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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.

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Game Theory — A Severe Case of ‘as if’ Model Platonism

By Lars Syll

The critic may respond that the game theorist’s victory in the debate is at best Pyrrhic, since it is bought at the cost of reducing the propositions of game theory to the status of ‘mere’ tautologies. But such an accusation disturbs the game theorist not in the least. There is nothing a game theorist would like better than for his propositions to be entitled to the status of tautologies, just like proper mathematical theorems.

Ken Binmore

When applying deductivist thinking to economics, game theorists like Ken Binmore set up ‘as if’ models based on a set of tight axiomatic assumptions from which consistent and precise inferences are made. The beauty of this procedure is, of course, that *if* the axiomatic premises are true, the conclusions necessarily follow. The snag is that if the models are to be *real-world relevant*, we also have to argue that their precision and rigour still holds when they are applied to real-world situations. They often do not. When addressing real-world systems, the idealizations and abstractions necessary for the deductivist machinery to work simply do not hold.

If the real world is fuzzy, vague and indeterminate, then why should our models build upon a desire to describe it as precise and predictable? The logic of idealization is a marvellous tool in mathematics and axiomatic-deductivist systems, but a poor guide for action in real-world systems, in which concepts and entities are without clear boundaries and continually interact and overlap.

Seen from a deductive-nomological perspective, typical economic models (M) usually consist of a theory (T) — a set of more or less general (typically universal) law-like hypotheses (H) — and a set of (typically spatio-temporal) auxiliary assumptions (A). The auxiliary assumptions give ‘boundary’ descriptions such that it is possible to deduce logically (meeting the standard of validity) a conclusion (explanandum) from the premises T & A. Using this kind of model game theorists are (portrayed as) trying to explain (predict) facts by subsuming them under T, given A.

“Clearly, it is possible to interpret the ‘presuppositions’ of a theoretical system … not as hypotheses, but simply as limitations to the area of application of the system in question. Since a relationship to reality is usually ensured by the language used in economic statements, in this case the impression is generated that a content-laden statement about reality is being made, although the system is fully immunized and thus without content. In my view that is often a source of self-deception in pure economic thought …

A further possibility for immunizing theories consists in simply leaving open the area of application of the constructed model so that it is impossible to refute it with counter examples. This of course is usually done without a complete knowledge of the fatal consequences of such methodological strategies for the usefulness of the theoretical conception in question, but with the view that this is a characteristic of especially highly developed economic procedures: the thinking in models, which, however, among those theoreticians who cultivate neoclassical thought, in essence amounts to a new form of Platonism.”

Hans Albert

An obvious problem with the formal-logical requirements of what counts as H is the often severely restricted reach of the ‘law.’ In the worst case, it may not be applicable to any real, empirical, relevant, situation at all. And if A is not true, then M does not really explain (although it may predict) at all. Deductive arguments should be *sound* – valid and with true premises – so that we are assured of having true conclusions. Constructing game theoretical models assuming ‘common knowledge’ and ‘rational expectations,’ says nothing of situations where knowledge is ‘non-common’ and expectations are ‘non-rational.’

Building theories and models that are ‘true’ in their own very limited ‘idealized’ domain is of limited value if we cannot supply bridges to the real world. ‘Laws’ that only apply in specific 'idealized' circumstances — in 'nomological machines' — are not the stuff that real science is built of.

When confronted with the massive empirical refutations of almost all models they have set up, many game theorists react by saying that these refutations only hit A (the Lakatosian 'protective belt'), and that by 'successive approximations' it is possible to make the models more readily testable and predictably accurate. Even if T & A1 do not have much of empirical content, if by successive approximation we reach, say, T & A25, we are to believe that we can finally reach robust and true predictions and explanations.

Hans Albert's 'Model Platonism' critique shows that there is a strong tendency for modellers to use the method of successive approximations as a kind of 'immunization,' taking for granted that there can never be any faults with the theory. Explanatory and predictive failures hinge solely on the auxiliary assumptions. That the kind of theories and models used by game theorists should all be held non-defeasibly corroborated, seems, however — to say the least — rather unwarranted.

