-un-enseignement-pluraliste-de-%C3%A9conomie/694643217249167?notif\\_t=fbpage\\_fan\\_invite](https://www.facebook.com/pages/Mouvement-%C3%A9tudiant-qu%C3%A9bécois-pour-un-enseignement-pluraliste-de-%C3%A9conomie/694643217249167?notif_t=fbpage_fan_invite)
- Post-Crash Economics Society, Manchester [post-crasheconomics.com](http://post-crasheconomics.com)
- Rethinking Economics Italia at LUISS [rethinkecon.it](http://rethinkecon.it)
- Rethinking Economics New York <http://www.rethinkecon.co.uk/#!newyorkconference/c1lmt>
- Rethinking Economics UK <http://www.rethinkecon.co.uk/> or Facebook page: <https://www.facebook.com/rethinkecon>
- SOAS Open Economics Forum, London [face-book.com/groups/186138144923586/](https://www.facebook.com/groups/186138144923586/)
- Handels Students for Sustainability, School of Economics, Business and Law, University of Gothenburg <https://www.facebook.com/HandelsStudentsForSustainability>
- PPE Society, La Trobe University [ppesociety.org.au](http://ppesociety.org.au)
- oikos International [oikos-international.org](http://oikos-international.org)
- Iniciativa Pro Economics (Iniciativa Pro Económicas), National Autonomous University of Nicaragua, León. <https://www.facebook.com/iproeco>
- Assemblée Générale des Étudiants de Louvain (AGL) Université catholique de Louvain (Louvain-la-Neuve, Belgium) [www.aglouvain.be](http://www.aglouvain.be)
- Bureau des Étudiants en ESPO (BDE ESPO) Université catholique de Louvain (Louvain-la-Neuve, Belgium) | [www.facebook.com/BDE.ESPO](https://www.facebook.com/BDE.ESPO)
- Roter Börsenkrach Group of economics students at the University of Vienna (<http://www.univie.ac.at/strv-vwl>).
- Sydney University Political Economy Society <https://www.facebook.com/ECOPSoc>

The ISI has been very successful at attracting attention in the media. Below is a list of media coverage links.

#### AUSTRALIA

2014/05/13 – The Age – [The Problem with the way we educate Economists](#)

#### AUSTRIA

2014/05/06 – Die Presse – [VWL-Studenten fordern Neuausrichtung ihres Fachs](#)

2014/05/06 – Vorarlberger Nachrichten – [Wirtschaftsstudenten fordern Neuausrichtung](#)

2014/05/05 – Die Presse – [Studenten der Ökonomie in der Krise](#)

2014/05/05 – DiePresse.com – [Studenten fordern neue Wirtschaftslehre](#)

2014/05/05 – Tiroler Tageszeitung – [Wirtschaftsstudenten fordern Neuausrichtung ihres Fachs](#)

2014/05/05 – Studium.at – [Wirtschaftsstudenten aus 19 Ländern fordern Neuausrichtung ihres Fachs](#)

2014/05/05 – ORF.at – [Wirtschaftsstudium: Aufruf zu Neu-](#)



**ausrichtung**

2014/05/05 – Der Standard – [Manifest gegen die Krise der Ökonomie](#)

2014/05/05 – Der Standard – [Wirtschaftsstudenten fordern Neuausrichtung ihres Fachs](#)

2014/05/05 – Kurier – [Studenten protestieren gegen ökonomische Lehre](#)

2014/05/05 – APA-OTS – [Manifest gegen die Krise der Ökonomie](#)

2014/05/05 – ORF.at – [Neuausrichtung des Fachs gefordert](#)

**BULGARIA**  
2014/05/05 – News.bg – [Студенти въстанаха срещу начина на преподаване на икономика по света](#)

**CANADA2**

014/05/10 – Le Devoir – [Faire l'économie d'une réforme \(à la une du cahier Économie\)](#)

