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Raúl Prebish's Unpublished Manuscripts on the Buenos Aires Lectures on Economic Dynamics

By Esteban Pérez Caldentey

Raúl Prebish's Unpublished Manuscripts on the Buenos Aires Lectures on Economic Dynamics edited by Esteban Pérez Caldentey (ECLAC) and Matías Vernengo (Bucknell University), have been published in the *ECLAC Review*, August 2018

Raúl Prebisch (1901–1986), the Second Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) which he joined in 1949 is mostly known for his long-run analysis and diagnostic of the development problem of Latin America, which he fully stated in "The economic development of Latin America and some of its principal problems" (1950), also known as Prebisch's "Manifesto".

However, prior to joining ECLAC Prebisch also devoted a great part of his time and career the analysis of business cycles in theory and in practice (he was the first Director General of the central bank of Argentina created in 1935 and Prebisch himself drafted the project for the bank). On the basis of his cycle analysis he began to develop a theory of dynamics which sought to introduce two elements that, according to Prebisch, were missing from the Classical and Keynesian analyses, time and space.

Prebisch argued that capitalist economies evolved and developed in growth cycles. From 1920 to 1944 his analyses of capitalism centered on Argentina and on the characteristics of its business cycle. He attributed the phases of the Argentinean cycle to external causes determined to a large extent by the policy and economic performance in developed countries (Great Britain and the United States).

During this period, and with particular force after WWII, he became convinced that the cycle far from being country specific was in fact a global and more general phenomenon involving the interaction between what he termed a 'center' and a 'periphery'. The cyclical center referred to the country (or group of countries) whose economic repercussions due to its importance were transmitted to the rest of the world. The countries subject to the influence of the impulses of the center, the periphery, included all Latin American countries.

Moreover, he also came to the conclusion that since the cycle was the typical form of movement of capitalist economies it affected all the different areas of an economy including production, employment and distribution.

As a result for Prebisch, cycle analysis far from being relegated to a particular and partial field of expertise, must encompass the entire spectrum of economic movement and evolution in both the center and the periphery. Cycle analysis should explain not only fluctuations and their sequence in the center and periphery but also their economic and social transformations occurring during the cycle. This included the changes in the distribution of income.

For Prebisch this general approach to the cycle required the explicit introduction of time into the analysis. More precisely it required the recognition that the time-period for incomes to circulate within the productive process did not coincide with the time period required for final production to be bought and sold on the market. For Prebisch this disparity between time-periods in the circulation and productive spheres was at the core root of the cycle. Prebisch termed this general approach to the cycle a 'Dynamic Theory' and sought to make it applicable to developing countries (i.e. the periphery).

He developed this approach through a series of lectures that took place in Buenos Aires between April 1945 and October 1948 under the title "Political Economy (Economic Dynamics)". The first lectures offered a critique of classical economics and of Keynes's General Theory (1936). These lectures bore the title "The Crisis in Political Economy: Keynes and the Classical Economists". As part of the development of his dynamic theory, Prebisch's analyses of Keynes led him to publish his *Introducción a Keynes* (1947) which laid out the main ideas of the General Theory.

In a second stage, from 1948 until his incorporation to the executive secretariat of ECLAC in 1949, Prebisch began to pull together the main building blocks of an alternative approach that could explain the wave motion in capitalist economies, thus capturing precisely the element missing from classical and Keynesian analyses. Most of the ideas that led Prebisch to his alternative model were developed during a series of lectures delivered at the University of Buenos Aires in 1948 and then at the National School of Economics in Mexico City in February and March 1949.

The latter comprise eight lectures titled "Dynamic Theory of Economics" (with particular application to Latin American economies) which are published, although not corrected by Prebisch himself, in Vol. 4 of Prebisch´s Obras as eight separate chapters (pp.410-489). The first lecture was given on the 18th February and the seven remaining ones from the 21st to the 28th of the same month and on the 1st of March.

The material available for the Buenos Aires Lectures include the first seven lectures delivered between the 4th and 30th of June 1948 and 15 unpublished lectures given between the 6th of August and the 22nd of October of the same year. The unpublished lectures are in manuscript form, mostly in typescript but also in hand-written form, and are part of the ECLAC Prebisch writings.

These are reproduced for the first time in a special edition of the ECLAC Review and made available to the wider public. The publication is in Spanish and available at: https://www.cepal.org/es/publicaciones/43988-manuscritos-clases-dictadas-raul-prebisch-buenos-aires-la-dinamica-economica-6

Prebisch started with the premise that economic theory at the time was in a state of crisis. It was unable to explain and account for the cyclical growth pattern of capitalist economies which for Prebisch was their defining mark. His judgment applied to Classical theory as well as to that of Keynes. Both were, according to him, stuck in a timeless equilibrium analysis of capitalism.

