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How to Inspire and Motivate Students

By Asad Zaman

Lecture for Teachers by Dr. Asad Zaman on 24th Jan 2017 at PIDE, Islamabad. This lecture is for teachers; See "The Ways of the Eagles" for a lecture directly addressed to students, to motivate and inspire them, A detailed 3300 word summary of the lecture in English is given below. See also: link to one hour video-taped lecture in URDU.

Mesmerized by the spell of Western expertise, we are trapped by the illusion that they are the experts in every field, and the best we can do is to be second-rate followers. In fact, the educational methods in use in the West are extremely bad, and it is possible for us to make dramatic improvements in substance and style of teaching. By increasing the efficiency of our educational methods, we can change the world. Imagine producing world class experts of Nobel Laureate calibre at PIDE!

Can it be done? Can we create world-class experts, despite meagre resources and students with weak background and preparation, in Pakistan? YES: It can be done.

What is needed is INSPIRATIONAL TEACHING. Every student is precious, and has within him/her all the genius of Al-Ghazali, Ibn-ul-Haytham, Ibne Sina, al Farabi, Ibn-e-Khaldun and others. If we can light the fire of the thirst for knowledge in their hearts, they can do the rest – we only need to create motivation and inspiration. So the question of primary importance is: How can we become inspiring teachers?

Since I am addressing teachers here, my first task is to explain what they (the teachers) will gain by improving their teaching? Some of the answers to this very important question are:

- I will acquire mastery, expertise and depth of knowledge! I will be able to transmit this knowledge to students.
- This knowledge has the potential to change my life, and to change the life of my students. Nothing is more precious than the opportunity given to me in form of time of students eager to learn. Nothing is more deeply satisfying than utilizing this opportunity to transmit the treasure of knowledge, the most valuable gift in the collective heritage of mankind.

The FIRST STEP (as demonstrated) is to explain to the student what benefits he/she will derive from learning. But to do this, we must reject the Western message that the only purpose of education is to get jobs and earn money. Instead, we must turn to Islamic models of education, which are radically different. It is a fundamental Islamic principle that the value of all actions depend on intentions. Seeking wealth from education is a poisonous philosophy. INSTEAD: we must learn and teach Tawakkul – Allah T'aala will provide for all those who trust Him – Instead of worrying about earnings, worry about how to serve Allah best. We must teach students to make intention to use knowledge to serve humanity, for the sake of the love of Allah. This turns our teaching and the students studying into worship.

I usually cover the underlying principles of an Islamic education, and how this is radically different from a Western education in my first lecture in any course (for an URDU lecture, see Intro to IE – for an English Lecture, see Intro Stats). Although the points covered in these lectures are extremely important, I will not repeat them here. Instead, I will focus on just one difference: that between Useful & Useless Knowledge. Whereas the West consider ALL knowledge as being useful, at least potentially, our Prophet Mohammad SAW asked Allah for useful knowledge, and sought protection from useless knowledge. The defining characteristic of useful knowledge is that it enters the heart. This will be explained further below.

Surprising as it may seem, current Western education is FULL of useless knowledge. By removing useless knowledge from our imitation of Western curriculum, we can MASSIVELY increase efficiency of education. An analogy is useful in understanding this point. Consider teaching driving versus teaching how to manufacture the engine of a car. The second is extremely difficult, involving teaching a huge amount of theoretical and applied engineering. Yet it is of very little use in the real world. Of far greater practical importance is teaching how to DRIVE a car. An excellent engineer may be a very poor driver, and an excellent driver may have no knowledge of how the engine works. Most of our Western education consists of teaching students about the theory of the engine, without giving them any experience in driving. If we can CHANGE the substance of our teaching to MINIMIZE theory to the essentials necessary, and MAXIMIZE practically relevant applications, this will create a revolution in our pedagogy, and also create motivation and excitement in our students, when they see that what we teach has practical relevance.

To explain this further, consider my own training in Econometrics. I was trained at Stanford University by world leading experts, and spent ten years doing pure theory, without any concern for applications. When I first started paying attention to applications, I realized that the theory I had been taught had no relation to the applications. The assumptions we made in theory made our theoretical calculations and mathematics elegant, but were not valid in real world. As I started exploring the mis-match between the theories (both economic and

econometrics) that I had studied at Stanford, I found many others who had made the same intellectual journey. David Freedman started his career by writing extremely complex mathematical papers heavily oriented to theoretical statistics. Later, when he got exposed to some real world data problems, he realized that the theories he had studied did not apply. Eventually, he wrote a book entitled *Statistics*, which is radically different from all existing textbooks. It does not contain a single mathematical formula, since Freedman that formulae created obstacles to understanding. Instead, the entire book is concerned with analyzing how statistics is used to solve real world problems. That is, Freedman switched to teaching students how to drive, instead of teaching them the intricacies of how car engines are constructed. I have followed a similar approach in developing courses in Statistics and Econometrics which I have made available online; I encourage all teachers to use these materials to develop their own courses.

Indian mathematician CK Raju has said the same thing about the teaching of Calculus in the West. The Western courses focus on the formalities, but do not teach students the concepts and the intuition, and do not teach students how calculus could be used to solve any practical real-world problem. If we change the focus to applications of calculus, students can be taught much more effectively and rapidly. The first problem in implementing this approach is that YOU – the teachers – have not been taught how to drive. Your own courses were purely theoretical, and typically teachers do not know how the material they are teaching, is used in real-world applications. When we claim to teach useful knowledge to our students, we must first learn HOW the material we are teaching is actually of practical value, beyond helping students to pass the exams. To give my own example, even though I received an education at the top institutions, I developed my educational approach and subject matters by UNLEARNING what I was taught at MIT and Stanford. I was taught to value mathematics, theory, and proofs, and like David Freedman, I realized that these were all obstacles in the path of understanding. I had to create course contents myself, by focusing on real world problems, and to develop theories only to the extent required in context of solving these problems. The first problem we face in becoming effective teachers is to learn to relate our subject to concrete real world problems of importance which would motivate the students.

When we adopt a new approach, we will face a second major problem: the students are not familiar with this new approach, which requires them to think and understand. Massive doses of rote learning have led students to lock up their minds, to stop thinking, and to merely repeat lecture notes without understanding. They have made repeated attempts to understand complex subject matters, presented in complex ways, and they have given up on making such efforts. They have lost confidence in their own ability to learn and understand. Education has become a game where the teacher drops hints about the questions they will get on the exam, and they attempt to catch them and replicate them on the exams. No thinking or understanding is involved in the process. To the best of their knowledge, the material they are taught is one-shot; only useful for passing the exam, and to be forgotten after the course.

To re-engage the students, to get them to participate in trying to understand is a difficult and new process. Learning and understanding concepts is very different from rote learning. I tell my students that TAKING NOTES is deadly; lectures are being recorded, and so you can listen to them again if necessary. But at the moment, I would like you to understand what I am saying directly. If you concentrate and make the effort, and try to understand, you may succeed. But even if you fail to understand – you WILL NOT be able to understand by reading your notes, taken without comprehension. Students have the habit of taking notes, because they are used to the idea that lectures are not meant to be understood. This habit, and many other habits based on rote-learning patterns, must be broken, in order to create direct engagement with students in the classroom.