2014/05/10 – Le Devoir – [Nos yeux \(éditorial économique de la fin de semaine\)](#)

2014/05/07 – Radio Centre-ville 102,3 FM – [Émission Planète Montréal \(à 42m20s\)](#)

2014/05/07 – Réseau de l'information (RDI) – [Émission RDI Économie \(à 7:00\)](#)

2014/05/06 – ICI Radio-Canada – [Émission C'est pas trop tôt! \(à 7h51\)](#)

2014/05/05 – IRIS – [Qu'est-ce qui cloche avec la science économique?](#)

2014/05/05 – Le Devoir – [Il faut renouveler l'enseignement de l'économie.](#)

2014/05/05 – Radio-Canada - [L'heure du monde \(radio show at 30min.\)](#)

**CHINA**

2014/05/05 – Phoenix New Media –

[19国经济系学生：高校狭隘自由市场理论教育损害了世界](#)

2014/05/05 – South China Morning Post –

[经济学科与现实社会脱节 19国经济系学生吁改革](#)

**CROATIA**

2014/05/05 – Srednja – [Studenti ekonomije pozivaju na protest](#)

[Tvrde da su njihovi fakulteti krivi za finansijsku krizu u svijetu](#)

**DENMARK**

2014/05/05 – Politiken – [Undervisningen i økonomi er i krise](#)

2014/05/05 – DR Netradio – [Radio Interview with Mads Falken-fleth Jensen, of DSS](#)

**FINLAND**

2014/05/14 – Taloussanommat – [Ekonomisteilla on tosi kummallisia näkemyksiä ihmisistä](#)

**FRANCE**

2014/05/14 – Libération/AFP – [Cours d'éco à la fac: des maths, des stats, mais peu de concret](#)

2014/05/07 – Le Nouvel Observateur – [Economie: des étudiants disent non à la "pensée unique"](#)

2014/05/05 – Le Monde – [Pour une économie pluraliste : l'appel mondial des étudiants](#)

**GERMANY**

2014/05/06 – Frankfurter Allgemeine Zeitung –

[Wirtschaftsstudenten prangern einseitige Lehre an](#)

2014/05/06 – Zeit Online – [Studentenaufwurf – Wider die intellektuelle Monokultur in den Wirtschaftswissenschaften](#)

2014/05/05 – detektor.fm – [Internationaler Protest: Studenten wollen eine andere Wirtschaftslehre](#)

2014/05/05 – Handelsblatt – [Studenten protestieren gegen ökonomische Lehre](#)

2014/05/05 – NachDenkSeiten – [Manifest der ökonomischen Vernunft](#)

**ISRAEL**

2014/05/23 – Reshet A, Radio Interview - [Tip of the Iceberg, with: Dr. Oshy Kraus](#)

2014/05/18 – Reshet A, Radio Interview – [The Real Economy, with: Eran Hildsheim](#)

2014/05/09 – The Marker – [The models are collapsing: "How come economics undergraduates never encounters social-economics dilemmas"?](#)

2014/05/05 – Mako – [Students around the world: a revolution in economics teaching needed](#)

2014/05/04 – The Marker – [Students around the world: a revolution in economics teaching needed](#)

**ITALY**

2014/05/05 – pagina99 – [Il manifesto degli studenti per un'economia plural](#)

2014/05/05 – Huffington Post Italy – [Quando gli studenti di economia vogliono studiare di più \(e meglio\)](#)

2014/05/05 – Economia e Politica – [Dichiarazione globale per il pluralismo in economia](#)

**SPAIN**

2014/05/12 – El País – [El mundo real en las aulas](#)

2014/05/12 – La Vanguardia – [Rebel.lió a les Facultats d'Economia \(printed edition\)](#)

2014/05/06 – El Confidencial – [Estudiantes de Economía de 20 países, contra un plan docente 'pobre, gris y aislado'](#)

2014/05/06 – El Mundo – [Estudiantes de Económicas de 19 países reclaman una enseñanza 'pluralista'](#)