Moreover, the understanding and analysis of the cycle in the periphery was precarious and shaped by the theories elaborated in the center. The countries of the periphery needed to elaborate their own cycle theory with its particular specificities in order to design policies for 'orderly growth and maximum use of resources and human capital.'

Prebisch dynamics was built from the idea that profits are the main drivers of capitalist economies. In a closed economy profits originated due to the disparity between the time period required for incomes to circulate within the production process and that required for final production to be brought to the market.

For Prebisch the former always exceeded the latter (i.e., the time period for the circulation of incomes within the production process always tended to exceed the time period for the production of final output or the velocity with which entrepreneurs received their income). This generated an excess net demand which in turn translated into higher prices and profits providing an incentive to further expand investment and production.

In turn, plans to increase production generated additional income, net demand and increased profits. In this way, the difference in velocities created a cumulative process. The cumulative process came to an end through inventory adjustment paving the way for the downturn, *vía* a decrease in demand. The expansion of demand, prices and profits and the cumulative process was rationalized in terms of an orthodox argument, the 'forced savings doctrine' in line with the loanable funds theory (LFT) championed by Dennis H. Robertson, and John R. Hicks.

For the open economy (center and periphery) Prebisch assumed that the periphery specialized in the production of raw materials (and goods in process) and was mainly conceived as a 'circulating area' for the profits of the center. As the forced savings process took hold in the center and entrepreneurs 'got what they spent in the center' they transferred part of their profits to the periphery in the form of demand for raw materials. In turn, the periphery purchased final goods from the center, so that entrepreneurs 'got what they spent in the periphery.'

In the same way that Prebisch assumed that the time period for the circulation of incomes exceeded that for the production of final goods, he assumed that the time period for incomes to return from the center to the center was shorter than that for incomes to return from the periphery to the center. As a result, the net excess demand created by the forced savings process in a closed economy would be smaller in the case of an open economy; the more so the larger the share of profits transferred to the periphery.

Eventually Prebisch thought that the dampening effects on demand in the center as a result of the transfer of profits to the periphery would act as a brake on further expansion. The concomitant accumulation of inventories would then set the stage for the downturn. As in his earlier work on the Argentinean cycle, he argued that expectations were central to the explanation of cyclical growth for both closed and open economy settings.

In the Buenos Aires Lectures Prebisch addressed a key concept, the fluctuations in the terms-of-trade, that became an important research area in development economics. However, the fluctuations in the terms-of-trade trade tends to be associated with long-run factors rather than with the nature of the business cycle which is what Prebisch had in mind.

Prebisch argued that technical progress is concentrated in the center and that it does not translate into a decline in the price of the products produced by the cyclical center due to wage rigidity (the periphery is characterized by wage flexibility). This occurs in the upward and downward phase of the cycle. In the upward phase of the cycle prices increase and in downward phase of the cycle prices do not decrease.

In the case of the periphery the upward phase of the cycle is accompanied by rising commodity prices, moreover, as profits are increasingly transferred to the periphery the price of commodities tends to increase above that of industrialized products. This results in rising terms of trade for periphery. In the downward phase of the cycle the prices of commodities decline and so do the terms of trade.

This cycle analysis was the basis for Prebisch hypothesis of the declining terms-of-trade for the periphery. As he argued in the Prebisch Manifesto (1950, p.503-504) written after the Buenos Aires lectures:

> *"…if in spite of greater technical progress in industry in relation to primary production the terms-of-trade*

have worsened for the latter, instead of improving… This fact could not be understood without relating it to the cyclical movement of the economy and the way it manifests itself in the center and the periphery. Since the cycle is the characteristic form of growth of capitalist economies and the increase in productivity one of the primary factors of growth… the prices of primary products increase more rapidly than that of final goods in the upward phase of the cycle, but they also descend more rapidly in the downward phase, in such a way, that the former tend to increasingly diverge from the latter."

[The English language document has the same points but different wording on pp.12-13 at: http://archivo.cepal.org/pdfs/cdPrebisch/002.pdf]

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Resolutions to improve debates on economic policy in 2019

By Dean Baker

Okay, it's that time of year when we are all supposed to commit ourselves to performing nearly impossible tasks over the next twelve months. I will play the game. Here is the list of areas where I will try to bring economics into economic policy debates in 2019.

1) Patent and copyright monopolies are government policies:

This one is pretty simple, but that doesn't mean it is easy. It should be pretty obvious that these and other forms of intellectual property are government policies explicitly designed to promote innovation and creative work. We can (and have) make them stronger and longer, or alternatively make them shorter and weaker, or not have them at all. We can also substitute other mechanisms for financing innovation and creative work, including expanding those already exist. (Anyone hear of the National Institutes of Health?)

