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Can university education in economics contribute to strengthened democracy and peace?

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Abstract

Mainstream neoclassical economics is specific in scientific as well as ideological terms. With its emphasis on markets, this economics is close to neoliberalism. In relation to sustainable development, a different conceptual framework and ideological perspective is needed. As an attempt in this direction a version of ecological economics is presented.

In mainstream economics “value” normally refers to “monetary value”. As alternative to “monetary reductionism”, the concept of “ideological orientation” is emphasized. It is argued that economics in relation to present challenges of sustainability and peace need to move in a “democracy-oriented” direction where ideology and ideological orientation is discussed openly. As an example, “efficiency” and “rationality” is regarded as a matter of an actor’s ideological orientation and differs between “pro-growth” and “pro-sustainability” ideologies. A pro-growth ideology is well institutionalized and made legitimate by the monopoly of neoclassical economics while the newer challenge of sustainability may require support by a new conceptual framework. Economics education needs to move from present monism toward pluralism.

Key words: political economics, neoclassical economics, ecological economics, ideological orientation, pluralism, democracy, “pro-growth” ideology, “pro-sustainability” ideology, Cost-Benefit Analysis, Positional Analysis

Introduction

In all societies there is a tension between democracy and dictatorship. In some countries democracy is well institutionalized and the threat of dictatorship is successfully kept at a distance. In other societies, a system close to dictatorship is quite established and democracy is regarded as a threat. Today, we witness a confrontation between Russia, a nation close to dictatorship and Ukraine which appears to move toward strengthened democracy.

In this essay it is assumed that a strengthened democracy is preferable to dictatorship if one aims at a sustainable and peaceful relationship between single nations and regional assemblies of nations. Does the economics taught in universities play a positive role in strengthening democracy or is the idea rather for economists to be neutral and leave democracy to other disciplines, such as political science?

Two observations concerning the state of economic science

Until about 1870 economics was understood and referred to as, “political economics”. From that time onwards, a group of economists preferred to see themselves as objective and neutral comparable to how they understood the role of scholars in disciplines such as physics and chemistry. So called “neoclassical economics” was born as a theoretical perspective that claims to be more objective and neutral in terms of values than its forerunners. And neoclassical economics developed into a mainstream. “Political economics” became just “economics”.

My second observation refers to one of the leading textbooks in neoclassical economics by Gregory Mankiw (2011). How does this book deal with “democracy” as an essential part of our society? I checked the “Glossary” and the “Index” but “democracy” was absent from the long list of essential concepts. I then looked for the concept “ideology” which is essential in understanding democracy but made the same observation. Democracy and ideology appear to be outside economics or not sufficiently relevant to be dealt with. One implication of this is that the neoclassical conceptual framework is thought of as being as applicable in autocratic as democratic societies.

Economics is always “political economics”

It is here argued that the transformation from “political economics” to “economics” was a mistake. Economics is always political economics. Mainstream neoclassical economics is specific in value or ideological terms and the same is true of specific kinds of heterodox economics, such as the ecological economics perspectives advocated in this essay.

There is no value-free or neutral economics. “Valuations are always with us” as argued by Gunnar Myrdal:

Valuations are always with us. Disinterested research there has never been and can never be. Prior to answers there must be questions. There can be no view except from a viewpoint. In the questions raised and the viewpoint chosen, valuations are implied.

Our valuations determine our approaches to a problem, the definitions of our concepts, the choice of models, the selection of observations, the presentation of our conclusions – in fact the whole pursuit of a study from beginning to end (Myrdal, 1978, pp. 778-779).

Rather than reference to values, I will refer to “ideology” or “ideological orientation”. In mainstream economics, “value” has become so much connected with “monetary value”. A kind of “monetary reductionism”

characterizes large parts of neoclassical economics.

There is certainly a role for objectivity in economic analysis but there is always a choice about what to describe. In a society there can be ways of measuring progress (or the lack of it) accepted by many, such as Gross Domestic Product (GDP). But should one rely on GDP as a single indicator or do we need other indicators as well? Sustainable development as a recent challenge suggests a broader set of indicators and that GDP is downplayed a bit. While there is a role for objectivity in measuring according to a specific indicator, choosing among indicator or monitoring systems is certainly an ideological issue.

If economics is political economics, then it follows that economics need to be “democracy-oriented”. The discipline should not be organized as a dictatorship where only one paradigm (with its theories, methods and connected ideological orientation) is presented. Today, neoclassical economics is in a close to monopoly position with connected ideology. Can education at university departments of economics be made more compatible with democracy? Let us tentatively redefine economics from “allocation of scarce resources” to “multidimensional management of limited resources in a democratic society” (Söderbaum, 2017, p. 22, 2018, p. 13). This “democracy-oriented” view of economics is presented as part of a pluralist perspective. There are competing and sometimes complementary ideas in economics. A conceptual framework that claims usefulness dealing with inflation and aspects of monetary policy is perhaps not the best choice for sustainability policy and vice versa. As economists we face different categories of problems.

Neoclassical economics as narrative

Let us look at neoclassical economics as taught in university departments of economics. Mainstream neoclassical economics can be described as a story or narrative about individuals and organizations related to markets for commodities, labor and capital. Individuals and organizations are assumed to maximize self-interest or otherwise narrow interests and search optimal outcomes in each market situation. The individual as “consumer” maximizes utility of possible combinations of commodities and the organization as “firm” maximizes profits when producing and marketing its commodities. Markets are understood mechanistically in terms of supply and demand. Among organizations, only profit-maximizing firms are considered in neoclassical theory and method. Governmental and Non-governmental organizations (NGOs) are excluded as being of little relevance. Today we (hopefully) know that such organizations are needed in relation to peace and sustainable development.

In addition to consumers and firms there is a national government that can regulate markets in various ways, such as taxes, charges and prohibitions. Consumers and

firms are then regarded as mechanistic entities that are manipulated through government intervention.

This way of presenting neoclassical economics is simplistic but claims to demonstrate essentials of the perspective. At issue is now how neoclassical economics relates to democracy.

Neoclassical economics in relation to democracy

Democracy is about listening to many voices and about participation in decision-making at various levels from the family to the local, regional, national and global society. Those who are affected by, or concerned about, the impacts in a decision situation are encouraged to participate and present their views and arguments. In relation to democracy the individual is not exclusively regarded as “market-oriented” but as much, or primarily, looked upon as a citizen and actor guided by an “ideological orientation”. As part of our political economics perspective, the individual is furthermore not just mechanistically reacting to market signals but can actively contribute to policy-making.

The concept of “ideology” and “ideological orientation” may at first appear alien to ideas about economics. But there are single well-known economists who have used this terminology. In her early book “Economic Philosophy”, Joan Robinson argues that economics as taught in universities “has always been partly a vehicle for the ruling ideology of each period as well as partly a method for scientific investigation” (1962, p. 3). Self-interest is not enough to keep societies together but neither its opposite, the expectation of a completely altruistic individual, is realistic. “A society of unmitigated egoists would knock itself to pieces, a perfectly altruistic individual would soon starve” (Ibid. p. 4).

In a recent book, “Capital and Ideology”, Thomas Piketty defines “ideology” as follows:

I use ideology in a positive and constructive sense to refer to a set of a priori plausible ideas and discourses describing how society should be structured. An ideology has social, economic and political dimensions. It is an attempt to respond to a broad set of questions concerning the desirable or ideal organization of society. Given the complexity of the issues, it should be obvious that no ideology can ever command full and total assent: ideological conflict and disagreement are inherent in the very notion of ideology. Nevertheless, every society must attempt to answer questions about how it should be organized, usually on the basis of its own historical experience but sometimes also on experiences of other societies. Individuals will usually also feel called on to form opinions of their own on these fundamental existential issues, however vague and unsatisfactory they may be.” (Piketty, 2020, p. 3-4)

When compared with this definition by Piketty, I use

ideology and ideological orientation in a broader sense as “ideas about means-ends relationships”. It is about “fundamental existential relationships” referred to by Piketty but also relevant in commonplace situations. We need an economics also for everyday decision making. While there are stable elements in an actor’s ideological orientation, there is also some variability depending on situation or context.