How can we get students to put in the efforts that they must put in, in order to achieve understanding. We must make sure that the subject matter is relevant and important and useful, but this is not enough. In order to Inspiring students, You must BELIEVE in your students. Believe that each one of them has the potential to change the world. Instead of being the MASTER, you should feel that you have been hired by the Emperor to teach the Princes of creation – they are all potentially far superior to you. You have been chosen as a teacher of princes; that is Tremendous Honor, AND a Tremendous Responsibility. Remember the Hadeeth that people are like MINES, each contains rare and precious gems. You should not fail to appreciate your students, even if they lack talent in some dimension. Undoubtedly, they make up for this lack by having extra-ordinary talents in some other dimension. As a teacher, you must value the time of your students. Every minute that you have been given of their time is extremely precious, and you must strive to make it worthwhile for them, by giving them valuable educations. We all know cases where students have been inspired by chance remarks of their teacher to change their lives. Every minute of contact is valuable. But teachers must make sure that WHAT we are teaching is valuable. Make sure that HOW we teach the sub-

ject matter CONVEYS something valuable to the students. At the end of the hour, students should have acquired knowledge that they did not have before coming to class. Students should be inspired and motivated.

How can we fulfill these huge responsibilities. Since personally, I am not capable of achieving these goals, I ask Allah for His help – He is the FIRST TEACHER. Allamal Insan Ma Lam Ya'lam. Before entering class, teachers should make dua to ask Allah to enable them to fulfill this heavy responsibility.

When we make these efforts to become better teachers, many obstacles will appear in our path. It may seem that students do not appreciate our efforts, and they wish for us to go back to old and familiar patterns of teaching, with which they are comfortable. We have to understand student psychology, in order to motivate them. A major problem is the "Fear of Failure" – what if I try to understand, and I fail to understand? That will prove that I am an idiot – better not to find out. Also, I have tried to understand things so many times before, and have never been successful. Why would it be different this time? Students are reluctant to try to learn concepts. Memorization is easy. Sure Shot. No risk. Learning is difficult BUT it is very rewarding. You need to give positive feedback to students; encourage them; praised them for taking small steps – as that will build the confidence they need to take the bigger steps. Also encourage them by telling them about the value of knowledge, and why it is worthwhile for them to make the extra effort required to learn concepts.

"Learning how to drive" means that the student should actually acquire SKILLS in the process of education – he or she should be learning how to DO THINGS. Conceptual education involves learning how to solving puzzles. Each new one is a challenge. Each one must be learnt by the student – he/she must taste the thrill of solving the problem on their own. This can never be accomplished by lecturing. It can only be done by giving students problems that they solve on their own. Initially, it can be done in class, in a cooperative effort, where they help each other, and the teacher also helps. Later, problems can be assigned to do outside of class. For each problem, the student faces a risk: Maybe I will succeed, Maybe I will fail. Many fear to take the risk. It's better NOT TO TRY. Then there is no risk of failure. If I had tried to understand, of course I would have understood it. But, it was not worthwhile. Sour Grapes. This is why students strongly resist trying to do problems. Typically, if you give an assignment, you will find that one student does it and 20 others copy the same assignment. Strangely enough, the assignment which has been copied is often quite poor and wrong. I use a two part strategy when I give assignments, to try to ensure that each student solves his own, without copying from others. First I give motivational talks, explaining the benefits of trying to solve, and even of trying to solve and FAILING to be able to do so. Even this failure is better than copying. Second, I try to give each student unique assignments, by varying the problems assigned so that they are similar but not the same. It is only when students acquire skills required to solve realistic problems that they will be motivated to learn.

For both teachers and students, it is very important to understand the "Small Steps" principle. Everyone can learn anything if it is broken down into sufficiently small steps. Learning is difficult ONLY because the material being presented is not sequenced properly – we are trying to teach advanced concepts before we have covered the necessary background. When this is done, then memorization becomes the only option. If we start from where the student is, and take small steps which are possible for the students, everyone can reach the goal. Unfortunately, this ideal process is virtually impossible to follow in practice for many reasons. Students have different pace of learning, so small steps for some are giant steps for others. In addition, there is the demand of the course for coverage of a certain amount of content, and we cannot afford to take an entire semester filling in necessary background. Nonetheless, it is important to know this principle, to re-assure students who are used to failure. It is possible to improve performance if the students are motivated to learn, and are provided with resources to enable them to take the small steps on their own. Today, we have many resources available, such as Khan Academy, which teach small lessons on many concepts. Also having the brighter students in the class teach others outside of class is a very useful model.

In taking up the ideas discussed above, perhaps the most difficult part for the Teacher would be to convert the subject matter to USEFUL knowledge. Typically, the teacher has had courses which are purely theoretical. For example, in econometrics, students are taught how to prove the Gauss-Markoff theorem – in fact, this is something which has absolutely no relevance to applications. It has something to do with the construction of the engine, but it has nothing to do with driving the car. Similarly, nearly all subjects taught in social sciences, as well as mathematics and statistics, have heavy theoretical content, and very little practical content. So the teacher will have to invest time and effort to find out where the material being taught is used in real world applications. He or she will have to work out lessons which show the application of theories in real world context. When you try to do this, you will find that 90% of what is usually taught has NO application, and can safely be OMITTED from the curriculum. At the same time, there is a huge amount of relevant detail from the real

world which is necessary to understand how to apply the theory; this extra material has to be organized and be brought into the classroom lessons. This requires a LOT of time and effort to FIND out where the material we are teaching is USED. It is a CHALLENGE for each teacher: FIND at least ONE REAL WORLD APPLICATION of your material. Typical textbooks provide FAKE real world applications – for example, Varian discusses the market for rentals of housing by students to illustrate concepts of supply and demand. However, assumptions that all houses are identical, that there is a single equilibrium price, there is full information, no one can rent a house at higher than equilibrium, these are all completely wrong, and make it impossible to match the theoretical concepts to the real world context that the students experience. So we have to look for REAL real-world applications – places where the theory is ACTUALLY used by practitioners like real-estate agents in pricing and selling housing.

The first difficulty for the teacher is to learn how to relate theories to the real world; this will have to be done by the teacher on his own, since typical courses do not do this. The second task which is required of the teacher is to create UNDERSTANDING in additions to TECHNIQUE. We need to teach CONCEPTS instead of calculations. To give a simple example, consider the addition of fractions. We can teach the student the rule that, to get the sum, multiply the two denominators to get the denominator, and cross multiply and add numerators and denominators to get the numerator of the sum. The student can learn this rule and learn how to add fractions, but he may have no understanding of what a fraction is, and what this rule means. To teach concepts, you have to start with small steps – take the simplest possible example. For example, consider adding 1/3 and ½. Take a circular pie and cut it into three and two and then put the ½ part together with the 1/3 part and ask how we can add these parts. Note that if the pie was divided into 6 – the common denominator – then we would have no difficulty in adding the parts. By explaining using a concrete example which the student can visualize and relate to his personal experience, the student will be able to understand the concept of adding fractions. Note that even if a student understand the concept, he may not have mastery of the technique, and may fail to be able to add complex fractions. Vice Versa, students who are experts in the technique may have no idea why it works and what it means. The two parts – the technique and the conceptual understanding – both have to be taught separately. OFTEN – the teacher will have to work to ACQUIRE the understanding himself, since it may not be available in textbooks.

The techniques which are taught correspond to the driving skills, but the understanding that lies beneath the surface corresponds to knowing where to go. It is necessary to learn both, and imparting this knowledge – both technical and the deep understanding – to students can create dramatic changes. Once they taste the thrill of knowing how to do something and ALSO understanding why to do it, and how it useful to achieve some real world goals, students will be inspired and motivated. One the light of the desire for learning is lit in the hearts of the students, there is no limit to what they can achieve. It is up to us teachers to nurture the seeds of potential in the hearts of all students, to enable them to grow into the amazing trees with branches reaching to the skies.