Incredibly, most policy debates, especially those on inequality, treat these monopolies as though they were just given to us by the gods. It is endlessly repeated that technology has allowed people like Bill Gates to get incredibly rich, while leaving less-educated workers behind. But that's not true. It is our rules on patents and copyrights that have allowed people to get enormously wealthy from technological developments. With a different set of rules, Bill Gates would still be working for a living.

There are a few pieces on the topic here, here, and here (chapter 5).

2) Patent and copyright rents are equivalent to interest payments on government debt:

This is a point that directly follows from the recognition that patent and copyright monopolies are government policies. We can think of granting these monopolies as alternatives to direct government spending.

This is clearest in the case of prescription drugs. Currently the federal government spends roughly $40 billion a year to finance biomedical research through NIH and other government agencies. Suppose it instead spent $100 billion, largely displacing the private pharmaceutical industry. This money would support not only the development and testing of new drugs, but bringing them through the FDA approval process. Then almost new drugs could be sold at generic prices, which would generally be less than one-tenth the price of a patent protected drug.

In this scenario we would all recognize the $60 billion in additional research spending as an addition to the debt which would lead to interest payments in future years. But we treat the patent rents that the drug industry receives (currently around $360 billion a year or 1.8 percent of GDP) as somehow being free to the country.

Well, fans of economics should see the drain from $360 billion in patent rents to the drug industry as being equivalent to the drain from an additional tax burden of $360 billion. After all, it really doesn't matter to most people whether the government has a tax on drugs that comes to $360 billion annually or the industry can use its patent monopolies to raise prices by this amount.

For some reason this point never comes up in debates on the budget deficit and debt. That makes zero sense.

3) Austerity has costs

It is now widely accepted among economists that governments around the world were overly concerned about budget deficits following the Great Recession. The United States, the euro zone, and the United Kingdom all turned towards deficit reduction in 2011, following an initial period of stimulus. This turn to austerity slowed growth and needlessly kept millions of people from having jobs. It also contributed to an upward redistribution of income, especially in the United States, as high unemployment reduced workers bargaining power and prevented them from securing real wage gains.

Not only did austerity have a large short-term effect, it also had a substantial long-term effect. One result of millions of people being unemployed for long periods of time is that some number will become unemployable, as they no longer have the necessary skills to get work or develop problems with alcoholism and other issues. The children of unemployed workers also tend to do less well in school. And, lower levels of output will lead to less public and private investment, which means the economy will be less productive in the future.

The lasting impact of unnecessary austerity can easily be several percentage points of GDP. While this loss is huge compared to the impact of other policies, for some reason the perpetrators of the policy of unnecessary austerity are never held accountable in public debates.

The best comparison here is the treatment of proponents of protectionism. Donald Trump and his followers in pursuing a trade war are routinely derided in both the opinion and news sections for needlessly jeopardizing the health of the economy. Yet, the proponents of austerity back in 2011, which includes pretty much the entire Republican party, along with "fiscal responsibility" groups like those sponsored by Peter Peterson, advocated and implemented policies that were far more damaging to the economy.

The same is true in the United Kingdom, where the austerity imposed by the conservative government beginning in 2011 has done far more damage to the country's economy than can be expected from an orderly Brexit. Yet, the latter are routinely derided in the media, while the damage done by the former goes largely unnoticed.

I am not an advocate of foolish protectionist policies (although some of the policies associated with "free trade" are in fact protectionist, like longer and stronger patent and copyright protections), but I do like to see serious discussions of economic issues. Tariffs and other trade restrictions generally hurt growth, but needless austerity hurts growth much more. If the people advocating trade restrictions are foolish, then the austerity proponents are really really foolish. It would be great if these issues were reported in a consistent manner.

4) We can have trade in highly paid professional services

One of the standard lines in the story of globalization is that manufacturing workers in rich countries have lost out because hundreds of millions of people in the developing world can do the same work for a fraction of the pay. This is true, but it is also true that there are tens of millions of smart and hardworking people in the developing world who would be prepared to work as doctors, dentists, and in other highly paid professions in the rich countries at a fraction of the pay of the people now in those positions. We structured our trade policy so manufacturing workers have to compete with workers in the developing world and doctors and dentists mostly do not.

This is again a policy choice. We can design trade deals to have clear standards that professionals in the developing world would have to meet to work in their profession in the United States, but having met these standards, they would be able to work in the United States with the same freedom as a native born citizen. The gains from adopting this approach would be enormous (it's the same argument for gains from trade generally), my calculation is that it would be close to $100 billion a year (0.5 percent of GDP) in the case of foreign trained doctors alone.[1]

Given the power of the lobbies of doctors and other highly paid professionals, we are unlikely to see much progress in trade liberalization in this area any time soon. But, we should at least be clear in telling the story of globalization. Manufacturing and other less-educated workers have been hurt by globalization because we designed it to put them in competition with low paid workers in the developing world. Doctors, dentists, and other highly paid professionals have not been hurt because we decided to leave in place barriers that protect them from such competition.