2014/05/06 – El Diario – [Estudiantes de economía de todo el mundo piden pluralidad en los planes de estudios](#)

2014/05/06 – El Diario – [Rebelión en las aulas de economía](#)

**SWEDEN**

2014/05/05 – Lars P. Syll Blog – [Pluralism in economics](#)

**SWITZERLAND**

2014/05/05 – Handelszeitung – [Manifest gegen die Krise der Ökonomie](#)

**TAIWAN**

2014/05/05 – UDN – [多國經濟系生籲改課程 應付21世紀問題](#)

**UNITED KINGDOM**

2014/05/11 – The Observer – [After the crisis, we need a revolution in the way we teach economics](#)

2014/05/09 – The Guardian – [University economics teaching isn't an education: it's a £9,000 lobotomy](#)

2014/05/05 – Financial Times Blog – [Economics students of the world, unite!](#)

2014/05/04 – The Guardian - [Economics students call for shakeup of the way their subject is taught](#)

2014/05/04 – The Guardian - [Economics teaching and the real world](#)

**UNITED STATES**

2014/05/13 – The New Yorker – [Rebellious Economics Students Have A Point](#)

2014/05/05 – Naked Capitalism – [An International Student Call For Pluralism In Economics](#)

2014/05/05 – AlterNet – [Students From 19 Countries Demand End to Economics Curriculum That Blocks Progress on Everything from Food Security to Climate Change](#)

**INTERNATIONAL**

2014/05/05 – World Economics Association Newsletter – [An international student call for pluralism in economics](#)

2014/05/05 – Global Economic Intersection – [Students from 19 Nations Call for Overhaul of Economics](#)

2014/05/05 – Steve Keen's Debtwatch – [The students are revolting](#)

2014/05/05 – Real-World Economics Review Blog – [The manifesto of 42 networks of economics students from 19 countries](#)

2014/05/05 – Business Insider – [Economics Students Are Fed Up With The Way Their Subject Is Being Taught](#)

2014/05/05 – Environmental Economics – [Economics students call for shakeup of the way their subject is taught](#)

[Ed. note: modified from [here on the RWER blog](#)]

## Econometric forecasting—a retrospective assessment

By [Lars Syll](#)

[Ed: This article appeared earlier on [the Real-World Economics Review Blog](#)]

*"There have been over four decades of econometric research on business cycles ... The formalization has undeniably improved the scientific strength of business cycle measures ...*

*But the significance of the formalization becomes more difficult to identify when it is assessed from the applied perspective, especially when the success rate in ex-ante forecasts of recessions is used as a key criterion. The fact that the onset of the 2008 financial-crisis-triggered recession was predicted by only a few 'Wise Owls' ... while missed by regular forecasters armed with various models serves us as the latest warning that the efficiency of the formalization might be far from optimal. Remarkably, not only has the performance of time-series data-driven econometric models been off the track this time, so has that of the whole bunch of theory-rich macro dynamic models developed in the wake of the rational expectations movement, which derived its fame mainly from exploiting the forecast failures of the macro-econometric models of the mid-1970s recession."* (Qin, 2013, pp.110-111)

The limits of econometric forecasting has, as noted by Qin, been critically pointed out many times before. Trygve Haavelmo — with the completion (in 1958) of the twenty-fifth volume of *Econometrica* — assessed the role of econometrics in the advancement of economics, and although mainly positive of the "repair work" and "clearing-up work" done, Haavelmo also found some grounds for despair:

*"We have found certain general principles which would seem to make good sense. Essentially, these principles are based on the reasonable idea that, if an economic model is in fact "correct" or "true," we can say something a priori about the way in which the data emerging from it must behave. We can say something, a priori, about whether it is theoretically possible to estimate the parameters involved. And we can decide, a priori, what the proper estimation procedure should be ... But the concrete results of these efforts have often been a seemingly lower degree of accuracy of the would-be economic laws (i.e., larger residuals), or coefficients that seem a priori less reasonable than those obtained by using cruder or clearly inconsistent methods.*