Redefining Governance in Cooperative Banks

By Mitja Stefancic, Silvio Goglio, and Ivana Catturani

Introduction

Recent research shows that the governance of cooperative banks is distinctive; as such, it cannot be adequately captured by using standard economic models (Jones and Kalmi 2015; Jones, Jussila and Kalmi 2016; Paredes-Frigolett, Nachar-Calderón and Marcuello 2016). At the same time, such governance is subject to change. Cooperative banks need to update their governance mechanisms in order to respond to challenges and slacks and in the same way, to avoid losing their specific features. Existing accounts are still incomplete since they are missing important points and so our paper aims to fill this gap.

From the outset, we ask whether the common reference to democracy, often made by cooperative banks' representatives, is grounded on a solid basis or simply cited for plain marketing purposes. The argument rests on the "one head, one vote" principle. The question therefore is whether this principle promotes true democratic management/governance, even if not clearly defined, or represents a system of governance in which strategic decisions pertain to restricted groups (Klingelhofer 2010).

To assess the kinds of democratic governance mechanisms employed in different types of banks, we focus the

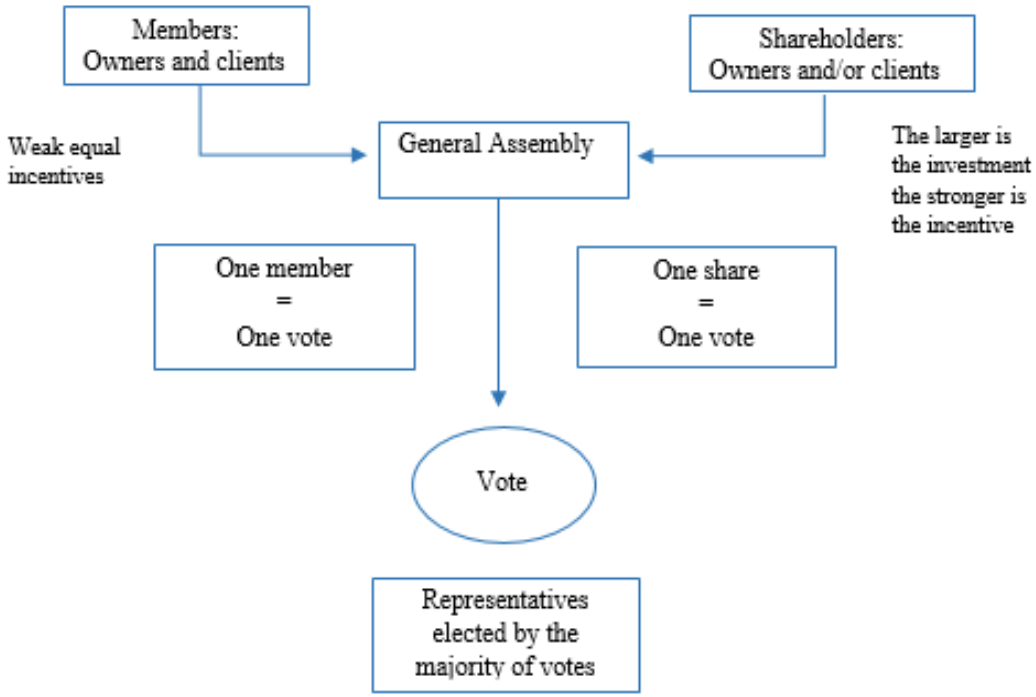
discussion on their fundamental characteristics. The goal is to provide a novel discussion on the peculiarities of bank governance, comparing members' and shareholders' owned banks by referring to Albert Hirschman's seminal work *Exit, Voice, and Loyalty* (1970). Hirschman's framework is meant to be generic across firms. However, in our case it is important to adapt it by capturing the specifics of cooperative banks to gain a better understanding of their governance mechanisms and to provide proper contextualisation of relevant problems.

An economic model of the discontent of cooperative banks' members

When the banks' economic performance meets the expectations of both clients and owners (i.e., members or shareholders), the governance mechanisms are straightforward. **Figure 1** offers a simple representation.

In joint-stock banks, shareholders with sufficiently large amounts of shares sit in the general assembly and vote to elect their representatives. Smaller shareholders lack the incentives to sit and vote since their decision power is negligible. They implicitly transfer their property rights to larger shareholders whose interests are prominent and whose decisions should increase the value of their shares.

Figure 1: Democratic governance



In cooperative banks, members all have the same (weak) incentives to participate in the general assembly. Their vote has equal weight and should identify those administrators among the individuals of the local community who are able to represent the various interests of the territory.

According to Hirschman's framework, when trust in firms decreases, customers have the possibility to express discontent by either switching firms or voicing their dissatisfaction. Similarly, ordinary customers (i.e., not owners) of both joint-stock and cooperative banks can switch to other banks in cases where they are not pleased with the terms and conditions and services provided by a bank, its performance or general outlook. Matters become more complex when focusing on governance issues.

In joint-stock banks, as in shareholder companies, investors can decide to be loyal and wait for better times, especially when their number of shares is relatively small. Shareholders with stronger incentives might voice their discontent and try to influence the board's decisions by expressing their views about management at the shareholders' meetings. Powerful shareholders have the ability to effectively discipline a manager if the latter's strategies are not viewed as successful enough. Finally, they can sell their shares when the bank performance is below their expectations and their lobby pressure has no impact on the board.

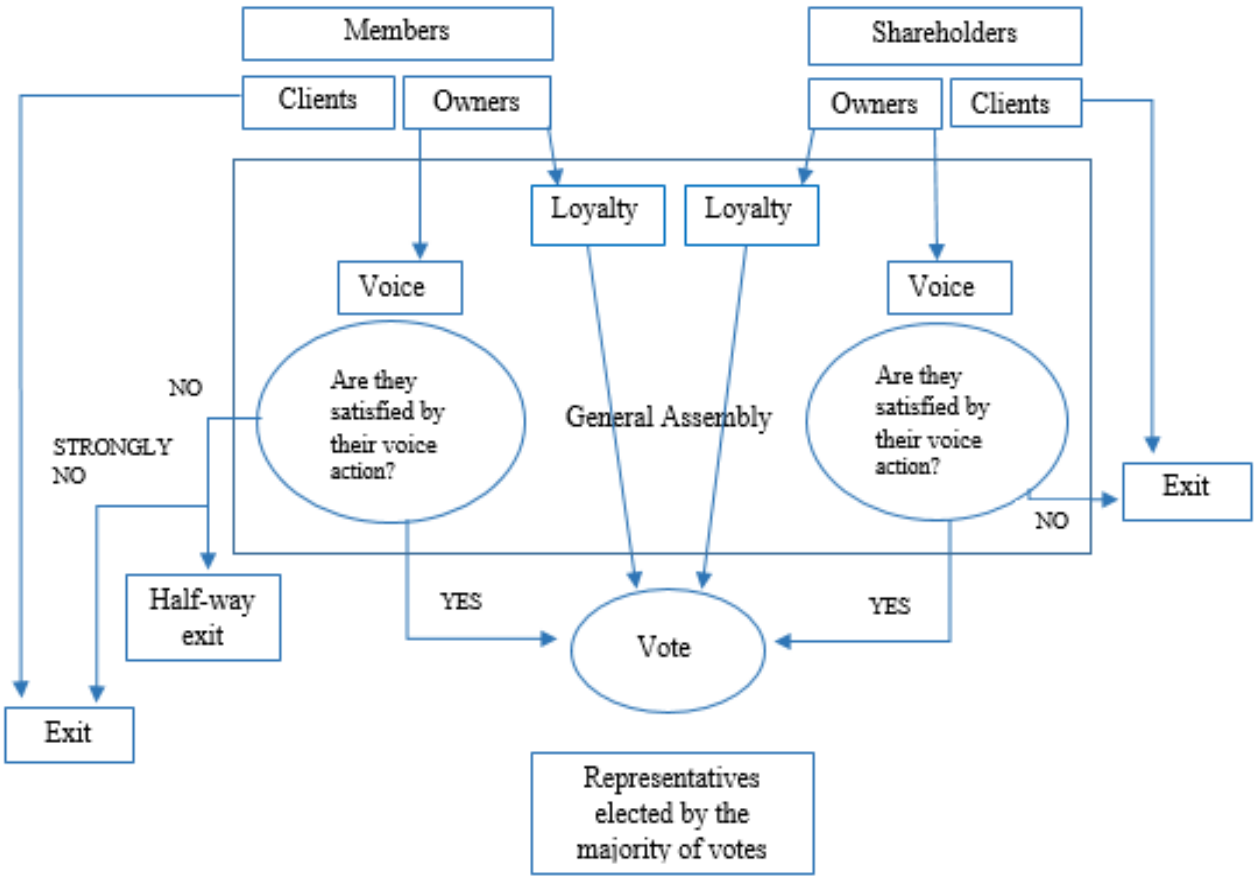
In cooperative banks, shares are usually not tradable (Ferri, Kalmi and Kerola 2015). Instead, the most powerful tool in the hands of members is voice, or "utterance", to express their eventual dissatisfaction, concerns or disappointment in the bank. In other words, the general assembly is the place where participating members can direct their utterances to the cooperative bank managers and representatives. The problem is to clarify how often this tool is really used by cooperative banks' members when faced with adverse circumstances.