I am not saying that the neoclassical perspective is useless, but it is not sufficient in relation to present challenges of avoiding war and transforming development toward sustainability. If we want to seriously deal with these issues, we need an economics where competing ideological orientations are respected and seriously considered. Neoclassical economics is a kind of market fundamentalism which in ideological terms is close to neoliberalism. This perspective is certainly one among options in a democratic society, but there are other alternatives.

Neoclassical economics (with connected ideological orientation) is in a monopoly position with respect to university economics education. This monopoly is a kind of partial dictatorship which should not be seen as innocent. In Western societies that otherwise exhibit many traits of democracy, students in economics become indoctrinated in an ideology close to neoliberalism. The neoclassical paradigm is presented as a general theory, relevant to all countries, be they democracies or dictatorships. Learning about neoclassical international trade theory, as an example, is then considered equally relevant for students in Russia and Sweden. Trade is proven to be beneficial for both trading nations. Today, it is understood that importing oil and gas from Russia to EU is not only a matter of reduced monetary costs per unit of oil but a political choice and a matter of peace and war.

Democratizing economics education where pluralism exists concerning theoretical framework and ideological orientation would be a way of implanting ideas that have the potential of influencing elites in countries that today are close to dictatorship (Reardon, ed., 2009, Decker et al. ed., 2020, Söderbaum, 2019, 2021).

The arguments in favor of democracy can then be summarized as follows. Concentration of power in the hands of single persons or the few, tends to systematically reduce the ideological orientations (perspectives) considered in decision situations. This is unfair to those who do not share the views of the regime. When actors whose views differ from those of the leaders are no longer included as part of dialogue, the possibilities of new and creative solutions are very likely reduced. Democracy appears furthermore to be preferable to dictatorship also from a security point of view. In a dictatorship, a person who acts in a role as maverick tends to be dismissed, if not imprisoned. Even countries that are close to dictator-

ship, such as Russia and China, depend on more democratic nations where dialogue is possible. In the extreme hypothetical case of all nations being dictatorships, peace and sustainable development will not easily be achieved.

Ecological economics: A different conceptual framework

In the kind of ecological economics advocated here, a “political economic person” as actor guided by her ideological orientation replaces neoclassical Homo Economicus. When dealing with complex societal issues, it is no longer enough to think of individuals as physical objects that can be manipulated through governmental intervention. In addition, the individual is understood in sociopsychological and cultural terms with concepts such as role, relationship, network, perception, cognition, dissonance, conflict etcetera. It is recognized that subjectivity and engagement is often essential in policy making. Citizens can indeed be regarded as actors and policy makers. The recent COVID-19 pandemic is an example. National governments varied in how much they tried to rely on the involvement of citizens when compared with so called “lock down” policies.

In the “political economic systems” that exist today, individuals and organizations can be looked upon as political economic entities that relate to each other in a democratic context. In addition to political economic persons (PEPs), there are “political economic organizations” (PEOs) guided by their ideological orientation or “mission”. All organizations need to consider monetary or financial outcomes of their activities. Business corporations (“firms” in neoclassical language) are according to law expected to focus on monetary profits and dividends to shareholders in monetary terms. But this does not exclude a concern for Corporate Social Responsibility (CSR), “fair trade” and other voluntary certification schemes. This suggests that the “limited responsibility doctrine” of joint stock companies is challenged by specific kinds of “extended responsibility”. In this way, business companies engage in politics and may reconsider their ideological orientation or mission. At the time of writing, a war and political conflict between Russia and Ukraine is going on where some European Union transnational corporations have decided to significantly reduce activities in Russia. At some stage, one may argue that exclusively focusing on monetary profits is no longer realistic.

Non-governmental organizations (NGOs) is a different category of Political Economic Organizations. As expected, they are not considered in neoclassical economics textbooks but their role in relation to peace and sustainability can hardly be denied. In relation to both ambitions, Greenpeace is a relevant NGO. It is not only non-governmental but also “non-business” in the sense of claiming to differ from corporations (Bode, 2018). Many citizens, politicians and political parties and other organi-

zations in Western societies embrace a “pro-business” and “pro-growth” ideology made legitimate by neoclassical economics as theory and ideology. Other citizens, politicians and political parties point to climate issues and other environmental problems arguing that there is a need to control and regulate transnational companies in new ways.

Also, markets can be understood in political economic terms. PEPs and PEOs with their ideological orientations interact in market “relationships” and “networks”. Even non-market relationships and networks are potentially relevant. Relations (networks) can be cooperative or competitive where actors from government are sometimes involved. In a transaction one actor A may bother about the impacts on other actors B, C and D. The network perspective suggests that “no business is an island” (Håkansson and Snehota editors, 2017) and that competition can take place between networks rather than single organizations.

Decision making and management in a democratic society

Decision making takes place at various levels from the individual, the family, local organization, local government, national government to assemblies of nations, such as the European Union and the United Nations. How do actors as PEPs and PEOs make decisions?

Decision making is regarded as a conscious process where each actor’s ideological orientation, perceived alternatives of choice and expected impacts are involved. Each actor’s ideological orientation is “matched” against the expected multidimensional impact profile of each alternative considered. Sometimes there is a good fit; in other cases, the compatibility between ideological orientation and expected impacts is limited or absent. This idea of matching process is not new. Friedrich Schumacher referred to “appropriate technology” (1974). Management scholars, for example James March (1994) refer to a “logic of appropriateness”. In the labor market, available jobs are matched against the qualifications of applicants. In digital terms, one can refer to “pattern recognition” where an actor’s ideological orientation as a pattern is matched against the expected impact pattern of each alternative.

The “ideological orientation” is considered as relevant for decisions at all levels. The individual as consumer and worker matches her ideological orientation against perceived alternatives and their expected impacts. But for present purposes we will emphasize decisions at the public level and how they can be prepared. Neoclassical economists advocate Cost-Benefit Analysis (CBA) of a specific kind for investment projects in roads, energy systems etcetera. This method is built on a simple idea of aggregating all impacts connected with each alternative

in one-dimensional monetary terms. The idea of correct prices in market terms of each impact for purpose of aggregation means that a specific ideological orientation is applied.

This limitation to one ideological orientation in preparing public decisions would be compatible with democracy only in cases where all affected and concerned actors share the ideological orientation built into CBA. But in the normal case of investments in infrastructure, there are different opinions. Two or more ideological orientations are relevant.

Positional Analysis (PA) is a method with the purpose of illuminating an issue in a many-sided way with respect to ideological orientations, perceived alternatives of choice and expected impacts (Brown et al., 2017). The existence of conflicts of interest between single actors and actor groups is regarded as normal and implies that more than one ideological orientation is respected. The order of preference between alternatives may vary with ideological orientation. The idea of “many-sidedness” is supposed to counteract corruption and one-sided manipulated ways of preparing decisions. While the result of CBA-studies is that one alternative is considered optimal, PA points to “conditional conclusions” about preference order among alternatives in relation to each ideological orientation identified and considered.

Neoclassical economists often argue in terms of “rationality” or “efficiency”. According to the present ecological economics approach, efficiency (rationality) becomes a matter of ideological orientation. Actors A and B may differ with respect to ideological orientation and therefore also ideas about efficiency (rationality). Those who have internalized ideas about the importance of mitigating climate change can be expected to think in terms of ideas of efficiency that differs from actors embracing a “pro-growth”, “pro-profit” ideology.