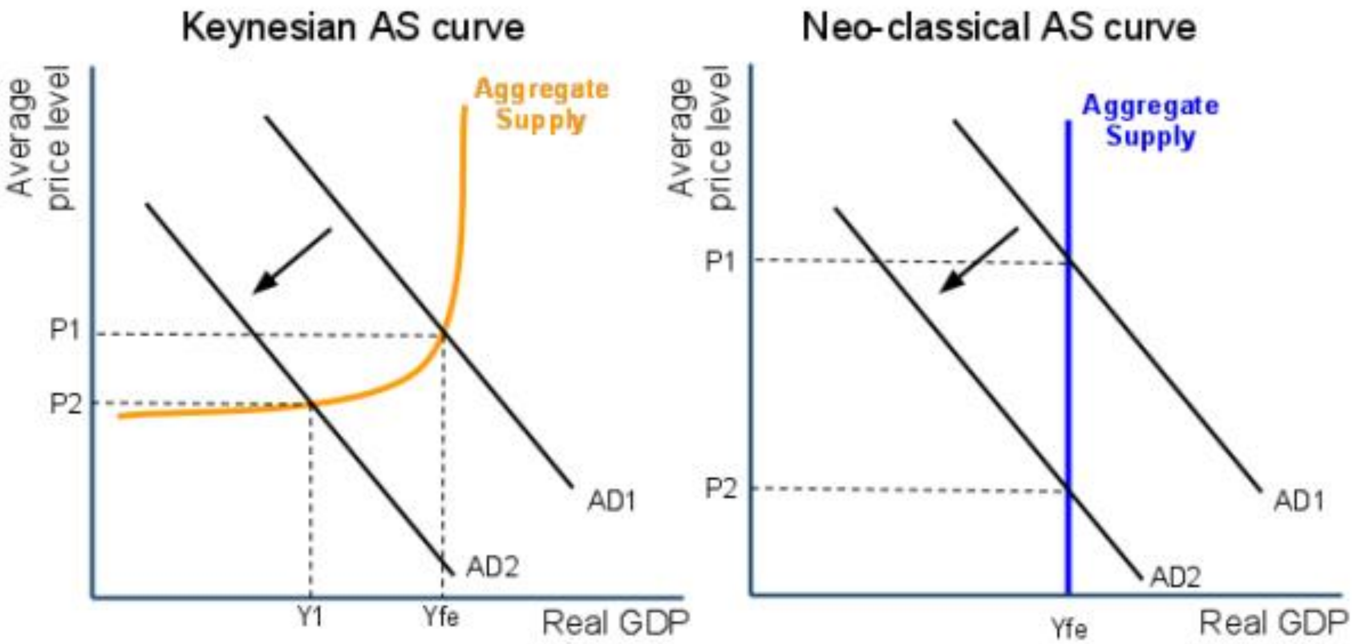
Retreating — as Ken Binmore and other game theorists — into looking upon their models and theories as some kind of 'conceptual exploration,' and give up any hopes whatsoever of relating theories and models to the real world is pure defeatism. Instead of trying to bridge the gap between models and the world, they simply decide to look the other way.

To me, this kind of scientific defeatism is equivalent to surrendering our search for understanding and explaining the world we live in. It cannot be enough to prove or deduce things in a model world. If theories and models do not directly or indirectly tell us anything about the world we live in – then why should we waste any of our precious time on them?

[Originally published here on the RWER Blog]

Utopia and Macroeconomics

By David Ruccio



From the beginning, mainstream macroeconomics has been a battleground between the visible and the invisible hand.

Keynesian macroeconomics, represented on the left-hand side of the chart above, has an aggregate supply curve with a long horizontal section at levels of output (Y or real GDP) below full employment (Yfe). What this means is that the aggregate demand determines the actual level of output, which can be and often is at less than full employment (e.g., when AD falls from AD1 to AD2, output to Y1, and prices to P2), with no necessary tendency to return to full employment and price stability. Therefore, according to Keynesian economists, the visible hand of government needs to step in and, through a combination of fiscal and monetary policy, move the economy toward full employment (at Yfe) and stable prices (at P1).

Neoclassical macroeconomists, like their classical predecessors, have a very different view of the macroeconomy, which is represented on the right-hand side of the chart. They start with a vertical aggregate supply curve at a level of output corresponding to full employment. Therefore, according to their theory—often referred to as Say's Law or "supply creates its own demand"—aggregate demand does not determine the level of output; instead, it determines only the price level. Thus, for example, if aggregate demand falls (e.g., from AD1 to AD2), output does not change (it remains at Yfe)—only the price level falls (from P1 to P2). On the neoclassical view, the invisible hand of the market maintains full employment (through the labor market) and reverses price deflation (through the so-called real-balance effect) by boosting aggregate demand (back to AD1 from AD2).

Anyone who has read or heard the intense debates concerning capitalism's recurrent crises, recently and going back to the 1930s, knows that there are significant theoretical and policy differences between Keynesian and neoclassical macroeconomists. For example, Keynesians focus on uncertainty (especially the uncertain knowledge of investors) and the important role of government (especially fiscal) policy, while neoclassicals emphasize the supply side (especially the role of correct "factor prices," particularly wages) and the necessity of getting government out of the way of markets (relying, instead, on rules-driven monetary policy).*

But there are equally significant similarities between the two approaches. For example, both Keynesian and neoclassical economists tend to blame economic downturns on exogenous events. There is nothing in either theory that recognizes capitalism's inherent instability. Instead, mainstream macroeconomists of both stripes direct their attention to equilibrium outcomes—of less-than-full employment in the case of Keynesians, of full employment for neoclassicals—such that only something outside the model can shift the underlying variables and cause the economy to move away from equilibrium. That's why neither group was able to foresee the crash of 2007-08, let alone the other eighteen recessions and depressions that have haunted capitalism during the past century. Their theories literally don't include the possibility, endogenously created, of capitalism's ongoing crises.

There's another, perhaps even more important, similarity I want to draw attention to here: their shared utopianism. The premise and promise of both Keynesian and neoclassical macroeconomics is that, with the appropriate institutions and policies, capitalism can be characterized by and should be celebrated for achieving full employment and price stability. Those are the shared goals of the two theories. And their criteria of success. Thus, each group of macroeconomists is able to claim a position of expertise when the actual performance of the economy achieves, or at least moves closer and closer to, a utopia characterized by levels of output and a price level that corresponds to full employment and price stability.