5) Shareholders have an interest in reducing CEO pay

CEO pay has skyrocketed in the last four decades. Somehow, the conventional story is that shareholders are in cahoots with the CEOs to give them ever larger paychecks. This makes zero sense.

CEO pay is a subtraction from profits in the same way that pay for assembly line workers, retail clerks, or custodians is a subtraction from profits. Shareholders are usually not happy if their retail clerks get higher pay, with no corresponding increase in productivity, compared with clerks in other companies. For the same reason, they should have no desire to see their CEOs get more money than necessary for their performance.

There is overwhelming evidence that CEO pay does not correspond to the return they provide shareholders. I did a short study on this issue with Jessica Schieder at EPI, where we looked at the impact of the limit of the tax deductibility of CEO pay for health insurers, that was part of the Affordable Care Act (ACA). We used a wide variety of specifications and in none of them were we able to find any negative impact on pay. This is in spite of the fact that the ACA unambiguously raised the cost of a dollar of CEO pay to shareholders, which should mean that CEO pay would fall after adjusting for earnings growth, revenue growth, share prices growth, and other factors.

The most plausible reason why CEO pay doesn't fall is the corruption of the corporate governance structure, with top executives essentially picking the board, which then determines their pay. Unlike the shareholders, the board has little incentive to reduce the pay of their friend the CEO.

Contrary to what is often asserted in the media, shareholders actually have not done well as a group in recent years. After adjusting for inflation, returns have averaged just 4.5 percent annually over the last two decades. This compares to a long period average of more than 7.0 percent. Reducing CEO pay could up this by 0.1-0.2 percentage points.

While stock shares are disproportionately held by the rich, it is better to see money go to shareholders than CEOs. Middle class people hold stock through their 401(k)s, as do pension funds. By contrast, every dollar going to a CEO is going to someone in the top 0.01 percent of the income distribution.

But more important than the distribution between shareholders and CEOs is the impact on the wage structure more generally. We would likely be in a very different world if CEOs were earning $2-$3 million a year instead of $20 to $30 million.

Getting CEO to ordinary worker pay ratios back to the levels of 1960s or 1970s will be a huge battle, but an essential first step is realizing that shareholders are allies in this battle. The story is pretty straightforward arithmetic, which unfortunately means that it will be difficult for economists to understand it.

6) A large financial sector is a drain on the economy

The financial sector plays an important role in a modern economy. It allocates capital from savers to those who wish to borrow. A poorly functioning financial sector is a drag on growth. The same is true of a bloated financial sector.

The financial industry is an intermediate sector, like trucking. This means that it does not directly provide benefits to households, like a housing, health care, or education. For this reason, we should want a financial sector that is as small as possible for carrying through its function, just as we would want the trucking sector to be as small as possible to deliver the goods in a timely manner.

Over the last four decades the narrow financial sector (securities and commodity trading and investment banking) has more than quadrupled as a share of the economy. It would be difficult to argue that capital is being better allocated or that savings are more secure today than 40 years ago.

This means we have little to show for this enormous expansion of the financial sector. It would be comparable to seeing the size of the trucking sector quadruple with nothing to show in the form of faster deliveries or reduced wastage. Finance is of course also the source of many of the highest incomes in the economy.

These facts make for a strong case for measures that reduce the size of the sector, like financial transactions taxes, reduced opportunities for tax gaming, and increased openness in pension fund and endowment contracts. In any case, it is important to recognize that a big financial sector (as in Wall Street) is bad for the economy, not the sort of thing that we should be proud of.

7) Putting numbers in context

Okay, this is not actually economic policy, but rather reporting on economics. It is standard practice for reporters to tell readers that we will spend $70 billion next year on food stamps or $20 billion on Temporary Assistance to Needy Families (TANF), the federal government's main cash welfare program. Almost no one has any idea what these numbers mean, just that they are very large. The problem is compounded when we get numbers over multiple years, like the $867 billion farm bill, when it is often not even made clear that the spending is over ten years.

This is a serious political problem because when people see really big numbers going to foreign aid, food stamps, TANF, and other categories of social spending, they think this is the bulk of their taxes. In reality, these items are small change in the whole budget. Food stamps are about 1.8 percent of the budget, TANF less than 0.5 percent.

Yes, I know that many people think all their tax money goes to these programs because they are racist and want to believe that all their tax dollars are going to black and brown people who benefit from these programs. But the reality is that many people who are not racist also believe that a grossly disproportionate share of their tax dollars go to social spending of various sorts.