*There is the possibility that the more stringent methods we have been striving to develop have actually opened our eyes to recognize a plain fact: viz., that the "laws" of*

*economics are not very accurate in the sense of a close fit, and that we have been living in a dream-world of large but somewhat superficial or spurious correlations."*

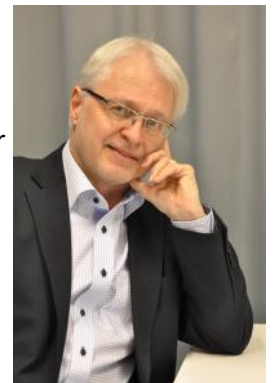
And as the quote below shows, even Ragnar Frisch shared some of Haavelmo's — and Keynes's — doubts on the applicability of econometrics:

*"I have personally always been skeptical of the possibility of making macroeconomic predictions about the development that will follow on the basis of given initial conditions ... I have*

*believed that the analytical work will give higher yields — now and in the near future — if they become applied in macroeconomic decision models where the line of thought is the following: "If this or that policy is made, and these conditions are met in the period under consideration, probably a tendency to go in this or that direction is created."* (Louçã, 2007, p.206)

Econometrics may be an informative tool for research. But if its practitioners do not investigate and make an effort of providing a justification for the credibility of the assumptions on which they erect their building, it will not fulfill its tasks. There is a gap between its aspirations and its accomplishments, and without more supportive evidence to substantiate its claims, critics will continue to consider its ultimate argument as a mixture of rather unhelpful metaphors and metaphysics. Maintaining that economics is a science in the "true knowledge" business, I remain a skeptic of the pretences and aspirations of econometrics. So far, I cannot really see that it has yielded very much in terms of relevant, interesting economic knowledge. And, more specifically, when it comes to forecasting activities, the results have been bleak indeed.

The marginal return on its ever higher technical sophistication in no way makes up for the lack of serious under-labouring of its deeper philosophical and methodological foundations that already Keynes complained about. The rather one-sided emphasis of usefulness and its concomitant instrumentalist justification cannot hide that the legions of probabilistic econometricians who give supportive evidence for their considering it "fruitful to believe" in the possibility of treating unique economic data as the observable results of random drawings from an imaginary sampling of an imaginary population, are skating on thin ice. After having analyzed some of its on-



tological and epistemological foundations, I cannot but conclude that econometrics on the whole has not delivered “truth,” nor robust forecasts. And I doubt if it has ever been the intention of its main protagonists.

Our admiration for technical virtuosity should not blind us to the fact that we have to have a more cautious attitude towards probabilistic inference of causality in economic contexts. Science should help us penetrate to — as Keynes put it — “the true process of causation lying behind current events” and disclose “the causal forces behind the apparent facts.” We *should* look out for causal relations, but econometrics can never be more than a starting point in that endeavour, since econometric (statistical) explanations are not explanations in terms of mechanisms, powers, capacities or causes. Firmly stuck in an empiricist tradition, econometrics is only concerned with the *measurable* aspects of reality. But there is always the possibility that there are other variables — of vital importance and although perhaps unobservable and non-additive not necessarily epistemologically inaccessible — that were not considered for the model. Those who *were* can hence never be *guaranteed* to be more than potential causes, and not real causes.

A rigorous application of econometric methods in economics really presupposes that the phenomena of our real world economies are ruled by stable causal relations between variables. A perusal of the leading econometric journals shows that most econometricians still concentrate on fixed parameter models and that parameter-values estimated in specific spatio-temporal contexts are *presupposed* to be exportable to totally different contexts. To warrant this assumption one, however, has to convincingly establish that the targeted acting causes are stable and invariant so that they maintain their parametric status after the bridging. The endemic lack of predictive success of the econometric project indicates that this hope of finding fixed parameters is a hope for which there really is no other ground than hope itself.