It is precisely in this sense that the economic utopianism of mainstream macroeconomics conditions and is conditioned by an epistemological utopianism. Because they *know* how the macroeconomy works—because of their theoretical and modeling certainty—both Keynesian and neoclassical macroeconomists claim for themselves the mantle of scientific superiority. These are the lords of macroeconomic policy, domestically and internationally, moving back and forth among their positions as academics, corporate advisers, and policy experts. Hence the persistent claim on both sides that, if only the politicians and policymakers listened to them and adopted the correct economic policies, everything would be fine. Not to mention the ongoing complaints, again on the part of both groups of mainstream macroeconomists, that their advice has been ignored.

That, of course, is where the critique of mainstream macroeconomics begins—with a radically different utopian horizon. When the explanations and policies of either side are said to have failed, there's a shift to the opposing viewpoint. Thus, for example, neoclassical macroeconomics held sway (in the United States and elsewhere) in the run-up to the crash of 2007-08—just as it had in the years preceding the first Great Depression. Leading macroeconomists and their students had moved away from and largely ignored anything that had to do with Keynesian macroeconomics (including, most notably, Hyman Minsky's writings on financial instability). Then, of course, the tables were turned and at least some mainstream macroeconomists went back and discovered (many for the first time) the theories and policies associated Keynesian tradition.

It's a familiar back-and-forth pendulum swing that we've seen in many other countries, in other times. From neoclassical free markets and deregulation to government stimulus and one or another form of reregulation—and back again. But we also need to recognize that the failures of mainstream macroeconomics, when examined from an alternative perspective, have actually succeeded. As I wrote back in 2010, the failure of neoclassical macroeconomists were apparent to many: they

> *failed to see the onset of the current crises; they have had little to offer in terms of understanding how the crises occurred even after the fact; and they certainly haven't had much in the way of good policy advice to solve the problems of unemployment, poverty, and inequality. . .*
>
> *On another level, mainstream economists have succeeded. Not only have they maintained their hegemony within the discipline; their models and policy advice have kept the discussion confined to tinkering with the existing set of capitalist institutions. In terms of policy: a bail-out of Wall Street and a mild set of financial reforms, a small stimulus program, and an expansionary monetary policy. And intellectually: a*

rediscovery of Keynes and an allowance of behavioral approaches to finance. They haven't proposed even the public works programs and financial reorganization of the New Deal, let alone an honest debate about capitalism itself.

In this sense, the continued failure of mainstream economists has become a success for capitalism.

That's why we need to question the shared utopianism of the two sides of mainstream macroeconomics. What has gone missing from much of the current debate, even outside the mainstream, is that full employment and price stability are consistent with the worst abuses of contemporary capitalism. As David Leonhardt recently explained,

The headlines may talk about growth, but we are living in a dark economic era. For most families, income and wealth have stagnated in recent decades, barely keeping pace with inflation. Nearly all the bounty of the economy's growth has flowed to the affluent.

And if you somehow doubt the economic data, it's worth looking at the many other alarming signs. "Deaths of despair" have surged. For Americans without a bachelor's degree, one social indicator after another — obesity, family structure, life expectancy — has deteriorated.

There has been no period since the Great Depression with this sort of stagnation. It is the defining problem of our age, the one that aggravates every other problem. It has made people anxious and angry. It has served as kindling for bigotry. It is undermining America's vaunted optimism.

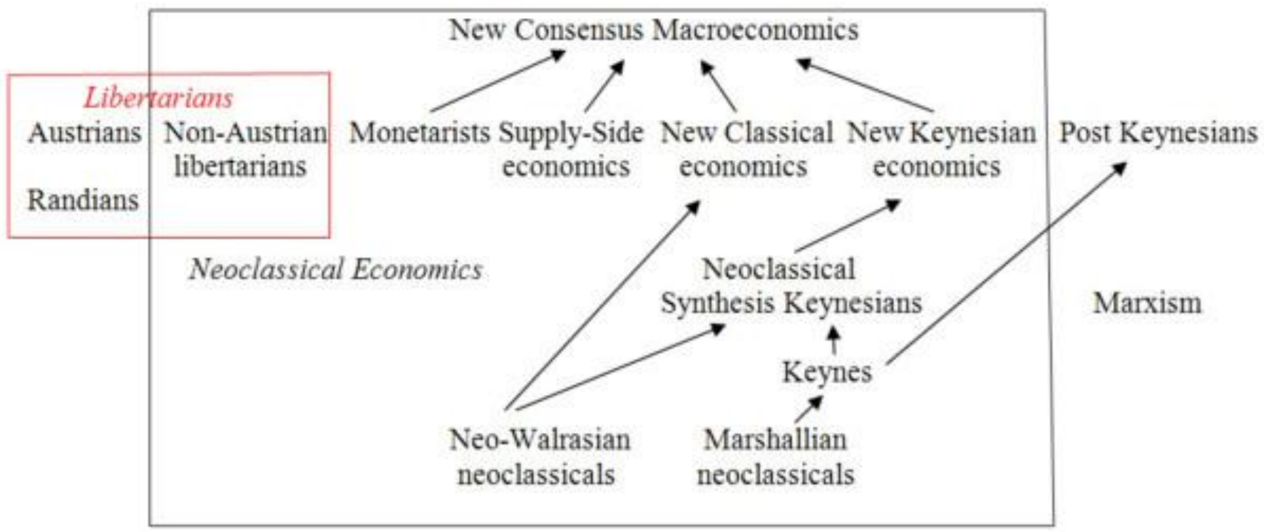
In fact, an even stronger argument can be made: the various attempts to move the economy toward full employment and price stability have created the conditions whereby capitalism has both broadened and deepened its presence and made the lives of the vast majority of people even more unstable and insecure.