“Positional thinking” as part of positional analysis stands for a recommendation to avoid “monetary reductionism” and describe non-monetary impacts in their own terms. Inertia in the form of irreversibility, for example, should be described and presented for politicians and others concerned. There are reasons to think of decisions in multiple stages where the choice of one alternative today leads to a position (state) which opens and forecloses choice in future decision situations. Construction of roads and houses on agricultural land is not easily reversed, for example.

While the emphasis here has been on preparation of decisions at the national level, the ideas presented claim to be as relevant for decisions at the level of individuals, organizations, local governments and even at the levels of EU or United Nations.

It should finally be made clear that neither CBA nor PA

will solve problems in any final manner. But PA will “illuminate” problems in new ways which may lead to constructive dialogue about relevant knowledge and ideological preferences. Too often politicians and other decision makers avoid a dialogue in ideological terms, preferring to continue along established paths. The analyst moves from the role of extreme expert in the case of CBA to a more decent role of expert, compatible with democracy.

Pro-growth versus pro-sustainability ideology

Many actors and nations are today emphasizing a “pro-growth” ideology. Entrepreneurship and business companies, be they small or transnational, are encouraged as ways of increasing the availability of commodities, employment and thereby prosperity. Actors in government organizations and business organizations as well as politicians agree about economic growth in GDP-terms as the major objective. “Sustainable Development” or sustainability has appeared as a competing ideology. Today pro-growth advocates are at best paying lip-service to other concerns. “Greenwashing” is an appropriate term.

These days an increasing number of actors point to the fact that present development is unsustainable in important respects. A different kind of “prosperity” (from that made possible by GDP-growth) is needed. With the so called Brundtland report, the concept of “sustainable development” was coined as an essential part of policy dialogue: “Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 8). The authors of the report still expressed some optimism concerning GDP-growth suggesting that “technology and social organization” can “make way for a new era of economic growth” (Ibid. p. 8).

Later, United Nations has sanctioned no less than 17 Sustainable Development Goals (SDGs) with sub-targets and the 2030 Agenda for change (United Nations, 2015). One of the goals, number 8, is about economic growth but the 17 SDGs can still be regarded as an important move from one-dimensional monetary measurement and analysis to multidimensional, more complex, ideas of progress. Social scientists, economists included, are not neutral in value (ideological) terms – as previously argued – and some of us joined an “ecological economics” movement with connected global and regional associations (Costanza ed., 1991)

Measurement and monitoring systems must become multidimensional. Today, we are facing problems with climate change, pollution of air, land and water, loss of biological diversity, pandemics and in many other respects. Degraded human resources and natural resources

that can be expected to have an impact on living conditions for future generations should be minimized or avoided. A focus on resilience of ecosystems and other kinds of irreversibility is recommended.

The war between Russia and Ukraine as a case

Russia is developing in an autocratic direction with Vladimir Putin and his friends in a leading position. There may be remaining elements of democracy, but Putin appears to aim at dictatorship rather than democracy. The ideological orientation of Putin is primarily one in terms of power and territory, rather than GDP.

In my understanding Putin has started a war by attacking Ukraine. This war of conquest is an excellent example of an unsustainable project. Civil society is attacked. Hospitals, houses where people live, factories etcetera are destroyed. Had Russia been a democratic society, attacks on neighboring countries had probably not occurred. In a country where dialogue is permitted and encouraged, there are many obstacles to tackle for those who look upon war as desirable.

University education in economics: Monism versus pluralism

Are scholars or teachers in universities completely innocent in relation to issues of dictatorship versus democracy and even war versus peace? Do we contribute to a strengthened democracy and thereby reduced probabilities of war?

My position is that we have a responsibility in relation to the mentioned issues and that few of us are doing what can be done:

1. “Democracy” plays a peripheral role in introductory economics textbooks at the university level. Behind this there is perhaps an implicit, questionable assumption that emphasis on markets mechanistically opens the door also for democracy. This appears to be too optimistic.
2. The existence of elements of democracy at university departments of economics cannot be denied. Universities are not completely cut off from the larger Western societies where democracy is an institutionalized idea. But the monopoly of neoclassical economics in introductory economics education can be described as a partial dictatorship. The generosity in relation to heterodox schools of thought is very limited.
3. Indoctrination in one paradigm, the neoclassical one, is a problem in itself. But this paradigm is a kind of market fundamentalism in ideological terms, close to neoliberalism. This means that departments of economics with their lecturers become part of political propaganda of a neoliberal kind. Politicians with a pro-sustainability agenda need a different theoretical and ideological economics.
4. Neoclassical economists claim relevance for their para-

digm not only in Western countries but also in dictatorships such as Russia and China. Pro-growth strategies are as relevant and international trade is regarded as beneficial with few exceptions for all nations. The issue of dictatorship versus democracy is not discussed.

5. The neoclassical paradigm legitimizes pro-growth and pro-profits policies but does not go well with efforts toward sustainability or sustainable development. An “ecological economics” in the sense of “economics for sustainable development” is therefore needed.
6. No paradigm in economics will solve all problems. For this reason, university departments of economics need to take significant steps toward pluralism. Ideas of one paradigm as the single correct one, need to be abandoned. Paradigms can be complementary.

Concluding comments

Pluralism as opposed to monism at university departments of economics will not solve all problems concerning sustainability and peace. But in the present crisis situation, each one of us should be encouraged to consider what she/he can do. Even efforts that appear small can, together with those of other actors, contribute to desired change.

Economics is always political economics, and the ideological orientation of mainstream economics textbooks influences generations of economists, politicians and all others who are concerned about the development of our economy and society. In the present situation of a monopoly for neoclassical theory and ideology, we have a problem of far-reaching indoctrination of a conceptual and ideological kind. Pluralism and democracy has a significant role not only in university departments of economics but also in the larger society.

No society or nation can claim to have reached democracy in any final sense. It is always possible to strengthen democracy. These days we experience nations that are attracted to ideas about concentration of power, even in the European Union. The present war between Russia and Ukraine illustrates what can happen if the imperatives of democracy are no longer observed.

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The Irish anomaly. Rethinking the concept and operationalization of ‘Gross Fixed Capital Formation’

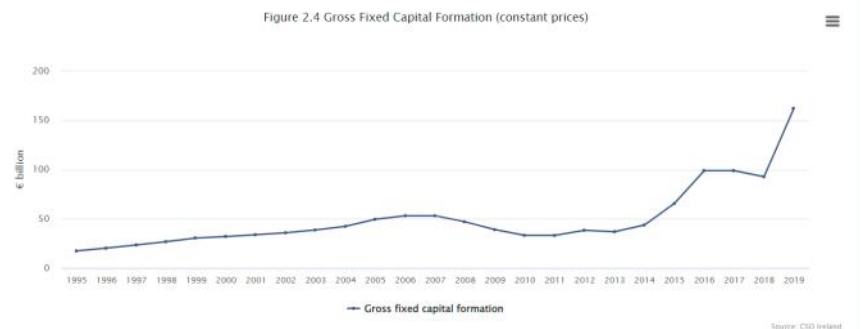
By [Merijn Knibbe](#)

Summary. The 2019 Irish rate of Gross Fixed Capital Formation (GFCF), commonly known as ‘fixed investments’, was extreme. While a rate of 20 to 25% of total GDP expenditure is common, the Irish rate was over over half of total GDP expenditure (other items are for instance consumption and non GFCF government expenditure). This article will argue that this extreme rate was caused by an artefact of the recent change of the formal operationalization of GFCF in the national accounts, in combination with the position of Ireland as an international hub for property and profit shifting by multinationals trying to minimize taxes. The Irish data surely capture an important development, as also noticed by Irish national accounts statisticians. But it seems wrong to classify this rather unique development as GFCF. It might be better to roll back the recent conceptual change of the national accounts and to introduce a new variable to measure the property and profit shifting development mentioned above (suggestions for an apt phrase to capture this are welcome). This will enable an easier and more clear-cut interpretation of GFCF as well as the property and profit shifting behavior of multinationals.