This is a more fundamental and radical problem than the celebrated “Lucas critique” have suggested. This is not the question if deep parameters, absent on the macro-

ro-level, exist in “tastes” and “technology” on the micro-level. It goes deeper. Real world social systems are not governed by stable causal mechanisms or capacities. It is the criticism that Keynes — in *Essays in Biography* — first launched against econometrics and inferential statistics already in the 1920s:

*“The atomic hypothesis which has worked so splendidly in Physics breaks down in Psychics. We are faced at every turn with the problems of Organic Unity, of Discreteness, of Discontinuity – the whole is not equal to the sum of the parts, comparisons of quantity fails us, small changes produce large effects, the assumptions of a uniform and homogeneous continuum are not satisfied. Thus the results of Mathematical Psychics turn out to be derivative, not fundamental, indexes, not measurements, first approximations at the best; and fallible indexes, dubious approximations at that, with much doubt added as to what, if anything, they are indexes or approximations of.”* (Keynes, 1933, p.206)

The kinds of laws and relations that econometrics has established, are laws and relations about entities in models that presuppose causal mechanisms being atomistic and additive. When causal mechanisms operate in real world social target systems they only do it in ever-changing and unstable combinations where the whole is more than a mechanical sum of parts. If economic regularities obtain they do it (as a rule) only because we engineered them for that purpose. Outside man-made “nomological machines” they are rare, or even non-existent. Unfortunately that also makes most of the achievements of econometrics — as most of contemporary endeavours of economic theoretical modeling — rather useless.

Keynes, J. M. (1933). *Essays in biography*. London: Macmillan

Louçã, F. (2007). *The Years of High Econometrics: A Short History of the Generation that reinvented economics*. Abingdon: Routledge.

Qin, D. (2013). *A History of Econometrics: The Reformation from the 1970s*. Oxford: Oxford University Press.

### **Economics: The User's Guide by Ha-Joon Chang**

Review by **Juan Carlos Moreno-Brid** (Deputy Director, ECLAC-Mexico).

Opinions here expressed are the author's responsibility and do not necessarily coincide with those of the UN.

Thanks! That's the word that came to my mind when I finished reading this original, valuable text. It comes to fill a void in the toolkit of any lecturer to college students and non professional audiences interested in economic development and policies. With a unique mixture of recognition of the merits of alternative economic theories, reverence for historical facts, systematic reference to real-life numbers and an enviable sense of humor, Ha-Joon Chang manages to present economics as a user friendly, relevant and passionately exciting craft!

Through carefully sequenced chapters, spiced by illustrative quotes from novels, newspapers, speeches, movies and TV series, the Guide exposes the reader to economics' fundamental concepts, actors, ideas and transformations.

This exposition evidences that valuable conclusions on key real-life issues — concerning nations, firms, states, classes or individuals — can be drawn from a discursive application of alternative economic theories.

Combined with excellent narrative capacities, this comprehensive view of alternative economic theories plus attention to political and historical considerations, the User's Guide is an important vehicle to discover Economics as a relevant, useful practice. Perhaps its major contribution is to emphasize that there is no unique, intellectually correct, economic theory, applicable *urbi et orbi*. On the contrary, there are many analytically robust economic theories, though supported by different assumptions in particular on who are the dominant actors in the economy, how



they set their goals and interact to meet them under social, political and historical constraints and in a climate of uncertainty.

*Economics: the User's Guide* is characterized by a conspicuous absence of algebraic formulae, equations, diagrams, figures and statistical tables. Instead, its arguments are presented through discursive reasoning relying on a variety of economic theories. The approach seemed explicitly chosen so as not to scare mathematically shy students and also to emphasise that economics is not an exact science of mathematical precision. It succeeds on both grounds. Economics is presented as a heterogeneous, friendly and far from solemn discipline with a toolkit derived from a gamut of alternative theoretical frameworks aimed at understanding real-life economic challenges: unemployment, poverty, inequality, and financial crises. This collection of alternative theories is tailored to understand the world economy and, if possible, to change it.