The utopianism of mainstream macroeconomics represents a dystopia for "most families" attempting to survive within contemporary capitalism.

What's left then is a critique of the assumptions and consequences of mainstream macroeconomics—of both neoclassical and Keynesian economic theories. The goal is not just to tinker with the theories (e.g., by bringing finance into the discussion) or the policies (such as technocratic changes to the tax code and raising the level of productivity). Recognizing how narrow the existing discourse has become means we need to question the entire edifice of mainstream macroeconomics, including its utopian promise of full employment and price stability.

Only then can we begin to recognize how bad things have gotten under both the successes and failures of mainstream macroeconomics and to imagine and invent a radically different set of economic institutions.

That's the only utopian horizon currently worth pursuing.



*Throughout I refer to two groups of Keynesian and neoclassical macroeconomists. But, of course, both theories have changed over time. Today, the two opposing sides of mainstream macroeconomics are constituted by new Keynesian and new classical theories, with increased attention to the "microfoundations" of macroeconomics. The former emphasizes market imperfections (such as price stickiness and imperfect competition), while the latter dismisses the relevance of market imperfections (and emphasizes, instead, flexible prices and rational expectations). And then, of course, there's the ever-shifting middle ground, which is the basis of a macroeconomics according to which new Keynesian and new classical are both valid, at different points in the business cycle. Like the earlier neoclassical synthesis, the middle ground of "new consensus macroeconomics" is the approach presented to most students of economics.

[Originally published here.]

A Better Way for Development Theory and Practice

By Habtamu Girma Demiessie

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The ultimate objective of academia and policy regimes lies in promoting the wellbeing of people. Hence, devising theoretical and practical tools meant to scale up the well-being of people and communities is at the heart of academic and policy endeavours. Taking the particular context of the developing world, however, the teachings and practices on issues of well-being are blurred, if not too abstract.

As emerging empirical evidence from development literature suggests, old ways of looking at theory and practice that was intended to address the welfare of communities doesn't appeal in the particular contexts prevailing in the developing world. As a result of that, it is not unusual to observe that development policies have remained ineffective. As a postgraduate student of economics, I remember what our professor told us from his rich experience in development teachings and practices in Ethiopia and other countries in Africa. Worth recounting, in this regard, was why communities often are nostalgic about the past. It is becoming customary in development discourse that post-intervention studies carried out often produce unexpected results, where subjects are far less content with the outcome and even plea for the pre-intervention days. This is despite communities' material needs being better served as a result of interventions aimed at community development. More often than not, development theorists and practitioners are unable to explain those instances, which they ascribe to a paradox, the *nostalgia effect*.

In my view, if one thoroughly looks into the issue, there is no paradox with the *nostalgia effect*, and it could be explained. The pillar of my assertion goes to the conventional teachings and practices on development, which I suggest is based on a distorted understanding of the concept of well-being. The dominant narratives in development literature takes for granted development synonymous with material fulfilment. Crucially, the role and importance of non-material aspects of life are considered a residual.

So whom to blame then?

As I understanding it, developing countries are underdeveloped because of corrupt education and policy regimes. With *today`s teachings are tomorrow`s policies*, where there is a fault in the education system, there would be mess in the policy regimes and overall governance system too. Development literature demonstrates the link between the education system and underdevelopment. Dependency theory, one of the post-colonial development theories, has a controversial but important narrative as to why developing countries are underdeveloped. Dependency theory begins by segmenting the whole world into developed and underdeveloped, not only for economic or structural reasons, but also on the nature of their relationships. *False paradigm hypothesis*, a subsidiary of dependency theory, describes the sort of interactions between developed and developing world as unfair, if not deceptive. According to its narrative, the developed world has been injecting misleading curriculum and policy regimes to weaken countries on the 'periphery' of development horizon. Some hardliner intellectuals even dub such a relationship between the two polar worlds as post-modern colonization. Their argument is that the education system is the major tool of post-modern colonization. Structural economists assert that the intellectuals and policy practitioners of the developing world are products of those corrupt education systems, and hence it is unrealistic to expect that they would come up with theoretical and policy tools which address the real developmental challenges of their people.

In my opinion, one should not overlook the perspective of dependency theory. Indeed, a number of empirical studies attest that the education system and policy regime of developing countries, including Ethiopia, are incompatible with institutional, structural and socio-cultural and value systems specific to their people and communities in general. According to those studies, the bedrock of underdevelopment in developing countries is a *'one size fits all'* principle dominating the academic and policy regimes. Some manifestations of this problem are: overlooking the importance of indigenous knowledge to promote the well-being of people; considering all the western ideals and thoughts as righteous (in an almost cult-like fashion). On the other hand, local wisdom was taken as irrelevant or not modern.