1. In 2019 Irish Gross Fixed Capital formation (GFCF) was, historically, extraordinarily high, as also noted by the CSO (Central Statistical Office) in its comments on the national accounts (figure 1). The series in ‘constant prices’ reached a level of about ten times the 1995 level and about twice the 2015 level, which was a record already.¹ The phrase, ‘constant prices’ is put between parentheses because these prices are not constant. Often, they are only constant for two subsequent years, more or less leading to an overlapping system of short term, two year ‘constant’ series which are subsequently spliced. The ‘volume’ of 2018-2019 measured in constant prices of for instance 2019 is spliced to the ‘volume’ rate of 2019-2020 measured in 2020 prices. Remarkably, this procedure can yield rather robust results even when the interpretation of these results is not easy because of the continuous change of ‘constant’ prices.² It might well be that the composition of GFCF in Ireland in 1995 was quite different than in 2019! But even when we take such considerations into account the Irish level was extreme.

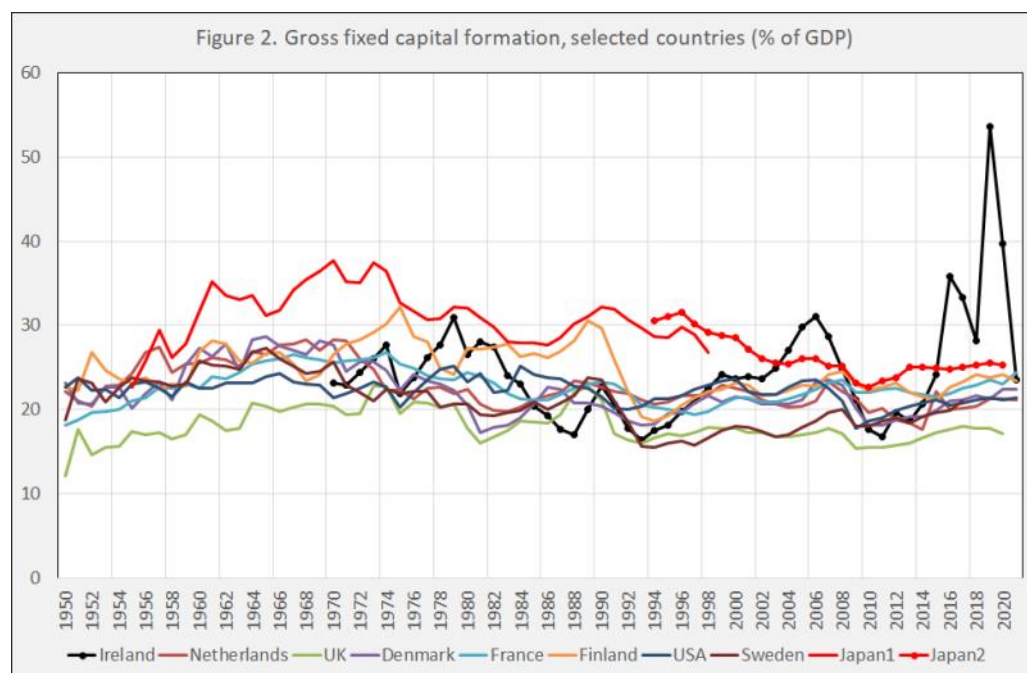
2. The extreme level of GFCF also shows when we compare the Irish level with the level in other countries by expressing it as a share of nominal GDP (figure 2).³ The Japanese rate during the years of Japanese hypergrowth was quite high too, but never surpassed 40%. This rate is however based on the ‘old’ concept of GDP-investment. The new concept also includes Research and Development and the purchase of military equipment. If these were included it might have reached or even surpassed 40%, compare Japan 1 and Japan 2. But even when it was a little over 40% it comes nowhere near the Irish level. Think about it: over half of all Irish GDP-expenditure consisted of fixed investment, leaving less than half for household and public consumption, including non-investment related health care, military and education related expenditure (mainly: wages), and net exports. Interestingly, the relatively high levels of many countries in the sixties and the seventies were, even when these were far below 50%, not tenable in the eighties and nineties anymore. Whenever after around 1980 countries had investment rates comparable with those in the sixties and early seventies, often related to construction booms, these were followed by severe financial crises. Think of Spain, Sweden, Japan, Finland and, indeed, Ireland itself. This, however, has not yet happened after the recent ‘Irish Anomaly’. Which means that we do not just have to look at the anomaly itself but also at the way it was financed. To summarize this: looking at historical and comparative data leads to the explorative question: ‘whatever happened with Irish GFCF in 2019?’

Figure 1. Gross Fixed Capital Formation in Ireland, constant prices.



Source: ONS, [internet 1](#)

3. The 2019 Irish rate was extraordinarily high – however we look at it. Previous high levels have been caused by either periods of hyper growth (Japan, the sixties and the first half of the seventies) or construction bubbles. At this moment, there is neither hyper growth in Ireland nor any kind of construction bubble while the level is higher than during bubbles of periods of hypergrowth anyway, which leads to the question of the composition of GFCF: what is the composition of GFCF in Ireland?



Sources: Eurostat (all countries except Japan, the UK and the USA after 1995), Central Statistical Office (CSO, Ireland before 1995), ONS (Organisation for National Statistics) (UK), CBS (Centraal Bureau voor de Statistiek) (Netherlands 1950-1994), Riksbank (Sweden 1950-1994), Bureau of Economic Analysis (USA), Cabinet Office (Japan). Insee (France before 1995). Finland and Denmark before 1995: Mitchell, B. (2005), *International historical statistics 1750-2000* (Routledge).

GFCF in 'Intellectual property' alone reached a level of 40% of GDP, a level not reached in any of the countries shown in figure 2 for total GFCF. What happened? Two things.

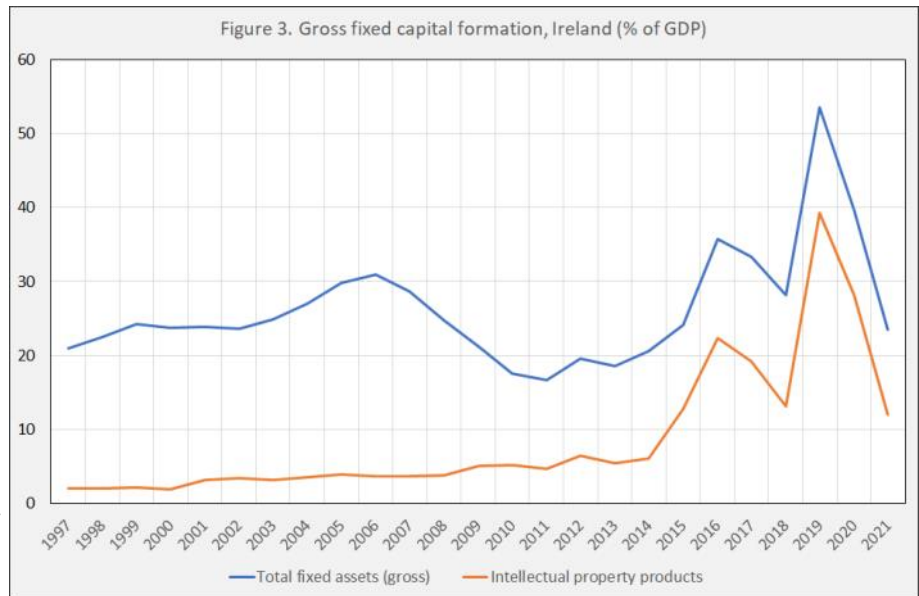
The first event was a change in the operationalization of GFCF by national accounts statisticians. According to the latest version of the national accounts manual, GFCF is operationalized as expenditure on new fixed capital, *including purchased intellectual property products*. According to the manual,

"The following types of gross fixed capital formation are distinguished:

- (1) dwellings;
- (2) other buildings and structures; this includes major improvements to land;
- (3) machinery and equipment, such as ships, cars and computers;
- (4) weapons systems;
- (5) cultivated biological resources, e.g. trees and livestock;
- (6) costs of ownership transfer on non-produced assets, like land, contracts, leases and licences;
- (7) R&D, including the production of freely available R&D. Expenditure on R&D will only be treated as fixed capital formation when a high level of reliability and comparability of the estimates by the Member States has been achieved;
- (8) mineral exploration and evaluation;
- (9) computer software and databases;
- (10) entertainment, literary or artistic originals;
- (11) other intellectual property rights."