It is difficult to believe that this misperception does not undermine support for these programs. For my part, if I thought that 20 percent of the budget went to TANF I sure as hell would not support the program. If we spent that large a share of the budget on TANF and still had so many people living in or near poverty, it clearly is not a very effective program. Incredibly, the groups that work on these issues in Washington seem completely unconcerned about the reporting on these programs.

The most absurd part of this story is that there is no other side. Everyone in the news business knows that no one has any idea how much money $70 billion for food stamps is or $867 billion over ten years. And, it only takes a few second to add context, like the share of the federal budget or the spending per person or family.

I thought I scored a big victory on this issue when Margaret Sullivan, then the Public Editor of the New York Times, completely endorsed this point in a column. She got the wholehearted agreement of David Leonhardt, who was the paper's Washington editor at the time. I assumed this meant a change in policy, which given the NYT's role in the media hierarchy, would soon be followed by other news outlets.

But, nothing changed. We still get really big numbers which are absolutely meaningless to almost everyone who sees or hears them. This can and must change.

Happy 2019?

Okay, so those are my New Year's resolutions for 2019, I want to change policy debates in these six areas and reporting on budget numbers and other big numbers that are not understandable to the media's audience. Do I have much chance of succeeding? Well, how many smokers will give up cigarettes? How many people will start exercising and lose 20 pounds? I'll do my best and we'll see.

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[1] We can easily deal with the "brain drain" issue. We know the countries these professionals come from. We can compensate for their loss so that they can train two or three professionals for everyone that comes here. This is the sort of compensation that trade economists always talk about, with the winners making payments to the losers.

A specific plan to change economics textbooks

By Tim Thornton

[Tim Thornton is in the Economic Theory and Education Program, Global Development and Environment Institute, Tufts University]

Abstract: In this brief article a particular plan to change economics textbooks is put forward. It is assumed that the reader has at least some affinity with the view that the economics curriculum is in need of reform. For example, they might wish to see greater pluralism, more interdisciplinarity, or increased incorporation of recent advances in economic thought. The structure of the analysis is as follows. First, it is argued that textbooks are one of the most important factors in how the discipline of economics reproduces itself. Second, the difficulties of changing textbooks are examined. This section includes scrutiny of recent analysis that concludes that whilst economics textbooks should change, they don't change and won't change. Section three outlines the 'minimum ask' campaign, a global collective push that involves both academics and students. The campaign is ambitious in some respects, yet is essentially modest in that it asks very little of any particular participant.

1. The importance of economics textbooks

Economics textbooks are central to how the discipline of economics reproduces itself and how it convinces society of the legitimacy of its conclusions. Whilst writing a textbook does not have the glamour or esteem of producing highly cited research, it is perhaps at least as important. As Paul Samuelson, the father of the modern economics textbook remarked,"I don't care who writes a nation's laws – or crafts its advanced treatises – as long as I can write its textbooks" (Samuelson cited in Skousen 1997, p. 150). Relatedly, Lamm (1993) points out that the yearly sales of the leading economics textbooks dwarf the lifetime sales of many of the ground breaking books in economics such as Keynes' *General Theory*. Furthermore, King (1995) argues that the inability of the first generation of Post Keynesians to produce a satisfactory textbook was a critical factor in allowing neoclassical-synthesis Keynesianism to become dominant.

Clearly, textbooks matter. Indeed, it is quite hard to imagine how there will be major change in economics until there are major changes in economics textbooks. However, we can frame this same point in more positive terms by saying it is quite *easy* to imagine how changing the textbooks used in economics could precipitate major change in economics. What then are the prospects of change?

2. The difficulties of changing textbooks

Usurping the currently dominant economics texts has proven to be difficult thus far and it appears unlikely that the problem will resolve itself. Why is this? As Colander (2015) points out, the content and presentation of the standard textbook has become intricately connected to the existing institutional structure within economics departments and that economists at the ground level face significant incentives to persist with existing textbooks. This is so even when an economist might know that these textbooks are problematic. Indeed, economic textbook authors knowingly include content they know to be problematic for fear of their book being seen as too different and thus not selling in sufficient quantities (Colander 2004). In summary, there is ongoing supply and demand for a product that is recognised as being faulty:

Economists … consistently choose textbooks that teach material that they know is false and/or completely out of date…there's still this incredible tension in what we teach. I am so displeased at the way undergraduate and even graduate economics is taught…If this were physics or astronomy, when they get new ideas at the forefront they immediately teach them, but in economics they teach the stuff that even thirty years ago people did not believe…So I think there is a real tension and that there will be one for a long time (Gintis 2004 pp.92-93).