In many instances, those challenging those corrupt educational systems and policy regimes have been punished. Intellectuals who defy western thought and emphasize the need to look inward encounter setbacks, where their work is often portrayed as sub-standard and irrelevant. Their work would also be suppressed, lest it be disseminated and enlightens the victims. Therefore, where such is a governing reality in the academia and policy regimes, expecting the academicians, researchers, policy makers and/or implementing bodies to remedy the complex developmental challenges of their people and communities is like *expecting honey from a fly*, as one Amharic proverb goes.

What is expected of the academia and policy circles then?

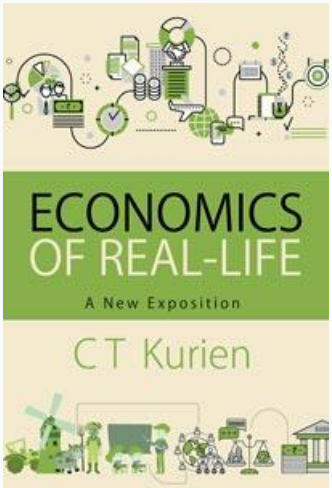
My suggestion lies in the need to challenge the conventional development theory and practices, based on the principle of *one size fits all,* from philosophical, theoretical, methodical and policy perspectives. Hence, it is expected to pinpointing alternative ways out of underdevelopment and promoting wellbeing of people and communities in the developing world in general. More specifically, it confronts one of the characteristics of the dysfunctional education and policy regimes prevailing in underdeveloped world, namely the disregard of the role and/or importance of socio-cultural institutions of communities in defining the fabric of all aspects of governance and public life. To that end, key areas of emphasis ought to be exploring the linkage between behaviours (motivation) of people on one hand, and the overall environment on the other. It also requires modelling the behavioural and institutional elements specific to the developing world, focusing on the unique conditions of particular communities. Academic endeavours must also draw inferences on behavioural (motivational) and institutional or structural elements and their possible implications for the well-being of people and communities of interest.

All in all, academic and policy circles have to depart from the conventional paradigm. As such, development theories have to make be based on an interdisciplinary approach. Therefore, diverse fields of social science and methodological approaches are required for synthesizing, explaining and making inferences on the wellbeing concept. Development policy should also be redesigned to be more case-specific. Rather than adhering a top-down approach, policy regimes should be designed and formulated on the local realities and contexts. When evaluating development practices, a host of variables need to be considered. As such, formulating policies and strategies aimed at promoting the welfare of communities should take into account factors in the realm of economics, sociology, anthropology, psychology, past system of governance, history, geo-politics & geography, among others. This is how the academic and policy regimes revisited to better serve the expectations of helping achieve collective wellbeing.

On Kurien's new book, *Economics of Real-Life*

By Stuart Birks

CT Kurien is still active, despite his advanced years and failing eyesight. His latest book is *Economics of Real-Life: An Exposition**. It is deceptively simple in exposition, given that it is based on a depth of knowledge. Step by step, the reader is led through an alternative way of looking at an economy, building from the simplest of communities to, by the end of the book, a global economy. In doing so, he deviates from the mainstream division of the economy into households and firms, identifying instead nine different units and the links between them.



As with his earlier *Wealth and Illfare*, Kurien uses thought experiments to build an understanding of the evolution of economic relationships. In this book, the structure is more developed, with a more nuanced structure than the mainstream distinction of households and firms. Households can be involved in production as well as consumption, and they are not homogeneous. For example, households can be labour poor, subject to a labour constraint (e.g. landowners), or capital poor, subject to a resource constraint (e.g. landless labourers). Consequently specialisation of roles and imbalances of negotiating power can be considered.

Kurien notes that economic relationships tend to get 'institutionalised', thereby providing a sense of stability. Study of such institutions, therefore, forms an important part of economics. Ownership is a matter of social relationships. Traders are seen as an important determinant of the structure and evolution of an economy, and with their arrival "production increasingly becomes a specialised activity and the space between the producer and the consumer widens" (p.116). Even in production, there are intermediate goods, many of which are allocated through markets. Wherever there are markets, there are merchants, so the producer-consumer link is generally by no means direct. A nuanced view of society and its economic dimension can be developed through a focus on **ownership, authority, intermediation and asymmetry of information**. As intermediaries and knowledge asymmetries are important, social structures evolve, resulting from and enhancing differences. In addition, the importance of authority in decision making indicates that economics and politics are interrelated.

Kurien identifies the cherry picking of Adam Smith that can be found in modern mainstream texts. While self-interest may be a motivator, Smith also recognises (at the same point in his *Wealth of Nations*) the need for co-operation, saying of man, "In civilised society he stands at all times in need of the co-operation and assistance of great multitudes". Kurien also notes the misrepresentation of Smith's reference to the "invisible hand".