The manual continues:

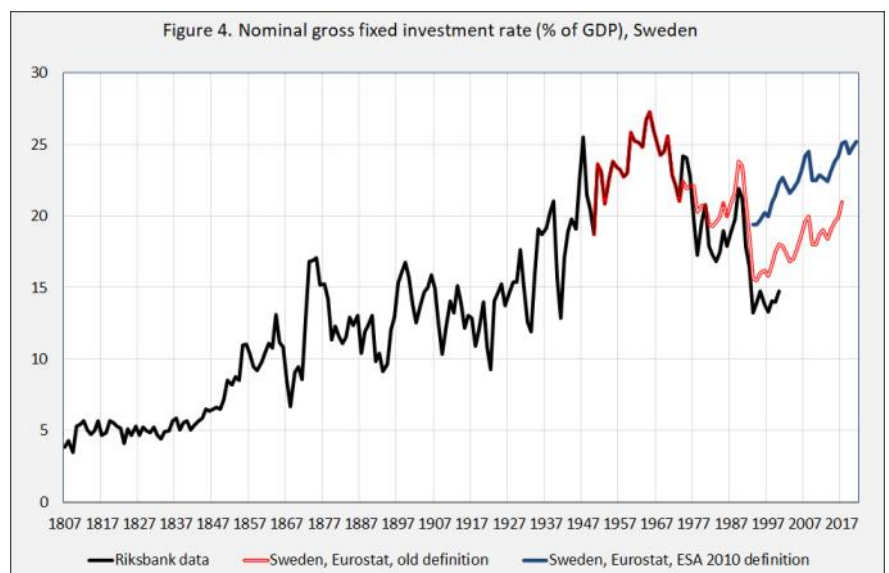
“Intellectual property products are the result of research and development, investigation or innovation leading to knowledge, use of which is restricted by law or other means of protection. Examples of intellectual property assets are: (a) results of R&D; (b) results of mineral exploration, measured as the costs of actual test drilling, aerial or other surveys, transportation, etc.; (c) computer software and large databases to be used in production for more than one year; (d) entertainment, literary or artistic originals of manuscripts, models, films, sound recordings, etc.” while the value of the assets includes fees paid to a former owner.⁴ Note that R&D as well as its results are classified as GFCF. Including intellectual property and Research and Development in the concept and operationalization of GFCF was not the only change. The ESA 2010 also included purchases of military equipment in investments GFCF, too, while related changes were made to the concepts of public consumption and the like. A detailed overview of the changes plus the consequences for the Greek national accounts is provided by Bragoudakis and Papadogeorgis, showing that, generally, changes were for Greece, compared with estimates based on the earlier ESA 1995 manual, not inconsiderable but also not dramatic.⁵ The average level of Greek GFCF increased by 0.8% (while the sharp decline of GFCF after 2009 was, if anything, underscored when using the new concept). For Sweden, a high ‘Research and Development’ country, it led to an upward revision of GFCF of around 4.5%-point (figure 4), which is quite large, but still way below the Irish level. So, what was special about Ireland?



Source: Eurostat

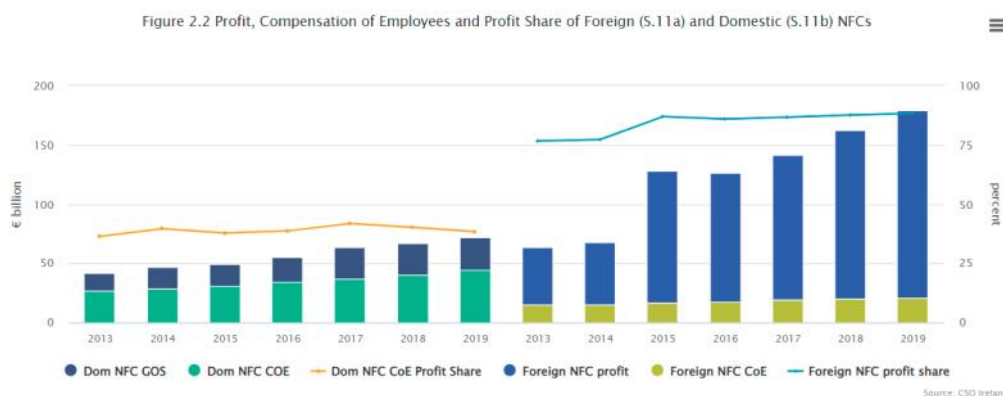
4. Some (anonymous) statisticians of the Irish CSO have written a concise analysis of the institutional and statistical background of the Irish Anomaly ([internet 1](#)). Part of their findings are shown in figure 5

NFC stands for Non-Financial Companies, CoE stands for Compensation of Employees while Dom NFC GOS and Foreign NFC profit stand for the amount of profit (billions) earned by domestic and foreign companies. It can be seen that wages paid (total) by foreign owned companies are much lower than wages paid by Irish companies while the opposite holds for profits. At the same time



(not shown in this graph but in the article) the investment rate of foreign companies is way higher than the investment rate of domestic companies. About this the Irish statisticians state: *“This ... has been driven by foreign-owned NFCs moving intellectual property (such as patents) to Ireland, usually as a company here purchases it from another company in the group.”* The question remains how this was financed. The answer is simple. To quite an extent, intra-company payables and receivables were used. An example: Microsoft USA sells its patents to Microsoft Ireland by accepting the IOU emitted to Microsoft USA by Microsoft Ireland. It’s that simple. As profits are chan-

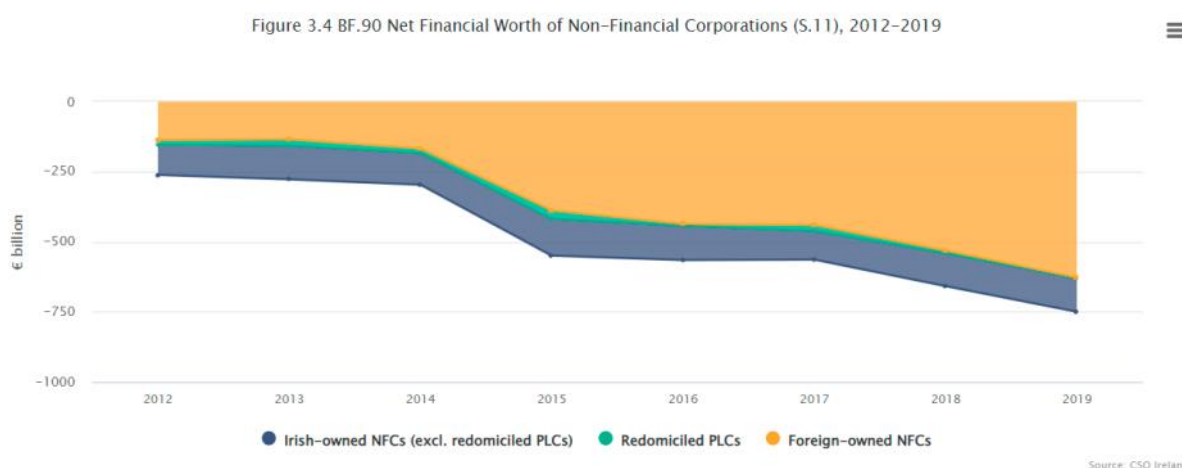
Figure 5. Profit, Compensation of Employees and Profit shares of different institutional sectors in Ireland