Several practical limitations are related to the model of governance in cooperative banks, all of which can in some way restrict the efficiency of the utterances of members during the assemblies. For example, cooperative banks' members may be loyal to their bank, may decide to remain so even during times of distress and may thus be unable

to consider switching to another bank. From a theoretical perspective, cooperative values may thus function as deterrents to exiting the bank.

An alternative is that customers switch to different banks yet retain their membership in the cooperative bank. This "half-way exit" is a possibility that is not included in the original version of Hirschman's framework. Members as clients actually exit from the cooperative banks, while as owners, they become *passive*. Passive members do not sit in the general assembly, renouncing their property rights. There are various explanations for such behaviour, as follows: (i) Asking for the reimbursement of their shares will not give them any extra profits, especially in times of turmoil when only the actual value of the share can be paid back, not the entire fee. (ii) It is easier to switch back to cooperative banks when the negative period ends (see **Figure 2**).

Figure 2: Democratic governance with "half-way exit" option



"Utterance" might be an alternative when trust in cooperative bank managers and administrators decreases for some reason. However, it should be asked whether utterance is sensibly used to express a member's own disappointment with the management: utterance may be limited to members who are *willing* to say something and to those who are *able* to say something *meaningful*.

Technically, there can be no true democratic governance unless members are both able and encouraged to voice their dissatisfaction and criticisms towards the management because this is one of the few tools available for cooperative banks to obtain feedback and constructive criticism from their members, which are then useful for updating their strategies and policies. This would also be the way to provide arguments for a change originating within the bank.

Relevance

The most powerful tool for a cooperative bank's members to express their dissatisfaction is through utterances. To be effective, such a tool requires the members' strong commitment to monitor the bank managers' and the bank's performance. This seems an ongoing problem due to the consolidation process of such banks (e.g., through mergers), at least in the European context. Arguably, the larger the cooperative bank is, the more difficult it becomes to express discontent publicly as the general interest in the bank may decrease among members, with the growth of the latter.

While loyalty and trust should be constantly fostered by cooperative banks, this effort necessarily requires the members' commitment to the bank itself. Nonetheless, loyalty should under no circumstance preclude the possibility of utterance. Utterance in cooperative banks is essential to contrast the group desire for conformity. An organisation that recognises the positive effects of utterance is able to address the problem of groupthink (Janis, 1982), which can in turn function as a protective mechanism for bank directors and managers, even when problems emerge.

In comparing voice (utterance) with an "art constantly evolving in new directions", Hirschman (1970, p.12) recognises that voice should be cultivated, promoted, recognised and valued accordingly. This is essentially the task of proficient directors and managers serving the bank. In conclusion, our research suggests further improvements in the framework of democratic governance in cooperative banks by distinguishing between *public* and *private* utterance. While private utterance can be used as a tool to secure exemplary banking conditions in any type of bank, public utterance can be more effectively used in cooperative banks.

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The Biophysical Basis of Production and the Public Economy

*This is an extract from June Sekera, "Missing from the mainstream: the biophysical basis of production and the public economy", **real-world economics review**, issue no. 81, 30 September 2017, pp. 27-41.*

More than a century ago, the effective operation of the public economy was a significant, active concern of economists. With the insurgence of market-centrism and rational choice economics, however, government was devalued, its role circumscribed and seen from a perspective of "market failure." As Backhouse (2005) has shown, the transformation in economic thinking in the latter half of the 20th century led to a "radical shift" in worldview regarding the role of the state. The very idea of a valid, valuable public non-market has almost disappeared from sight.

In 18th and 19th century Germany, Kameralwissenschaft ("Cameralism") represented a form of public economics. Backhouse (2002, p. 166), describes this school as the era's "science of economic administration," which had three components: public finance, economics, and public policy. The "Historical School" of economics emerged in later 19th century Germany and viewed government positively as a system for promoting social well-being (Bogart, 1939; Shionoya, 2005). It stopped short, however, of explaining the operational or production aspects of the system. During the late 19th and early 20th centuries, economists wrestled with the question of how the "public economy" operates. A "voluntary exchange" theory of the public economy was advanced by Emil Sax, DeViti De Marco, Knut Wicksell and Erik Lindahl (Sekera, 2016). During the 1940s–50s, Richard Musgrave argued against the voluntary exchange concept and pursued a line of thinking that led to the construction of a concept of "public goods" that was eventually adopted, mathematicized and popularized by Samuelson (Desmarais-Tremblay, 2013). Samuelson's widely-disseminated 1950s formulation of public goods as stemming from market failure (following Musgrave) soon led to their devaluation, and a wholesale devaluation of government, by market centrists and libertarians, eventually by all tributaries of mainstream economics. What had begun as a serious effort to understand the important role of public sector production ended in its willful neglect.

In an important paper, Roger Backhouse (2005) describes the "profound changes in economic theory" that took place between 1970 and 2000. With the triumph of rational-choice economics came "a radical shift of worldview" and a "remarkable and dramatic change in

attitudes toward the role of the state in economic activity." The rise of "free market" economics and the "ideology of rational choice" created a "climate of opinion" that seriously biased economics against government and led to a view of the state as an agent whose actions lead to perverse outcomes. As Backhouse shows, however, "the shift toward market solutions did not occur spontaneously: it was actively promoted by groups of economists committed to opposing socialism [and] making the case for free enterprise."

In his landmark book, *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America* (2001), Michael Bernstein explores the evolution of economics from an academic field marginal to public policy into a powerhouse that influenced and oriented government decision-making. Economists in the late 19th and early 20th centuries ardently sought to cultivate influence with elected and appointed officials to shape public policy and contribute to "purposeful management" and "statecraft." These were among the driving ambitions of the economists who led the American Economics Association after its founding in 1885. Seeking respect for economics as a new "scientific" field (no longer framed philosophically as "political economy"), "scholars sought a privileged and powerful access to public policy debate, formulation and implementation." Once the influential Cambridge University economist Arthur C. Pigou asserted in 1922 that it was not the business of economists to tell businessmen how to run their companies, it became all the more critical that economists claim for their discipline a legitimate role in statecraft. And they got their big chance in war. Tracing the many roads by which economists entered the public arena, Bernstein finds that the profession came fully into its own through its impact on national decision-making during World War II. Ironically, "Not individualism but rather statism provided the special circumstances" for American economists to obtain prestige and power (p. 89). "In point of fact, it was statism and centralized economic policy practice that had brought economists and their discipline to the prominence and influence they [came to] enjoy (p. 194)."