"President Sarkozy expressed concern that while GDP indicated steady increase and progress the perception of most citizens was that life was becoming more and more difficult, and pointed out that 'we have built a cult of data, and we are now enclosed within it' and that reality appeared to be 'completely out of synch with the story told by the data'." (p.150)

Rather than consumer sovereignty, Kurien notes the importance of consumer manipulation (through advertising, etc.). Similarly shareholding results in capitalist ownership being a form of "fleeting ownership". Finance also sees the growth of "proxy wealth", "a claim on physical wealth that can easily be transacted, unlike physical forms of wealth" (p.98). This can cause problems, "creation and possession of proxy wealth can easily become substitutes for increasing real wealth. Finance then becomes the agency for this aberration." There can be extreme economic and social consequences of this development. Kurien's discussion of the government's supervisory powers encapsulates some strong arguments as to why we should not really think of the being a "market economy" independent of government.

Kurien sees his Chapter 9 as key to the book. Tt presents a clear description of his analytical structure. The economy can be seen as a network of participants and activities, units and links. These result in nine different types in his table on p.117. There are not only various types of households and economic units such as firms and banks, but also traders are separately identified. "If multilateral exchange is one of the main links in a modern economy drawing in practically all its different units into interaction, the role of the trader cannot be minimised" (p.121). In addition, he expressly states that the economy is "always in a state of flux", challenging the perspectives that focus on equilibrium.

As a further step away from economics based on perfect competition and closer to reality, "most markets are controlled by a few producer-trader combines that can easily fix prices" (p.134). How suited is mainstream economics for guiding policy in such situations?

Chapter 12 covers the emergence of MNCs. It presents a broad sweep of global world economic events since WWII.

Later chapters contain an interesting brief description of events in the Indian economy, especially since independence, plus some further speculation on policy issues and possible future development paths.

While aimed primarily at an Indian audience, you should not be put off by that. It is a worthwhile read for those with an interest in economics more generally. Central to the book is the view that economies are always changing, and so economics must adapt also to be relevant to the country and time under consideration. Consequently there is a need for 'substantive logic' based on the nature of the problem under consideration, rather than internally logically consistent axiomatic approaches.

"By 1990, the largest 100 MNCs (excluding those in banking and finance) accounted for 16 per cent of the world's productive assets, one third of it outside their respective home countries...At the end of the 20th century, 80 per cent of MNC employees were in developing countries...The MNCs have become champions of outsourcing...such arrangements usually involve specification of design, supply of raw materials and credit and the purchase of the entire output...bringing material into the country and taking goods outside the country are essentially 'inter-departmental' transfers not subject to duties of the state. It also provides the corporation a great deal of freedom in pricing. Many goods that enter global trade, therefore, get priced through this internal 'transfer pricing' while the MNCs claim to be champions of prices being determined by the market...The internet revolution...became the big facilitator of the MNCs in their global activities." (pp.155-156)

The framework is one that allows for multidisciplinary analysis and highlights the limitations of a mainstream economics perspective. These are, in particular, the mainstream emphasis on equilibrium, its reliance on its own concept of a utopian economy, the artificial distinction between a market economy and the political system and public sector.

"For division of labour to become effective, it has to be accompanied by acceptable arrangements for exchange. The social organisation of market is acceptable, but there must be arrangements to ensure that intermediaries do not capture the market...Capitalist markets do not satisfy this criterion." (p.233)

* Kurien, C. T. (2018). *Economics of Real-Life: A New Exposition*. New Delhi: Academic Foundation.

Economics Education and Pedagogy.