Source: [internet 1](#)

neled abroad, this leads to ever more indebtedness of the foreign owned companies in Ireland (figure 6). *Despite their very high profits and profit share foreign owned companies in Ireland become ever more indebted.*

Figure 6. Net financial worth of domestic and foreign corporations in Ireland



5. Traditionally, economists ascribe a dual nature to Gross Fixed Capital Formation. A short term nature in the sense that it's part of the flow economy and total expenditure. An increase leads to an increase in expenditure and employment and production while decreases lead to lower expenditure and lower employment and production. Next to this, investments have a medium- and long-term nature in the sense that, when the right mix of private and public investments exists, it will lead to increases in productivity and maybe, when investments engender new possibilities and new investments, a shift the technological production border. This, of course, does not always happen. I've already mentioned construction bubbles leading to financial crises. And a build-up of the military arsenal does not, in any direct sense, lead to an increase of productivity (even when it might lead a change in the technological production border). But despite this, fixed investments often also do lead to productivity change and new production possibilities, while the short-term effect is, or at least was, undisputed.
6. To capture more of the productivity enhancing effect of fixed investment, the ESA 2010 national accounts manual states that Research and Development and Intellectual Property should also be seen as investments and fixed assets. The Irish example, however, shows that sometimes 'financial wizardry' runs havoc with this idea. Patents should not be seen as 'fixed assets' like planes or ships, but as financial assets. In-company shifting of these financial assets from one country to another country does not lead to any kind of productivity increase inside these companies. Understanding patents and other intellectual property products as 'fixed assets' instead of as financial

assets leads to estimates of GFCF with a different short- and long-term nature than usually ascribed to GFCF, therewith obfuscating the accounts. The measurements as such are sound (and indeed, as the Irish statisticians show, illuminating). But they can't be understood as additions to total short term 'flow' expenditure which leads to work and production. Or as investments in new productive capacity which might enhance future productivity.

So, what to do? Clearly, on the one hand something interesting is going on which indeed should be captured by the national accounts. But on the other hand, present developments in Ireland disable the traditional reasons to distinguish CFCF, or fixed investments, as a distinct category in the national accounts. Inter-company international shifting of property titles, financed by issuing 'payables' by in this case the Irish part of the company which are accepted as 'receivables' by the USA part is a financial transaction, not fixed investment. The simplest but not simple way to deal with this is to reclassify these kinds of transactions as financial transactions and financial assets instead of 'real' transactions and fixed assets. The main reason to trade them is to shift wealth and financial claims from one country to another, not to boost productive capacity. Research and Development should however not be reclassified and should stay included in GFCF. This would, however, necessitate to an imputed account of 'Research and Development capital' not tied to ownership of patents – which is not that easy.

A more complicated solution might however be warranted. The national accounts are exactly that: *national* accounts. It's complicated, but it would be nice if these are complemented with accounts showing shifts and changes in international property relations of large companies. The consolidated total international value of patents, 3. not the country where ownership is registered, would become paramount for productivity analysis. Even when information on taxes and wages will be national. Together, this would enable a clear analysis of the influence of profit shifting on international financial flows.

1. In this article, I will use some ONS graphs, partly because it's convenient and partly to show the way the ONS treats these data. New in this article are the systematic historical and international comparisons and the discussion about the concept of Gross Fixed Capital Formation.
2. Knibbe, M. (2020). *Macroeconomic measurement versus macroeconomic theory* (Routledge); especially chapter 8.
3. A comparison with the 'Penn' series on GFCF and GDP, which are expressed in constant prices, yields that there are quite some differences in level between the GFCF rate in constant prices and the GFCF rate in nominal terms, i.e. using (as far as possible) prices which were actually paid. Knibbe (2020).
4. Eurostat/European Commission (2013). *European System of National Accounts. ESA 2010* (European Union), pp. 74-75.
5. Bragoudakis, Z. and Papadogeorgis, I. (2014). 'New National Account Methodology and the Implications for the Greek Economy: ESA 2010 vs ESA 95'. Available at SSRN: <https://ssrn.com/abstract=3127544>
6. They also state, not the subject of this article, "*The largest part of their impact is net profit, which, as mentioned, flows out to the rest of the world as dividends and reinvested earnings. The next largest element is consumption of fixed capital or depreciation, which is included in Ireland's gross national income.*"

Benefits of fathers caring for children remain underestimated in several European contexts

By [Mitja Stefancic](#)

Economics tends to treat the family as an economic unit. There is also sometimes recognition of unpaid work in the household. This does not fit many current family situations and poorly incorporates the parenting role, hence the discussion here.

Results from research in European countries focusing on father involvement and with reference to changing social structures are somewhat mixed. On the one hand, it emerges that there is an unprecedented potential for committed fathers in heterosexual dual-parent households to positively effect the well-being and education of their children. Such involvement is beneficial for children on numerous levels, leading to positive outcomes in later adult life. On the other hand, however, it is shown that

fathers' contributions are still neglected in several European contexts, particularly when the heterosexual couple is living apart. This calls for a reassessment of fathers' role both on the level of analysis and on the level of policy-making when it comes to dissolved households.

The decline of "traditional" dual-parent households in Western societies is matched by an increased pursuit of economic autonomy by both women and men (Pepin 2019). Some scholars even question the usefulness in the application of concepts such as the "traditional" nuclear family, which seems to be a myth nowadays rather than the standard (see, for instance, Sear 2021). It has been recognised for some time that less stable relationships can result in reduced commitment, which has many economic implications (Dnes and Rowthorn 2002). Dissolu-

tion of families and the subsequent discomfort of involved children is, arguably, a problem of European relevance (Vezzetti 2010, Muliari 2017). Despite some exceptions, when the child is being contested by the parents due to the dissolution of the family, fathers seem to be persistently considered as the “breadwinners” by the European social welfare institutions, the legal arenas and by the community more generally. Such an attitude is not helpful for finding optimal strategies and allocations in the best interests of children.

Sear (2021) observes how the failure to recognize the “new” role of fathers in Western societies can ultimately have adverse health effects on children. In fact, it is well documented that caring fathers have a fundamental role for their children in terms of skills development, school performance, self-esteem, self-control in later stages of life and even for outcomes in young adult life. In particular, results yielded by recent research can be summarised as follows:

- fathers’ active interest in children’s education is positively correlated with cognitive skills development in children (Sarkadi et al 2008, Elkins and Schurer 2020);
- book reading by fathers to toddlers and small children has positive outcomes in their later linguistic development – this being particularly important for low-income families (Duursma et al. 2008);
- father-child time in education activities is associated with improved performance of children at school (Cano et al. 2019) and, in particular, for achievements in maths and reading (Rollè et al. 2019);
- fathers’ care and engagement tend to reduce the frequency of behavioural problems in boys and psychological problems in young women (Sarkadi et al. 2008);
- involved fathers also promote children’s physical health (World Health Organization 2007) and persons with caring fathers tend to invest more into their health at an adult stage of life (Schurer 2018);
- in general, children’s well-being benefits very much from an active engagement by affectionate and committed fathers (Lamb 2013).

When it comes to the appreciation of the role of fathers, things vary substantially among different European countries and within the countries themselves. In Sweden, men often take on the role of nurturing fathers and they tend to enjoy comparable rights to those enjoyed by mothers within an egalitarian framework of parenthood, in which the rights of the children are strongly secured (Duvander et al. 2017). It is important to note that in Sweden, this social evolution was made possible, among other things, by the valuable contribution of feminist thinkers and researchers to policy-making: ‘Swedish re-

formers had recognized that substantial equality for women in the workplace was unattainable in the absence of significant changes in the conceptualization of men’s role both at home and in the workplace’ (Lamb 2013, p. 98).