One response to this situation is to conclude that whilst economics textbooks should change, they don't and won't, change (Colander 2015). Such an essentially defeatist stance is unwarranted. Indeed, given that beliefs about social systems are working parts of those systems (Stretton 1999), it may be actively unhelpful to argue that, barring 'the stars aligning just right', things cannot change. As Nelson Mandela once remarked in relation to a far more substantial challenge 'it always seems impossible until it is done'. How then could it be done?

A plan of action: 'the minimum ask'

For several decades there have been rising calls for the reform of economics and in particular, economics teaching. Furthermore, there has been a proliferation of student and academic organisations and entities to promote change within economics. A short (but far from complete) list includes:

- The World Economics Association
- Rethinking Economics
- The Institute for New Economic Thinking
- The International Student Initiative for Pluralism in Economics
- The Association of Heterodox Economics
- The International Confederation of Associations for Pluralism in Economics
- The Union for Radical Political Economists

Such organisations do highly valuable work. However, there has yet to be any *joint* project or campaign to get these types of reform-orientated organisations working together to achieve a specific end via specific means. In other words, true coordination on specific tasks has not yet occurred. Here then is an opportunity to start a new phase of more collectively organised and tightly focused efforts at change. If successful the approach could potentially be replicated to achieve other improvements in teaching, research and policy.

The campaign advocated here is, in its essence, simple: mobilise as many reform-minded students and academics as possible to approach their own university and request that they consider an alternative (and superior) textbook. The campaign is called 'The Minimum Ask.' The title captures the fact that what is being asked is the very minimum that can be asked of economics departments given there has been sustained criticism of what is taught. The title of 'The Minimum Ask' also captures that what is being asked of participants in the campaign is very minimal: choosing and then suggesting a particular textbook. Let us now consider the specific details of the campaign.

What textbook(s) to advocate?

Participating individuals are free choose the text they themselves think is best. Given that a central objective of the campaign is to promote pluralism in economics this approach makes sense. However, to alert participants to some of the more obvious options, participating organizations are encouraged to draw up their own short-list of textbooks for their members to choose from. There are several organisations that have already produced lists of alternative introductory textbooks. These textbooks range from the reformist to the revolutionary:

- The World Economic Association's Textbook List
- The Heterodox Economic Directory's Textbook List
- The Union for Radical Political Economists Textbook List

There are doubtless other lists and participants may already have determined what the text (or list texts) they want to suggest to their own university.

How to make the approach?

Participants can approach the relevant introductory economics teacher in any way they feel comfortable. This could take the modest and minimal form of simply spending two minutes to send a brief email to the relevant academic with a link to a particular textbook or textbooks. The approach could also take the form of a phone call or a direct meeting. One might make the approach individually or in collaboration with others. One may simply float the idea or one may engage more concerted process of discussion and persuasion. If the decision on textbooks is taken at the department level it might involve writing a memo, attending a meeting or submitting an agenda item. Participants should do whatever they think makes best sense for them in their particular context.

Making a considered and professional textbook suggestion to an academic should not normally have any risks associated with it. However, it pays to be careful and canny when seeking reform. Students who are already stuck with a particular set text in a particular semester can obviously afford to wait till the end of semester when they have their end of semester results before making the approach. They may also wish to make the suggestion as a group rather than as single individuals. Similarly, fixed term staff and contract staff may wish to think about when, how, with whom and to whom they make their suggestions.

Monitoring and Evaluation

Monitoring and evaluation is desirable, for if the campaign is successful, and everybody knows it is successful, it would create a strong momentum for further collective actions of this type (for example, changing intermediate or postgraduate textbooks or changing institutional structures around journal rankings). Momentum is obviously critical so the most vulnerable stage for the whole initiative is the launch of the plan (i.e. right now), so if you are in any sympathetic to the cause please get on board. The more people that get on board, the more likely it is that others will then get on board.

To let the world know that people are getting on board, participants are encouraged to fill in a brief form at https://www.surveymonkey.com/r/VN3338Y in order to report back on what the response was to their suggestion. Participants can fill out as much or as little of the form as they wish. They are not asked to reveal their own identity or the name of their university. The progress of the campaign can be monitored at http://home.exetel.com.au/minimumask

If you have any questions or advice you would like to offer in regards to this campaign please feel free to email me at minimumask@exemail.com.au What are the prospects for success? Don't know. Let us see what can be done.

Disclosure: Tim Thornton is not currently himself a textbook author, but he has friendships and affiliations with several textbook authors, including his colleagues at the Global Development and Environment Institute at Tufts University. The idea of a 'minimum ask' campaign was conceived in his PhD thesis (Thornton 2013) and developed in a book based on this PhD (Thornton 2017)

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Nine years with euro crisis - time to think anew

By Trond Andresen, Steve Keen and Marco Cattaneo

A new means of payment can be part of the solution for the eurozone's unemployed.