Yet even when applying their theories and practices to the non-market environment of government, mainstream economists have relied insistently on the market model. Because mainstream economists in the U.S. and elsewhere have been so market-focused for so long, production outside the market has been erased from the equations of economics. So now, government action is regarded as an "intervention" that "distorts" smooth operation of an otherwise beneficent market. Government is considered to have an economic role only (or primarily) in cases of so called "market failure." Consequently, there is no viable and explanatory concept of an actual, let alone a legitimate, public non-market economy. So pervasive is the creed that government only "intervenes" in what is thought to be the valid, market economy that even literature from the Congressional Research Service (Labonte, 2010) relegates government to an outsider role.

The term "non-market" and its meaning remain elusive. For example, Karl Polanyi wrote extensively about the differences between markets and non-markets but did not deal with the dynamics and forces of production in the non-market public economy (Krippner, 2001; Mayhew, 2016; Zaman, 2016). Polanyi argued that the market was embedded within, and enabled by, the public sector, but did not concern himself with the operations – forces, dynamics, drivers – of the public non-market system itself. Neither do such widely-cited economists of the public sector as Robert Dahl and Charles Lindblom, Charles Wolf or Kenneth Arrow (Sekera, 2016). Joseph Stiglitz produced an entire textbook on "the economics of the public sector" (the latest edition in 2000) without recognizing the distinctive characteristics of a public non-market.

As I noted earlier, the "public choice" school has become the framework to which economists default for an explanation of the public economy. Backhouse (2005) outlines the development of the public choice school, which stems from a cluster of works published in the 1950s and 1960s by James Buchanan, Gordon Tullock, Mancur Olson, and Anthony Downs. It became a school, and a movement, when James Buchanan and Warren Nutter found a home for their efforts at George Mason University in Virginia. In the mid-1980s George Mason opened the Center for the Study of Market Processes, with its largest supporter being the Koch Family Foundations. Stretton and Orchard (1994) have demonstrated the anti-government, anti-democratic stance of public choice theorists in their extensive treatment of the school in *Public Goods, Public Enterprise, Public Choice; Theoretical Foundations of the Contemporary Attack on Government*. After critiquing the theory in economics terms, they suggest that public choice "reasoning seems to arise from the theorists' reluctance to 'come out' and identify themselves as open enemies of democracy or at least of universal suffrage…Governments are viewed as exploiters of the citizenry, rather than the means through which the citizenry secures for itself goods and services that can best be provided jointly or collectively."

A theory of the public nonmarket remains woefully lacking. The absence is not just an academic gap; it leaves a vacuum that undermines the public provisioning required to meet societal needs and to develop solutions to pressing common problems, including the depletion of high-EROI energy sources.

Tesla, Amazon, Bitcoin, Efficient Markets and FTT

By Dean Baker

Dean Baker is co-director of the Center for Economic and Policy Research. Adapted from http://english.hani.co.kr/arti/english_edition/e_editorial/826656.html and https://rwer.wordpress.com/2018/02/16/bitcoin-efficient-markets-and-efficient-financial-sectors/

The soaring price of Bitcoin is a useful lesson about markets for people who seem to very quickly forget the last lesson. Bitcoin, a digital algorithm, backed by absolutely nothing, sold for more than $16,000 each in late 2017.

Bitcoin's price could still double or even triple. After all, who knows how badly people need digital currencies that are not really currencies? But more likely the market will run out of people who are willing to trade real money for nothing. At that point Bitcoin's price will plunge further and may approach its underlying value of zero.

The price surge in 2017 shows us that markets are capable of enormous amounts of irrationality. This is helpful for people who can't remember the stock bubble at the end of the 1990s. Favored stocks, like AOL, often reached price to earnings ratios in the stratosphere, if they even had earnings. In AOL's case, its market valuation topped out at more than $220 billion in December of 1999. When it was sold to Verizon sixteen years later the company was worth just over $4 billion. Many other high flyers of the bubble years, like Webvan and Pets.com, simply went out of business.

For those who consider 1999 and 2000 the distant past, we need only go back to 2006 and 2007 when subprime mortgage backed securities (MBS) all got top investment grade ratings from the bond rating agencies. These MBS were worth just a small fraction of their face value a couple of years later after the housing bubble burst. Nonetheless, "informed" investors placed trillions of dollars in MBS assuming them to be almost as safe as U.S. government bonds.

But even this may be too far in the past for many of today's market whizzes. For this reason we should all be thankful that we have Bitcoin to remind everyone that just because lots of money sits behind a product or company, it doesn't mean the valuation makes sense.

While I don't think we again have a bubble in the stock or housing market, there are certain stock and housing markets where irrational exuberance seems to be determining prices. To take two of my favorites in the stock market, this certainly seems the case with Tesla and Amazon.

Based on its end of year market price, Tesla had a market capitalization of $52.3 billion. (Its value had been over $60 billion earlier in the autumn of 2017, so perhaps some re-evaluations by shareholders are already taking place.) By comparison, GM had a market capitalization of $58.2 billion and Ford had a market cap of $49.6 billion.

Over the prior year GM earned over $6.5 billion in after-tax profits. Ford earned almost $4.5 billion. By contrast Tesla lost over $600 million in the third quarter of 2017 after losing $300 million in each of the prior two quarters.

Stock prices are of course forward looking, not focused on the past. Tesla investors are presumably betting that Tesla will turn around and stop making losses and rather at some future date have considerably larger profits than either of its two major U.S. competitors. The question is why would anyone believe this, and perhaps more importantly, why would anyone believe this turnaround would happen any time soon?

The idea is that Tesla will be a leader in electric cars, and that as electric cars displace gas fueled vehicles, Tesla will dominate the market. Of course anything can happen, but GM and Ford also produce electric cars, and these companies have much better records of meeting production deadlines with their products.

Perhaps more importantly, foreign car manufacturers are also producing electric cars, especially in China. China is on a path to sell close to 160,000 electric cars in the fourth quarter of 2017, more than three times the volume in the United States.

It surely is only a matter of time until they look to export these cars to the United States. Perhaps Tesla's president, Elon Musk will become a world class protectionist and insist the Chinese cars be kept out to protect his profits. But if that doesn't happen, it is difficult to see how the company's stock price could ever make any sense.

Amazon's stock price is perhaps even more out of line. Its market capitalization based on end of its yearend price was $563.5 billion. This compares to after-tax profits of $1.9 billion. Investors seem happy with Amazon because it sales continue to rise rapidly. But most of these sales come at a loss to the company, without the profits from cloud computing division the company would be showing losses.

But again, the stock price is supposed to be justified by future profits. Let's imagine what this could look like ten years out at the end of 2027. Suppose Amazon's stockholders get a 7.0 percent real return over the next decade, a modest assumption given the company currently makes almost no profits and therefore should be viewed as highly risky.

In that case, the market cap would be just over $1.1 trillion, in 2017 dollars. Suppose its sales rise at an average rate of 10 percent annually, after adjusting for inflation. This would put its 2027 sales at just over $360 billion, also in 2017 dollars. If we assume that as a relatively mature company (Amazon will be 30 years old at that point) it should have a price to earnings ratio of 20 to 1,

this implies profits of $55 billion.

To generate $55 billion in profits on $360 billion in sales, Amazon would have to mark up its prices by 15 percent over current levels. (This is after adjusting for inflation.) Perhaps Amazon could still keep its market share if it raised prices by 15 percent, but that seems a rather heroic assumption. Who knows, maybe Bitcoin will have gone to $1 million by then.