Similarly, research based on case-studies in the UK shows that fathers in heterosexual dual-parent households are effective in providing childcare, thereby complementing their partners (Brooks and Hodkinson 2020). They have an important role for the children, a role that is nowadays better recognized by the British society. Even though their positive role is not being questioned, there is still a perception of permanent disparity between fathers compared to mothers as a result of diverse social expectations and persisting social barriers for fathers (Brooks and Hodkinson 2020).

In other European countries, however, the standards continue *not* to be sympathetic for fathers and fail to recognize their role. In this sense, informed economic analysis could help improving things, provided that the changing role of parents within contemporary family structures would be better recognized and adequately accounted for. Economists should make an effort to find new concepts and analytical tools so to be able to better capture the complexity of contemporary families and depart from considering the nuclear family as an economic unity.

The paradoxical situation – a focus on Italy

The present discussion is limited to sketching the European context, where the changing role of fathers is happening in a paradoxical situation in which fathers appear to be theoretically more engaged than ever before in raising their children (Graf and Wojnicka 2021). At the same time, it is also a historical moment characterized by a sharp decline in the “conventional” figure of the father-breadwinner, the loss of authority of the father on a symbolic level, and the decline of the paternalistic culture (Recalcati 2019).

This seems to be particularly the case for countries such as Italy, characterized by the transformations of the symbolic sphere (Righi 2021). Despite some interesting debates and informative accounts on the reasons for supporting more balanced social policies (e.g. Guidorzi 2017, Muliari 2017), things with regards to child allocation between parents and child custody in Italy are changing relatively slowly. Cultural standards and norms stress the importance of mothers in dissolved families, but are much less inclined to accept the benefits that children can enjoy from the presence of caring and attentive fathers.

Despite some improvements, fathers are still somewhat penalized by the Italian system when they ask for child custody, and this may be ultimately to the disadvantage of their children and against their best interests.

Improved economic research could lead to practical improvements in policy

That children can benefit very much from caring fathers is well-recognized almost everywhere in Europe. Nevertheless, while some countries such as Sweden seem to have put into practice adequate policies that help fathers to bond with their children, elsewhere in Europe such policies have been far more conservative and, arguably, less effective in securing children's best interest. When heterosexual families dissolve and both parents ask for child custody, this can lead to unbalanced parental time allocation and to legal disputes that are being managed far from optimally.

To bring improvements in countries such as Italy as well as in other European countries, policies should aim at effectively providing sensible solutions for the children's care and custody by a proper appraisal of children's benefits from caring and committed fathers. By better accounting for the fact that family units are much less stable than in the past, economists could play a role in securing adjustments/improvements on a policy level.

One particular area in which researchers focusing on father involvement are urged to better communicate their findings to policy makers is that of education, in particular by reference to the valuable benefits that children can achieve when qualitatively spending time in educational activities with their fathers. Arguably, the contribution from economists on these topics could be much stronger and some novel contributions from the economic science in this field would be welcome.

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The WEA Textbook Commentaries Project

A collection of commentaries on chapters in the 7th edition of Mankiw's introductory texts was uploaded to the WEA website some years ago for the [Textbook Commentaries Project](#). They were written by [Stuart Birks](#) and focussed on the macroeconomic content. Additional commentaries by [Rod Hill](#) are now being uploaded, focussing on the microeconomics chapters of his 9th American edition. The aim is to help students to critically assess their course material.

50 years ago relatively few economics students specialised in technical representations of the economy as covered in degree courses in mathematical economics and econometrics. The vast majority took a far more descriptive approach, looking closely at the real world. I think that the balance then was just about right. Subsequent developments with computers and electronic data have enabled major changes in focus. Incentive structures have also changed, altering the nature of economics research and resulting in particular in a heavy focus on models and econometric estimation. In many situations models based on abstract theory, the available data and narrow functional forms have little relationship to the real world phenomena they are claimed to represent. At the very least, thought has to be given to additional aspects overlooked in the models.

There have been developments in the diversity of perspectives taken in economics. However, there have also been other developments which have resulted in a severe narrowing of the approach. Among these has been the marked reduction in academic positions focusing on political economy and the history of economic thought. However one of the most notable developments may have been the watering down of introductory textbooks and the dominance of a simplified perspective coming out of the US. Cuts in university economics education in some countries have resulted in a reduction from two full-year introductory courses to just one single semester paper. This, combined with multi-choice questions and a heavy pro-market focus, resulted in a perspective radically different from that presented in Europe 50 years ago. Sadly, the internally consistent logic of the theoretical base also disappeared, along with discussion of the simplifications in and alternatives to the assumptions and defined variables (think of the current universality of GDP and its misuse in contrast to the detailed discussion and qualifications formerly presented with national accounting aggregates). There also appears to be a marked reduction in coverage of the process of model building, including explanations of the increased complexity and perhaps realism associated with relaxation of assumptions. In fact, frequently the underlying assumptions in a

model are not even listed. An understanding of these concerns clearly signals caution in the use and interpretation of results. As for econometrics, the significance of such aspects as additive separability, proxy variables, fixed underlying structures, and causality among many others seemed to be given much less weight than tests of statistical significance, for example.

As Rod Hill puts it, the purpose of these Commentaries is to assist students to think critically about what they are reading. This isn't easy to do on one's own. Students first must master the ideas being presented, ideas moreover which appear to have the stamp of approval of the instructor as well as the economics profession. But, particularly at large universities, the instructor may have had no choice about what text to use. And the economics profession is far from monolithic, as the existence of the World Economics Association demonstrates. As well, a variety of 'nonstandard' principles texts exist, and their share of the market may well be slowly growing. Much of the content in the Commentaries apply not just to Mankiw's text but also to most of the 'standard' or 'mainstream' texts in use today, not only in the United States but in many other countries. Many of these texts, including Mankiw's, have editions published in other English-speaking countries and versions translated into other languages. Most of the points raised in the Commentaries have been set out, often in more detail, in other critiques of the way that microeconomics principles are presented to students. Some of these critiques are listed below.

It is up to the current generation of economists to set their own course. As those on the right of the political spectrum are likely to contend, however, people respond to incentives. Recognised experts are those who have received the most rewards. Let's hope that they are being judged in a desirable way.

Additional Reading

Birks, Stuart (2015) *40 Critical Pointers for Students of Economics*, World Economics Association Book Series at www.worldeconomicsassociation.org/books/

Hill, Rod, and Tony Myatt (2022) *The Microeconomics Anti-Textbook: A Critical Thinker's Guide*, second edition, London: Bloomsbury.

Komlos, John (2019) *Foundations of Real-World Economics: What Every Economics Student Needs to Know*, second edition, New York: Routledge.

and for more advanced undergraduate students:

Varoufakis, Yanis (1998) *Foundations of Economics: A Beginner's Companion*, London: Routledge.

For a more extensive list, see: [Alternative texts | World Economics Association](#)

What's Capitalism Got to Do with It?*

By *David F. Ruccio*

Professor of Economics Emeritus, University of Notre Dame

What is the war in Ukraine all about?

The dominant narrative (in the United States and elsewhere, to judge by the American and international press I regularly read) is that Vladimir Putin, the power-hungry leader of Russia, is hellbent on expanding his control into and over a former-Soviet republic—and he is turn being undermined by a combination of his own isolation and ineptness and the resistance of the democratic president and patriotic citizenry of Ukraine. It's a story that is repeated on a daily basis, replete with and reinforced by gory photos of dead citizens and soldiers, seemingly in a concerted attempt to tell a simple story of villains and victims. It is a throwback to the black and white hats of classic American westerns.¹

And it works. The fact that the radical centrist or mainstream media has been telling that same story, day after day, since the beginning of the invasion six months ago, means that's what most people think and believe about the war. There's barely any letup in the mainstream story or any space for dissenting views to be seen or heard. So much for freedom of the press, which has come to mean the owners of the capitalist-owned media are free to formulate and disseminate whatever story they choose—but not that we, as readers, viewers, and listeners, are free to receive a wide range of analyses of what might be going on.