Malgorzata Dereniowska Interviews Peter Söderbaum

Malgorzata Dereniowska: *Welcome to "Dialogos: Economics Education and Pedagogy," Peter! In this interview we will focus on the questions of institutional change in economics education system, economic pedagogy and social responsibility of universities.*
Could you tell me something about your background and your professional experience as a teacher of economics?
Peter Söderbaum: As a student at Uppsala University I became interested in political science, economics and business management (or business economics). My first teaching experiences were at Uppsala University and the department of economics (course in international economics) but I later moved to the department of business management where I was teaching marketing courses and also took my PhD on Positional Analysis. Later I moved back to economics now at the Swedish University of Agricultural Sciences, Uppsala, to become associate professor and lecturer in environmental and natural resource economics. 1995-2005 I was responsible for ecological economics Bachelor and Master programs at Mälardalen University in Västerås.
At an early stage Uppsala University organized an interdisciplinary course in environmental science and I became the person responsible for the environmental economics part of the course. I am referring to the 1970s and this was a time when the borders between disciplines became less respected and interdisciplinary work and courses increasingly encouraged. If I as a lecturer in marketing can learn something about consumer behavior from social psychology – why should I refrain from such learning opportunities?
Malgorzata: *How did you come to appreciate pluralism and diversity in economics teaching?*
Peter: It seems to me that leading actors in university departments of economics tend to think in Kuhnian 'paradigm-shift' terms. Either the neoclassical paradigm is correct or some other paradigm will be proven superior. If there is no other economics paradigm based on the same or similar positivistic premises then we have to accept the present monopoly position of neoclassical theory. There is not yet any alternative according to this view.
But just as there exist different disciplines that can be both complementary and competitive in relation to a particular set of phenomena (such as consumer behavior), it becomes meaningful to refer to co-existing paradigms in economics, each one having its strengths and weaknesses. 'Paradigm coexistence' then becomes a key concept. There may still be shift in 'dominant paradigm' but advocates of different paradigms should continue to respect each other and the paradigm losing its dominant position may still have something to contribute.
At the mentioned agricultural university there was a period in the early 1990s when students had a choice between neoclassical environmental economics and institutional version referred to as 'ecological economics'. This idea of separate courses and separate supervisors in thesis projects became a success at least as I saw it. (I am inclined to say that it became too successful for the neoclassical department leadership to accept.)
The big issue here is about values and ideology. Neoclassical economists tend to assume that 'value-neutrality' is possible while I as an institutional economist argue with Gunnar Myrdal (1978) that "values are always with us". Neoclassical theory is science but at the same time values and ideology and the same holds for institutional theory of a particular kind. In a democratic society we need to refer to more than one economic theory to match reasonably well the different ideological orientations in a particular community. In ideological terms, neoclassical theory is close to neoliberalism, I.e. extreme beliefs in markets, monetary profits in business and economic growth in GDP-terms. Today we are instead expected to relate to 17 UN sustainable development goals (SDGs) where economic growth plays a more modest role and other dimensions are emphasized.
Malgorzata: *Why do you think pluralism is important from a pedagogical point of view?*
Peter: As already indicated I believe that there is often a complementary relationship between two conceptual frameworks and paradigms where one paradigm can add to the understanding offered by another. Pluralism also adds to the freedom of choice for the scholar scientifically and ideologically.
I also feel that comparing one conceptual and theoretical framework with another is an excellent way of learning or doing research. If you want to understand neoclassical theory you may need to compare it with some other theory or perspective.
Malgorzata: *In your work you repeatedly emphasize the importance of democracy as both a subject and method in economics research and teaching. You point to the fact that in economic textbooks the term democracy can be searched in vein. How do you see the connection between democracy and economics?*
Economics is ideology as I have argued and limiting education to one single paradigm such as neoclassical theory at university departments of economics means that such departments become centers of political propaganda for the ideology built into neoclassical theory. Neoclassical

Cost-Benefit Analysis (CBA), an analysis focusing on the monetary dimension, is an extreme case of how economists as experts dictate correct market values for purposes of decision-making at the level of society. Methods that are more open in ideological terms are very much needed.

In my recent writings I am even arguing that economics as a discipline needs to be redefined as "multidimensional management of resources in a democratic society". One-dimensional monetary analysis of resources does not go well with the multidimensional complexities of the real world and we need to take ideological options seriously if we want to deal with present unsustainable development.

Malgorzata: *Why does democracy matter in economics curriculum and pedagogy?*

Peter: As I said, present development is unsustainable in many ways. As many other ecological economists I believe that the monopoly of neoclassical theory has a role in this fact. In attempts to deal with climate change, biodiversity loss, environmental pollution and inequality for that matter, we cannot limit debate to one scientific and ideological perspective.

Students need to face courses and textbooks in the history of economic thought and they should learn about essentials of some versions of heterodox economics. Dialogue between professors who differ in their scientific and ideological preferences should be encouraged rather than avoided.

Malgorzata: *Why, in your opinion, there is so much reluctance to open up the issues of democracy and democratization of economics within the discipline?*

Peter: I can of course only speculate about this. I think professors of economics and many of their students like to see themselves as experts in an extreme sense. Admitting that there are competing conceptual frameworks and theories may imply uncertainty and confusion for students while protecting neoclassical theory is expected to strengthen the profession.

Actually, neoclassical public choice theory may have something to offer by understanding professors of economics as a relatively homogeneous rent-seeking category. If they cooperate, they can become successful in terms of salaries and otherwise. Fortunately, there is some remaining heterogeneity among neoclassical economists that in the future may open the door for tolerance and democracy.

Malgorzata: *Do you think that something can be done about this situation now, given the current institutional settings and existing power relationships between the actors at the higher education institutions?*

Peter: What can be done now? We should of course not exclude the possibility that an increasing number of neoclassical economists become more open-minded. I believe however that this tendency to hide behind positivism, mathematical modelling etc. has to be dealt with also at the university level and the political level more generally. The leadership of universities need to understand that there is no value-free economics and that from that follows that reliance on one single paradigm is a mistake. The existence of more schools of thought than one in economics is a fact of life and this has to be reflected in curriculum and pedagogy.

Something is "already" happening at the level of students in economics with their calls for change and networks. We are now waiting for response to these calls from university administrations, ministries of education and other concerned actors. We should encourage politicians and political parties to act. The idea that universities and professors are ideologically neutral persons has to be abandoned. Good science has to become compatible with democracy in addition to other qualitative indicators.

Malgorzata: *How would you diagnose the current state of economics education, and how do you perceive the role of pedagogy in this system?*

Peter: When looking for a more pluralist economics I think that it is more meaningful to focus on developments outside economics departments. While many actors in the latter departments are rather narrow-minded something happens at university departments of economic history, department of management science and departments of political science. Students have after all some chances to choose disciplines with interdisciplinary openings.

Another possibility is to continue debate about the "Bank of Sweden prize in economic sciences in memory of Alfred Nobel". This prize was perhaps less of a problem in its early stages but tends now to be part of the protection of neoclassical theory and a neoliberal ideology. Today we need to ask questions about the present global and national institutional framework but neoclassical theory only contributes to a protection of the status quo.