Anyhow, there are plenty of investors with lots of money to throw around. They often have no clue what they are doing as we are continually reminded by crashes in various markets. The case of Bitcoin is perhaps just a bit more obvious than most.

What does this suggest for economic theory? John Quiggin had a good piece in the NYT, pointing out how the sky-high valuations of Bitcoin undermine the efficient market hypothesis that plays a central role in much economic theory. In the strong form, we can count on markets to direct capital to its best possible uses. This means that government interventions of various types will lead to a less efficient allocation of capital and therefore slower economic growth.

Quiggin points out that this view is hard to reconcile with the dot-com bubble of the late 1990s and the housing bubble of the last decade. Massive amounts of capital were clearly directed towards poor uses in the form of companies that would never make a profit in the 1990s and houses that never should have been built in the last decade.

But Bitcoin takes this a step further. Bitcoin has no use. It makes no sense as currency and it is almost impossible to envision a scenario in which it would in the future. It has no aesthetic value, like a great painting or even a colorful stock certificate. It is literally nothing and worth nothing. Nonetheless, at its peak, the capitalization of Bitcoin was more than $300 billion. This suggests some heavy-duty inefficiency in the market.

Quiggin is on the money in his analysis of Bitcoin and its meaning for the efficient market hypothesis, but it is worth taking this line of thinking in a slightly different direction. The purpose of the financial sector is to allocate capital. In principle, we would want as small a financial sector as possible, just like we would want a small trucking sector.

Both sectors are providing intermediate services. While they are both essential for the operation of the economy, they do not directly provide benefits to people, like health care, education, and housing. In general, we think more of these and other final goods and services are better, but we want to have as few resources (labor and capital) tied up in finance and trucking as possible.

We have seen the opposite story with the financial industry over the last four decades. If we go back to the mid-1970s, the narrow financial industry (securities and commodities trading and investment banking) accounted for a bit more than 0.5 percent of the economy. It has nearly quintupled relative to the size of the economy, as it now accounts for more than 2.3 percent of US GDP. The difference of 1.8 percentage points of GDP is almost $360 billion annually in today's economy. This should be a cause for serious concern.

We currently have a bit less than 1.5 million workers employed in the trucking industry. Suppose that the industry were more than four times as large and instead employed 6 million workers. This would be a huge drain on the rest of the economy since we would have to pay for the salaries, trucks, and fuel for four times as many workers.

If we had something to show for these additional trucks and drivers then we might decide the additional cost was worth it. If it meant, for example, that we had less food spoil in transit or that we were all getting the goodies we ordered online within minutes after we clicked the purchase button, then perhaps the additional expense from this much larger trucking industry would be reasonable. But suppose we had four times as many trucks and truckers and our service was no better than it had been before.

Arguably, this is the story of the financial industry. Is there any reason to believe that it has done a better job of allocating capital to its best uses in the last two decades than it did back more than forty years ago? Sure, some innovative companies have gotten startup capital and changed the world, but that was true fifty years ago as well. Just at the most basic level, productivity growth was much more rapid in the 1950s and 1960s, when we were devoting a much smaller share of our resources to the financial sector than is the case today.

This is why I am such a big fan of a financial transactions tax (discussed in chapter 4 of *Rigged: How Globlalization and the Rules of the Modern Economy Were Structured to Make the Rich Richer* [it's free]). Even a modest financial transactions tax (FTT) would effectively take a sledgehammer to the financial industry. A tax of 0.2 percent (20 cents on one hundred dollars) on stock trades, and scaled for other financial instruments, could plausibly cut the size of the narrow financial sector in half, freeing close to $200 billion a year for productive purposes. (That's more than $600 per year for every person in the country.) In addition, this would be a huge blow against inequality since many of the richest people in the country get their income from the financial industry.

Anyhow, that's the economics of an FTT and it follows pretty directly from the demolition of the efficient market hypothesis. If we can't count on a larger market and more transactions to move us to a better allocation of capital, then let's look to make the sector smaller and stop wasting resources that accomplish nothing. This would essentially mean fewer stock trades and fewer complex financial instruments. That would be a better world.

Keynes and Econometrics

By Maria Alejandra Madi

After the 1920s, the theoretical and methodological approach to economics changed significantly. Based on a criticism of Marshall's work and legacy, a new generation of American and European economists developed Walras' and Pareto's mathematical economics. As a result of this trend, the Econometric Society was founded in 1930.

The constitutional assembly was held in Cleveland, Ohio, during the annual joint meeting of the American Economic Association and the American Statistical Association. The Norwegian economist Ragnar Frisch played an important role in the Econometric Society that was founded to enhance studies based on the theoretical-quantitative and the empirical-quantitative approach to economic problems. In this way, the founding fathers believed that economic thinking could be as rigorous as the one that dominates the natural sciences.

At the *5th European Meeting of the Econometric Society*, in 1935, Jan Tinbergen presented a paper on 'A mathematical theory of business cycle policy' that followed the Econometric Society's guidelines. His causal explanation of the business cycle began with a priori economic-theoretical considerations about explanatory variables and then he proceeded to test a model.

In the late 1930s, John Maynard Keynes and other economists objected to this recent "mathematizing" approach. Keynes, as editor of the *Economic Journal*, wrote a negative review of Tinbergen's 1939 book *A Method and its Application to Investment Activity*. This book presented a statistical testing of business cycle theories based on the application of the method of multiple regression and mathematical framing in the form of a specified model. At the core of Keynes' concern lied the question of methodology. Recalling his own words:

> *Am I right in thinking that the method of multiple correlation analysis essentially depends on the economist having furnished, not merely a list of the significant causes, which is correct so far as it goes, but a complete list? For example, suppose three factors are taken into account, it is not enough that these should be in fact veræ causæ; there must be no other significant factor. If there is a further factor, not taken account of, then the method is not able to discover the relative quantitative importance of the first three. If so, this means that the method is only applicable where the economist is able to provide beforehand a correct and indubitably complete analysis of the significant factors. The method is one neither of discovery nor of criticism. It is a means of giving quantitative precision to what, in qualitative terms, we know already as the result of a complete theoretical analysis. (Keynes 1939: 560)*

In the paragraph above, it is clear that Keynes doubted the use of inductive methods of generalization and statistical inference to build economic theories because of the peculiarity of the economic systems characterized by:

- a low degree of homogeneity,
- a high degree of complexity
- the lack of stability through time.

What was obvious to Keynes is that econometrics is applicable when the theoretical model is already known. In this respect, the problem of the selection of regressors was also highlighted by Keynes in the review of Tinbergen's book. As econometrics involves regression techniques, researchers must already have furnished a **complete list of relevant factors** - if the regression is to make sense (this point is indicated by the common reference to "omitted variable bias"). However, Keynes's concern is still ignored by vast majority of practicing econometricians: missing one relevant factor can certainly lead to misleading results. (Zaman, 2017)

Keynes's methodological contribution reflects the role of mathematics, statistics and econometrics in economics. In short, on behalf of the peculiarities of the economic systems, Keynes highlighted that econometrics - as a method - can be only applicable where the economist is able to provide beforehand a correct and indubitably complete analysis of the significant factors. Indeed, in Keynes's words, econometrics is neither "a method of discovery nor of criticism". And he adds that econometrics

> *…is a means of giving quantitative precision to what, in qualitative terms, we know already as the result of a complete theoretical analysis - provided always that it is a case where the other considerations to be given below are satisfied (Keynes, p. 560).*

At the core of his argument lies the question of methodology and his opposition to the attempt at using induction and statistical inference without any prior effort of building an economic theory. Indeed, Keynes put in question the legitimacy of econometrics as the appropriate method applied to economics.