The emphasis on the diversity of economic theories and on making persistent reference to real-life data has additional benefits. On the one hand it trains the reader to pose different questions about real-life economic situations. On the other, and most important, it invites him or her to examine them from multiple angles and to try to answer them by relying on contributions from the different economic theories examined in the book.

The analytical toolkit presented in this book broadens the reader's capacity to understand major economic problems and principles. It does this much better than the standard introductory textbooks where utility and profit maximizing agents interacting in perfectly competitive markets are at the core of economic analysis, where reference to real-life data is the exception, and where the importance of historical, political or ideological influences tends to be minimized or dismissed.

The book is organized in two parts, plus an epilogue. The first part introduces the key tools and actors of the economy. Two of its elements are in stark contrast with mainstream approaches. The first is the inclusion of a succinct, well written history of capitalism. This inclusion, as the author states, is done based on the firm conviction that, in order to understand the current state and prospects of any given economy, one must be aware of its history, how it came to be. History has no substitute for understanding the constraints that are faced for assessing, to an extent, the room for maneuver with policy options. Recognition of the relevance of history is largely absent in mainstream

introductory books.

A second even rarer trait of Part 1 is the identification and detailed explanation of the main alternative schools of economic thought: Classical, Neoclassical, Marxist, Developmentalist, Austrian, Schumpeterian, Keynesian, Institutional and Behaviouralist. The assumptions, theoretical basis, strengths and limitations of each one are briefly but deeply analyzed.

The second Part sees the tools applied to analyze key issues, ranging over economic welfare, the role of industry, work and unemployment, finance, inequality and poverty. In this Part the author identifies key debates that have shaped, or are still shaping, our views on the issues explored. This second part closes with a discussion of the roles of the State and the market in the economy, as well as the relevance of the international economy.

The epilogue stresses the merits of methodology adopted. I would stress three recommendations. 1. "Economics is a political argument". Thus in the analysis of any economic decision or policy prescription, one should always find out who will benefit from its application. Who benefits from applying or not applying a specific policy or agenda is at least as important, and perhaps even more so, than any efficiency or efficacy considerations posed in this context. 2. The diversity of economic theories is a plus in the analysis of economic problems and principles, by allowing the possibility to focus on different aspects with different methodologies. 3. A fundamental piece of advice is that people should use the new knowledge to become "an active economic citizen" that pushes for better economic policies.

Developing countries, including Mexico, would be more likely to succeed in their quest for economic growth cum equality if economic leaders read this simple, original, most valuable contribution by Professor Chang, absorb the advice and thus "learn how to think, not what to think about economics..."

In this regard, and posing the key question, Cui bono? Who benefits from this book? Many, many audiences. In particular young students in high school or early years of college, eager to understand economics in order to try to change the world! No introductory book would be better to fulfill their enthusiastic expectations and build their knowledge of the various economic theories and their applications to understand the world. Whether they will eventually transform it, is a different matter. In any case, again, Thanks.

## Contact the Association

### Journal editors:

**RWER:** Edward Fullbrook [fullbrook@worldeconomicsassociation.org](mailto:fullbrook@worldeconomicsassociation.org)

**Economic Thought:** [ETEditor@worldeconomicsassociation.org](mailto:ETEditor@worldeconomicsassociation.org)

**World Economic Review:** [wereitor@worldeconomicsassociation.org](mailto:wereitor@worldeconomicsassociation.org)

### Conferences: Chair of Conference Organizing Committee:

[conferences@worldeconomicsassociation.org](mailto:conferences@worldeconomicsassociation.org)

**Newsletter editor:** Stuart Birks [k.s.birks@massey.ac.nz](mailto:k.s.birks@massey.ac.nz)

*The World Economics  
Association Newsletter  
is published in the UK  
by the  
World Economics  
Association.*