We have now seen nine years of social crisis and huge unemployment in many euro countries. An entire youth generation has barely experienced anything but being out of work. Still no solution has been found or implemented. The time is overdue to think outside the box. We propose a solution that has circulated internationally for several years: some of us have argued for this since 2011. Both households and businesses should be provided with an additional national means of payment, **"Electronic Parallel Money" ("EPM")**.

Our proposal works like this: EPM transactions take place via mobile phone, PC and card. The transactions are logged on a server in the country's central bank. There are no EPM coins and notes in circulation. The government (and local authorities) have EPM accounts in the central bank. These are debited when the public pays wages and pensions, or purchases goods and services. All citizens and enterprises also receive a user account there.

EPM will greatly reduce unemployment and enable people and businesses to exchange goods and services. It will alleviate the social crisis and reduce pessimism in economics and society. Such a solution is now being discussed in Italy, triggered by the acute budgetary conflict with the EU.

New EPM is created as needed in the central bank. The public sector pays both in EPM and Euro. The ratio can be adjusted based on how the economy develops. Taxes are collected in a corresponding mix of the two currencies. The EPM will have value since it can be used to pay taxes. While government and other public sectors pay expenses and collect taxes in the same and fixed ratios, the euro/EPM mix used in private sector transactions can be freely chosen by the parties involved, and will thus vary.

We are very aware that an EPM proposal will be met with opposition from the EU's elites, and many columnists in the financial press. However, the scheme will not be illegal according to EU monetary policy: the EPMs are legally government bonds that are extinguished when holders use them to meet tax claims. In addition, they do not exist physically – there are no EPM banknotes or coins, thus avoiding conflict with the euro's money monopoly.

One can expect that the public's initial confidence in the EPM will be very low, not the least because of widespread skepticism with national authorities who have not managed to counteract the crisis for nine years. For the analysis, it may be useful to define two terms, "trust" and "need". Although trust is very low from the beginning, the need is very high: one should expect some initial use of the EPM because the options 'no sale' or 'no job' are worse. Over time, other actors will observe that transactions with the EPM are taking place, which will increase trust – which leads to more acceptance of a certain percentage of EPM in payments.

Eventually this will also include wages. When firms receive a share of EPMs in payment, they will ask their employees to accept a share of EPMs in wages. And employees will then often have the choice of accepting this or unemployment. This again causes businesses to become more willing to accept EPM in payments. We get a positive spiral.

After an initial period of political turbulence and low confidence, the EPM will approach a value not so far below the euro, because one EPM counts as one euro in the payment of tax. And as long as the economy is far away from full employment and the business sector has significant spare capacity, the inflationary impact of more money due to the circulation of EPM will be minimal.

A parallel electronic national currency will – with immediate effects – improve the situation for most residents of euro-crisis countries. It will also give the countries a much stronger position to negotiate euro debt forgiveness or easing the debt service burden.

Our proposal allows for a gradual and controlled movement towards a national currency, if desired (and yes, we are aware that this will be met with resistance from the EU system). Or for that case, the opposite: to later turn 100 percent back to euro if that option is considered better. It gives the National Assembly in a crisis country time to consider and make decisions in both directions, based on experience with the EPM.

Sadly, our observation over many years is that it is almost impossible to get public and academic conversation about alternative solutions that can make a big difference. This text is thus an exception. The authors are an engineer and two economists respectively. We wish to emphasize a point (provocative for some colleagues) about the difference between the social sciences' and engineering culture, and which can explain to some extent why it is so difficult to implement even obvious solutions: social scientists and economists are – in contrast to the engineers – mostly concerned with *describing* the state of things, not finding solutions. Engineers look for solutions.

An economist who was very aware of this shortcoming was John Maynard Keynes. He expressed it somewhat sarcastically:

"Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally."

Our EPM proposal ignores "reputation", and proposes a means to succeed unconventionally when all conventional methods have failed.

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Support-bargaining and money-bargaining: a restatement

By Patrick Spread

Three editions of the WEA Newsletter/Commentaries have included items on the theory of support-bargaining and money-bargaining. The December 2012 edition (Issue 2-6) covered ideas concerning the role of support-bargaining in natural selection and the creation of money. The December 2015 edition (Issue 5-6) was concerned with the evolution of economies as a progress from situation to situation. The September 2018 edition (Issue 8-4) identified the importance of information in money-bargaining and the special importance of a theory of information in what is by common consent an information age. This contribution introduces a concise restatement or overview of the theory.