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Corrupted Economic Research—two illustrations

By (i) Norbert Haering and (ii) Edward Fullbrook

(i) Corrupted economic research, academic gatekeepers and the media: The case of tuition fees

By Norbert Haering, Frankfurt

The stakes are high. The funding for British Universities (and the pay of vice-chancellors) has improved tremendously after tuition fees were introduced in 1998 at 1000 GBP for the wealthier students and raised to 9250 GBP for all students today. This funding out of the pockets of students seems endangered, as evidenced by a speech of Prime Minister Theresa May on February 22 in which she caved in to strong political pressure and announced a thorough review of the system of university funding. One of the main topics of the review will be how to ensure that tertiary education is accessible to everyone from every background.

Quite conveniently for the universities, three educational economists, in September 2017, published a piece in the prestigious Working Paper series of the National Bureau of Economic Research titled: "The End of Free College in England: Implications for Quality, Enrolments, and Equity"(Note: link goes to a revised version). In this piece they purport to show that "tuition fees, at least in the English case supported their goals of increasing quality, quantity, **and equity** in higher education". (emphasis added)

For the European readership they published the same paper as a discussion paper of the Center for Economic Performance at the London School of Economics and Political Sciences, which is funded by the Economic and Social Research Council, and summarised their finding on 21 October on the platform *Vox* (voxeu.org) of the London-based Centre for Economic Policy Research under the title: "The real costs of free University: Lessons from the UK". Vox reports 12,500 reads for this piece.

A surprising finding

In their paper, Richard Murphy (U. of Texas, Austin), Judith Scott-Clayton (Columbia) and Gillian Wyness (University College London) claim to have found that the British system of tuition fees has improved enrolment numbers for young people from disadvantaged households - both in absolute terms and relative to those from wealthier households. Authors and involved institutions made sure that the media took note of these findings, especially the most surprising one about the narrowing of the enrolment gap between rich and poor students after steep fees were introduced. Daily Mail, Bloomberg, Forbes and others reported prominently about this. The headlines and bullet-points read:

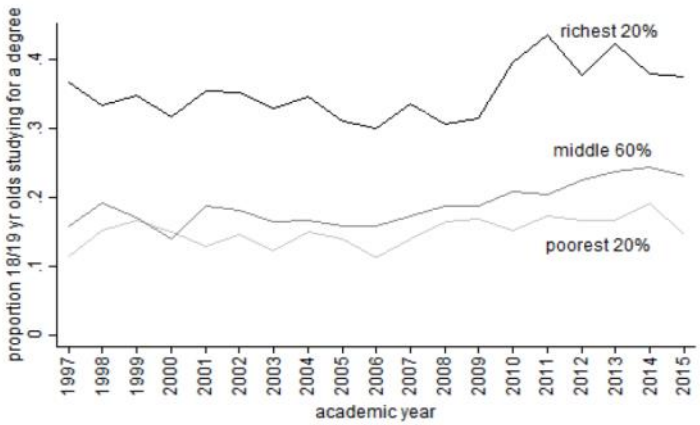
"England Ended Free College -- Which Was Great For Students" (Forbes)

"Free College Would Help the Rich More Than the Poor. *Bernie Sanders's idea sounds great, but there are better ways to aid students who can't afford tuition*" **(**Bloomberg**)**

"Twice as many poor students attend universities since fees were brought in: Fifth of those from homes in the lowest income bracket now study. *Biggest growth in numbers has been among those from lowest income families. Study casts doubt on claims that fees discourage poorer pupils from university*" (Daily Mail)

These statements, which are all based on the reported research results of the trio, have turned out to be plain wrong. The authors claim that the enrolment-rate of the most disadvantaged households rose the most from 1997 to 2015 and that it doubled in that period to 20 percent. The corresponding graph of the data, however, shows only a small increase from about 11 to about 13 percent in the bottom quintile. It can be seen, that the increase in enrolment of the middle 60 percent of the distribution is significantly more pronounced.

Figure 9: Percentage of 18/19 Year Olds Enrolled in College, by Parental Income



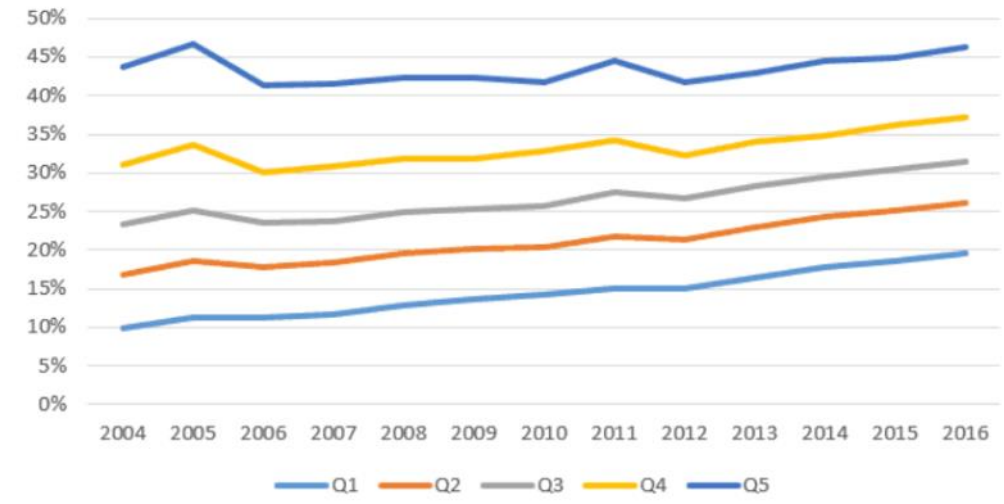
Source: Authors calculations using Secure Lab: SN6727 Quarterly Labour Force Survey, 1992-2016: Secure Access data. Figure cannot be extended prior to 1997 due to small sample sizes.

I pointed out the discrepancy to the authors. One of them, Wyness, admitted the mistake and (wrongly) claimed that the numbers referred to a different graph, which had inadvertently been left out. She pointed me to a weblog article called "Up, up and away: the era of high tuition fees" from 7 December, in which she supports the claim with more evidence. (If you follow the link, don't be surprised about the author you might see there. It will be explained later.) Wyness also declared upon request that there was no need to correct the fac-

tual mistake in the other publications, as it was only preliminary research. She apparently did not consider that the extended media reporting of her false preliminary research would make a correction necessary.

On inspection, it turned out that Wyness' description of the additional evidence provided in the post on the specialized weblog *WonkHE* is again highly misleading. She presents a graph of enrolment rates over time by regions, which are divided into quintiles according to regional enrolment rates. Text and headline, however, falsely represent the data as pertaining to quintiles of households. Only if you know what "POLAR3" means, or look it up in the source report, will you find out that you have been misled. The increase of enrolment from 10 to 20 percent is there to see in the graph, but it refers to a different time-frame and to regions instead of households. Thus, the claim of the faulty NBER paper that the enrolment-rate of the most disadvantaged households rose the doubled from 1997 to 2015 to 20 percent cannot possibly refer to this graph.

Figure 3: 18-year-olds in England entering HE by quintiles of advantage



Source: UCAS end of cycle report (2016 and 2013), advantage measure is POLAR3 quintile

Since this started to appear like intentional misleading of readers and the media, I asked CEPR-director Richard Baldwin, editor-in-chief of *Vox*, and James Poterba, president of NBER on 23 January, about their policies regarding correction or retraction of erroneous or fraudulent preliminary research published on their publication channels. I explained the problems with the tuition paper. Baldwin reacted with a request for further explanation and then did not answer further requests for comment. Poterba reacted swiftly. He alerted the authors to the possibility of posting revised working paper versions in the NBER series, which they soon did. The misleading statements on *Vox*, in contrast, have not yet been corrected or retracted, nor has the Wyness blogpost on *WonkHE*.