That's one problem. A second is that, notwithstanding the Cold War insinuations and resonances of many versions of the prevailing story, it fails to recognize that Putin himself could not be more anti-communist, a vociferous critic of anything and everything that had to do with the Soviet Union. In fact, on the eve of the invasion, Putin (Fisher, 2022) notoriously blamed “Bolshevik, Communist Russia” for creating Ukraine, in a process that began “practically right after the 1917 revolution.”

A third problem with the predominant story is that it essentializes particular motives or behaviors on behalf of the belligerents—as if things could not be otherwise, and such that they remain distant from “our” own beliefs and actions.² That's exactly the point Branko Milanovic (2022) raises with respect to attempts to explain Russian aggression in terms of an “age-old national culture”:

I don't like such explanations in economics and I don't like them in political science. They are always wrong because they are basically a distillation of whatever is commonplace at a given time. Thus, they always seem correct at a given point in time, but they are always

wrong when you look at them ex post. . .

People also like to offer such explanations because they are profitable. You get your book published, and when people read it, precisely because such stories are a compilation of commonplaces, they say, “Wow, this really is phenomenal; it fits beautifully with what I thought.” But it fits beautifully because it gives the slice of today interpreted as a somehow inevitable outcome. But things change. Then you take another slice of history, and claim another essentialist explanation really matters.

That's where capitalism comes in. It serves to challenge essentialist explanations of the war, since it locates what is going on in an ever-changing historical and social context.³ It also calls into question the narrow terms of the mainstream story, precisely because it forces us to ask questions about the economic and social causes of the war within both of the warring countries as well as the existing global system. Finally, it forces us to reconsider the idea that Putin wants to restore some previous Soviet (or even pre-Soviet) glory, if for no other reason than that the Russian Federation today is as capitalist a country as Ukraine; as are, for that matter, the members of the alliance that are attempting to stop Putin's aggression but are only succeeding in prolonging the war.⁴

Now, to be clear, I don't think introducing capitalism into the analysis serves—in any way, shape, or form—to absolve Putin and his regime for the monstrous invasion of Ukraine or for the atrocities they've committed during the course of the war. Nor does it undermine the idea that, as the members of a sovereign nation, Ukrainians have every right to defend their territory and to call upon other nations and peoples for assistance. But the goal has to be to put an end to the war and to establish a lasting and just peace. If we don't consider the role of capitalism, we're left in a situation where, as Mike Small (2022) describes it,

It's easy to feel helpless and hopeless, indeed the system is dependent on us feeling this way, but the system. . . is more fragile and exposed than we might imagine.

So, where does capitalism figure into the analysis of the current war in Ukraine? Fortunately, there have been a variety of attempts to introduce capitalism into the analysis outside mainstream media outlets. These are contributions others can build on as the war continues to be extended, with escalating damage and soaring numbers of victims on both sides of the conflict.

As Slavoj Žižek (2022) sees it, capitalist markets have served both to fuel the Russian war machine and limited Western (especially Western European) solidarity with

Ukraine, a point that Ukrainian president Volodymyr Zelenskyy (Sullivan 2022) has clearly understood: providing oil (along with fertilizers and food) to the West is more important than saving Ukrainian lives. And in both Russia and the West, the goal is to protect those markets—to finance the war (and offer in return “cheap patriotic pride”) and to avoid any serious attempt to restructure the existing energy system (not to mention solving the global food crisis, which threatens the lives and livelihoods of millions of people across the world).⁵

Richard Wolff (2022) approaches the issue from a different angle. His view is that the history of capitalism leads, more or less inevitably, to wars—since capitalist enterprises expand globally and pit nations against each other, thus creating (for nations just as with enterprises) both winners and losers. The resulting empires (British, German, U.S., etc.) are then challenged, both within and from outside, leading to smaller and larger wars. In the case of Ukraine, Wolff argues, the United States expanded its empire into Eastern Europe after the fall of the Wall but was then challenged by other capitalist powers, especially the alliance between a resurgent Russia and a fast-growing People’s Republic of China. The result was Russia’s invasion of Ukraine:

In Ukraine, on one side is an effort led by nationalists who would bring another nation further back into the U.S.-led global capitalist empire. On the other side is Russia and its allies determined to challenge the U.S. empire’s growth project in Ukraine and pursue their own competitive agenda for part or all of Ukraine. China stays with Russia because its leaders see the world and history in much the same way: They both share a common competitor in the United States.

That leaves the country Russia invaded. According to John Lough, Ukraine is based on a system of crony capitalism—*systema*, known more commonly in Ukraine as *oligarkhiya*—which includes the absence of a strong state, and a close relationship between big business and the country’s political class “that puts their own interests before those of society.” *Systema* was in fact created after the privatization of state enterprises and through a process that can best be described as a primitive or original accumulation of capital. The oligarchs-in-the-making created diversified, highly concentrated financial-industrial groups that are vertically integrated across many economic sectors (including banking, energy production and transmission, media, mining and steel, with agriculture being the one notable exception) and reach deep inside the state (through a variety of means, from paid support for members of parliament to ownership of the main outlets that provide a platform for certain politicians). Expanding on that, Yuliya Yurchenko (Smith 2022) has explained that it was the growing division between

oligarchic groups that led to the emergence of the battle between far-right Ukrainians and Russian separatists, who in turn made things out to be a civilizational choice between the West and Russia. Zelenskyy himself was backed by a particular fraction of pro-Western oligarchs but, once elected, oversaw ongoing corruption and continued plunder—and, as the head of a poorly equipped and disorganized state, Zelenskyy proved to be incompetent at actually ruling. His approval ratings went down as people’s standards of living plummeted. Unfortunately, the growing movement to dismantle *systema* and to chart a different path of development for Ukraine has been stopped, at least for now, by the invasion.

Much more of course needs to be done to analyze the role of capitalism in creating the conditions for Russia’s invasion of Ukraine, the conduct of the war itself, and the obstacles to finding a solution to the protracted conflict. Not to mention the economic and political contradictions that will accompany the efforts at reconstruction if and, hopefully, when the war is brought to an end.

But for now we can at least conclude that, as Harold Meyerson (2022) has argued, the myth that capitalist globalization will deter wars can finally be put to rest.

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*An earlier version of this article was published on my blog, Occasional Links & Commentary on Economics, Culture, and Society, about two months after the Russian invasion of Ukraine began (<https://anticap.wordpress.com/2022/04/22/whats-capitalism-got-to-do-with-it-2/>).

1. The most significant counter-narrative—which is mainstream within foreign policy circles but has received relatively little attention within major media channels—is the realist perspective offered by John Mearsheimer. For many years, he has argued that the United States, in pushing to expand NATO eastward (to eventually include Ukraine) laid the groundwork for Vladimir Putin's aggressive position toward Ukraine. Thus, in March of this year, Mearsheimer (2022) wrote, "The West, and especially America, is principally responsible for the crisis which began in February 2014. It has now turned into a war that not only threatens to destroy Ukraine, but also has the potential to escalate into a nuclear war between Russia and NATO."
2. Such essentialisms operate without any regard for history, of course, such as the determined attempt not to publish photos of dead bodies in the same extremist mainstream media in the United States during the Gulf War (DeGhett, 2014)
3. I understand, capitalism itself can be utilized as an essentialist explanation in its own right. Clearly, that's something we have to be on the lookout for, and to avoid whenever possible. My own view, for what it's worth, is that capitalism is one—but only one—of the conditions leading to the Russian invasion of Ukraine.
4. They are as capitalist but certainly not the same capitalism—and, for that matter, a capitalism combined with and conditioned by all the various forms of non-capitalism that exist within and across the countries that are currently participating in the conflict.
5. It also avoids curbing or taxing the wartime profits of Big Oil, which according to a recent report by Friends of the Earth, Public Citizen and BailoutWatch (2022) have been used to reward stockholders (including corporate executives), by repurchasing shares and increasing dividends.

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