Malgorzata: *In your work on sustainable development, you raise the need for wide-range institutional change processes. These institutional changes are meant to counteract the current unsustainable trends that endanger the future possibility for economic growth and human development. Another target of sustainability transformation pertains to the current lack of accountability of individual and collective actors. Since education plays a role in these processes, how do you envision the needed institutional change in economics education?*

Peter: In neoclassical theory consumers and firms are understood as mechanistic entities. Instead we need to look upon individuals and organizations as actors guided by an ideological orientation or mission and with responsibilities in a democratic society. Institutional change can be a result of social movements and initiatives by individuals as actors.

There are (unfortunately) many candidates for institutional change if we want to move away from one-dimensional monetary thinking in business or if we want to see global trade relations in new light. Joint stock companies and WTO are thus institutions that deserve consideration. Even UN institutions such as UNEP and UNEP are heavily influenced by and limited to mainstream neoclassical theory. Behind a reluctance to discuss institutional change is of course present power positions and relationships where business interests play a role.

Malgorzata: *You tend to emphasize the manifold role of economics professors: as researchers, as teachers, and as citizens, viewing them as agents who exercise, to various degrees, social responsibility in their various roles. This outlook promotes a certain philosophy of education and pedagogy. For example, you seem to be distanced from the view of economics as a purely objective science, and a resulting image of economics teaching as a process that produces experts-analysts, leaving aside the considerations about their role in society and the social consequences of their work. How would you define the basic tenets of your philosophy of teaching? In your view, what is the role of economics teachers, and how do you see the potential of economics students?*

Peter: Here we are back to the ideas of positivism and the tendency to hide behind ideas of value-neutrality. Instead we need engaged professors that are capable of extending their views beyond self-interest. Conceptual frameworks and theories should be seen in the light of their ideological implications and each narrative should be contested rather than protected. Incentive systems for professors and students should facilitate an open debate about our common future.

Malgorzata: *You promote the idea of University Social Responsibility. Can you tell something more about it?*

Peter: Yes, I have suggested that just as some business actors refer to Corporate Social Responsibility (CSR) we need a similar debate about University Social Responsibility (USR). Some would say that this is a non-issue. Actors within universities are always doing the right thing, searching the truth about various phenomena. My experience of many years of teaching and doing research in ecological or sustainability economics suggest that research and education is not only influenced by a desire to deal with contemporary problems in society but also with the protection of self-interests and personal career opportunities.

Thank you!

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Economists and Anthropologists

"It took months to get a good sense of the architecture and culture of investment banks, and what surprised me was how unhelpful economists were – the very body of experts you'd think would be able to shed light on the world of high finance. However, economists do not carry out 'fieldwork'. An anthropologist who seeks to understand a group of people learns their language and moves into their community to spend months, if not years, systematically observing them. Economists have different methods…"

From p.45 of Luyendijk, J. (2015) *Swimming With Sharks: My journey into the world of the bankers*, London: Guardian Books

WEA Online Conference

The 2008 Economic Crisis Ten Years On: *In Retrospect, Context, and Prospect*

Leaders

Arturo Hermann & Maria Alejandra Madi

Call for Papers

The 2008 economic crisis, which often is appraised only as a "financial crisis", has in fact acquired a manifold character involving the socio-economic structures at worldwide level. Indeed, the crisis was triggered in the financial sector – in particular, with the crisis of the subprime mortgage market in the US, which ended up in a general banking crisis and the bankruptcy among many other institutions, and of the investment bank Lehman Brothers. But at the same time this event marked the culmination of a long-term trend of financialisation of the economic system, which gained more impetus with the neo-liberal shift of the 1980s.

Many studies, starting from Hyman Minsky's seminal contributions on the effects of "financialisation" on the instability of the system, have investigated a number of imbalances that help to explain the widespread character of the crisis. After the bail-outs aimed at stabilising the financial markets, mainly between 2008 and 2011, it has been increasingly clear that deep structural and intertwined problems overwhelm the economic, political and social scenarios. Among them, we can highlight the following ones:

- growing disparities of income between persons and economic areas, often accompanied by severe forms of poverty,
- inflated financial markets, low investment trends and changes in the patterns of production and employment,
- environmental unsustainability of the current way of production and consumption,
- increasing unemployment, mainly among the youth, in the context of the adoption of disruptive technological innovations,
- growing risks in the worldwide geopolitical contexts with a resurgence of massive migrations, xenophobia and armed conflicts.

This Conference addresses the fact that, after 10 years, structural problems are still present and waiting for policy responses. As a matter of fact, the policies addressing the crisis have rarely gone beyond "emergency measures", such as bank recapitalisation, debt consolidation, and various forms of "quantitative easing", sometimes accompanied by moderately expansive fiscal policies. These measures, while having the merit of avoiding a complete collapse (like that of the 1929 crisis) and allowing a slight recovery in some cases, are far from solving the structural aspects of the crisis.

With this background consideration, this Conference seeks to investigate into the challenges of economic theory and policy applications. In particular, this conference's guiding question is how to render objectives of full employment, social justice, environmental sustainability, scientific and technological progress more compatible with each other.

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