The revised paper was faulty again

The revised NBER Working Paper was, however, misleading in the relevant section again. The authors corrected the false description of the time-series on students by income. They proceeded by saying that this data was not very reliable. They added the graph from the Wyness-blog-post depicting the data by regions. As Wyness had done in the blogpost, they presented the regional data as if it was household data. Only in a footnote they explained that it was not really household data (admitting, by implication, that the household-terminology used in the main text was wrong and misleading).

I alerted James Poterba to this discrepancy and to the fact that the unsubstantiated claim that equity had improved was still in the abstract of the paper, despite not being backed up by anything in the paper any more. He had the authors provide a second revision, which is the one, which is currently (2 March) on-line. In this revised version, authors clearly state that the additional data was by region only. They do not even attempt to explicitly argue that narrowing enrolment differences by region would imply narrowing differences by parental income: Still, the abstract with the claim of improved equity remained unchanged:

"We conclude that tuition fees, at least in the English case supported their goals of increasing quality, quantity, and equity in higher education."

A prequel

The NBER Working Paper was preceded by a working paper published by the Brookings Institution in the US in April 2017. Notably, this paper, which was based on the same data and graphs in the relevant section, had a much more modest claim regarding equity. Above the same graph with the enrolment rates of poor and more affluent students it asked: "Have socioeconomic gaps in enrollment declined after the 1998 reforms?" and answered: "They have at least stabilized."

There does not seem to have been much media interest in that moderate and seemingly correct finding. It

seems hard to interpret the change in data description from fairly correct to plain wrong as an innocent error. The reasoning given by Wyness is implausible. The ostensibly forgotten graph that she produced in her blog-entry in December does not at all lend itself to the description given in the NBER working paper. Rather it seems to have been constructed later, with a time-span chosen to yield the doubling of enrolment to 20 percent, in order to give those who had noticed the error in the NBER and CEP working paper an innocent explanation for the "error".

Even further back in 2011, Wyness was co-author of a study funded by the Institute of Fiscal studies, on "The Impact of Tuition Fees and Support on University Participation in the UK". In this study, she and her co-authors Lorraine Dearden and Emla Fitzsimons concluded "that tuition fees have had a negative effect on participation, with a £1,000 increase in fees resulting in a decrease in participation of 3.9 percentage points." This inconvenient older result of Wyness is not mentioned in the NBER Working Paper or her other current publications with the opposite result. The 2011 working paper led to a journal publication in 2014, which conveniently did not include the tuition aspect and focused only on the cost-of-living support. This 2014 paper also does not mention the 2011 paper.

Unwillingness to correct a convenient finding

The authors had to be pushed to correct the blatant and admitted error in the NBER Working Paper by NBER-president James Poterba, who had reacted swiftly in both cases after he was notified of the mistakes. He did not go beyond having the most blatant mistakes corrected. Despite the suspicious circumstances, he did not seem to make any effort to check that the central claims of the paper contained in the abstract were still valid after the revision. After being alerted to the problem, he did not react. Thus, even readers looking at the abstract of the revised version of the paper will go away with the distorted impression that there is evidence that the enrolment gap between poor students and more affluent-students has narrowed after the introduction of high tuition fees. The same is true for Center of Economic Performance. Since I came across the CEP discussion paper later, CEP Director Stephen Machin was only alerted on 26 February to the issue. On 27 February he informed me, that the authors had now revised the Discussion Paper. This was more than a month after Wyness had admitted to the error. As in the case of the revised NBER Working Paper, the abstract remained unchanged, even though authors do not claim any improvement in equity any more in the relevant section of the paper.

This is not a satisfactory outcome of a correction exercise, though NBER's and CEP's are the best performances in this respect.

The authors did not revise any publication whose gate-keepers did not push them to do so. The Vox-article remains unrevised, even though editor Baldwin had been alerted. The same is true for Wyness' blog-piece on WonkHE.

On 25 January 2018 Wyness presented her group's findings at the Economic and Social Research Institute (ESRI) in Dublin. According to the ESRI-report on the event and the slides presented, she seems to not have seen a need to correct the misleading wording in past publications on their joint research.

The media did not seem to care at all about correcting the strong and wrong claims about the impact of tuition fees, which they had widely distributed.

Economics-blogger Noah Smith, author of the piece on Bloomberg, and a responsible editor of Bloomberg, did not respond after being alerted by E-mail on 22 February that the relevant sections of the NBER paper have been revised. To my knowledge, Smiths reporting on Bloomberg has not been corrected.

Author Eleanore Harding of Daily Mail was also alerted on 22 February. She did not respond. I was not able to locate any correction by Daily Mail.

Forbes (corrections@forbes.com) was alerted on February 26 to the revisions of the research, on which the magazine had reported. There was no reaction or correction so far, to my knowledge.

Summary and assessment of the success of this academic disinformation campaign

The authors stuck an easily detectable spectacular and surprising claim into a working paper, which they had published in a correct and more moderate version before. They presumably alerted the media to the strong finding. Few seemed to notice the mistake or care. For those who did notice, an innocent error was admitted and they were referred to a weblog piece with misleading information, which ostensibly better founded the claim. The conveniently mistaken statement was reported widely in the context of the heated discussion about tuition fees. After the error was exposed, authors first did not want to correct it. Of the gate keepers of the scientific distribution channels, only NBER and CEP cared somewhat to have the false claim corrected and were satisfied with having that done rather unobtrusively and partially. Hardly anybody will have noticed the revision, since the abstract remained unchanged and the reason and content of the revision was not specified. CEPR's Vox did not care about a correction of the errors, which were pointed out to them. None of the media outlets, which had reported the false conclusions, and were alerted to the revision, replied or (to my knowledge) corrected the misleading reports, with which they had influenced the

public debate. The wrong claim in the paper can still be classified as a great public relations success for tuition supporters and universities, despite having been exposed as fake and partly revised. It might, however, put the reputation of the authors and some of the academic gatekeepers in danger.

Norbert Haering is a financial journalist, book author and blogger.

(ii) Bribe Offers for Academics

By Edward Fullbrook

Norbert Häring's story about misleading academic research reminds me of another story.

Big-money offering bribes to academics is, I suspect, more common than people, including academics, realize. I first encountered the practice when I was an undergraduate. My university's most popular course, "Insurance", was taught by an economics professor whose students affectionately called Doc Elliot. He taught not only how the insurance industry purported to work, but also how it really worked, and he frequently accepted off-campus speaking engagements.

Doc Elliot may be the only person who has ever lived who could talk insurance and make people laugh. Certainly, he was the funniest person I'd ever known; and, despite our 35-year age gap, we became friends of a sort. One day I was sitting with him in his office when, handing me a business letter, he said, "Here, this is what a bribe offer looks like."

The letter was from a national association of insurance companies. It praised his eminence as a world authority on insurance and said they would like to be able to occasionally call on him for advice. For this they would pay him $80,000 a year. At the time the university's highest professor's salary was $10,000, and so far as I know there was no money in this professor's family.

"In the world we live in," explained Doc Elliot, "refraining from telling the truth is often worth lots more than telling it. I get between-the-lines offers like this all the time. But I think this one deserves to go up on my bulletin board."

EDITOR'S NOTE

Do you have any examples of compromised research or distorted presentation of research findings? Have you been pressured to frame your research to suit an agenda? We would be interested to hear. Either comment on this article or send me an email.

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