'Support-bargaining' arises from the propensity of all individuals to seek the support of those around them. It is the underlying mechanism of 'democratic' societies. Electoral systems are defined artificial support-bargaining structures. What will perhaps be more difficult for social scientists to accept is that it is also the underlying mechanism of theory formation. 'Intellectual support-bargaining' is the process by which support is assembled for ideas and theories. Given that support determines the course taken by a society, any person wishing to influence the course of a society must assemble support for their preferred course. Theories of society are a means of assembling support. Theorists invariably claim to be formulating theories that reveal 'the truth' about human societies, but others assessing such theories invariably conclude that they are formulated for the advance of interests. Mainstream economic theory, or 'neoclassical theory', is recognised as being in effect an ideology for the advance of individual interest. It is 'mainstream' because it has assembled sufficient support in institutions of higher education to give it ascendancy amongst those concerned with the formulation of economic theory. It reconciles private and public interest in a mathematical account of resource allocation. The mathematical 'discipline' suggests rigorous devotion to 'truth', but the assumptions implicit in mathematical codification make it inevitable that the theory is not consistent with empirical evidence. Mainstream theorists have spent the last hundred years trying to reconcile the model with what is commonly observed and experienced. While the mainstream theory group claims success, within the limits of what can reasonably be expected in dealing with such complex phenomena, and subject to further research, those outside the mainstream, emboldened by manifest failures of the mainstream in the recent era of financial crisis, see it as fundamentally mistaken. It is perhaps most fundamentally mistaken in its ambition to represent private interest as necessarily generating public interest – the celebrated 'invisible hand'. It is plainly mistaken also in its assumption that all necessary information to transactions is given. The present revolution in the provision of information, and the associated revelations of the extent to which information is manipulated, make the mistake over information all the more egregious.

'Money-bargaining', in contrast, is concerned with the process of economic exchange. Monetary exchange is conducted in an information interface established for the purpose by the agents involved. Companies are the specialist money-bargaining agencies of money-bargaining systems. The growth of companies, based substantially on technological innovation, provides the basic dynamic of growth in money-bargaining systems. As money-bargaining agencies, companies transact only with those who have money. Neoclassical theory is formulated on an assumption of individual consumers expressing preferences. In the idea of money-bargaining, individuals select by reference to their situations. What they 'prefer' is what fits their situations.

Support-bargaining adds a further dimension to money-bargaining. Support-bargaining generates a host of ideas, purposes and beliefs maintained by the intensity of group support. It generates ideas of communal interest. Support-bargaining makes possible also the establishment of government budgets, so that governments have the capacity to realise communal interests through money-bargaining. Governments can conclude transactions with companies. They can also employ individual agents of money-bargaining systems. Thus while mainstream economic theory is focussed on individual interests, money-bargaining is concerned with both individual and communal interests.

In the economics profession, even amongst those favouring a heterodox approach, mainstream economic theory exerts a powerful influence. Institutional advancement, 'tenure', status, incomes, invitations, distinctions, prizes, are all distributed largely under the auspices of the mainstream group, so most find it advantageous to assent as far as possible to the theory of the mainstream group, and not become alienated from it. In that professional context, the theory of support-bargaining and money-bargaining may seem 'way out' – too damaging in terms of academic advance, and too subversive for the instruction of students. Famous 'public economists', such as Joseph Stigler and Paul Krugman, freely admit their preference for the comforts of the established theory group, and their reluctance to embark on theory so radically new as to jeopardize their position in the mainstream theory group.[1] The theory of support-bargaining and money-bargaining has probably appeared to many as a possibly interesting side-line, but requiring an extent of reading that is unlikely to be time well spent in terms of practical advantage. It is still 'respectable' to know nothing about the theory of support-bargaining and money-bargaining.

Its originator, of course, insists that those devoted to truth, in the sense of theory that is consistent with observation and experience, cannot ignore the theory of support-bargaining and money-bargaining. But even so, if people are to be enticed into the new frame of reference, it has to be made easier. Some reduction in the extent of reading is required. There is now available *A Starter on Support-Bargaining and Money-Bargaining in Twenty-Eight Digestible Bites*.[2] This presents the theory in around 45,000 words of text in the Palgrave Macmillan 'Pivot' format. It is a restatement of the theory, rather than just a summary of the previous seven books. The compact format makes the interrelationships of the different components usefully apparent.

The Starter is intended to provide an easy introduction to a theory far more consistent with common observation and experience than mainstream theory. For mainstream theorists it poses unanswerable questions, including questions regarding the teaching of economics. The Starter offers a new foundation, a new frame of reference, for the study of the actual functioning of economies. It is anticipated that those tasting the Starter will be unable to refrain from tucking in to the main course. Who knows? It may soon become shameful to be found ignorant of the theory of support-bargaining and money-bargaining.

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