

World Economics Association Newsletter

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

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Past Newsletters available at:

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

WEA young economists

Facebook group
(now 1100+ members)

World Economics Association
Voluntary annual membership fees:

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

WEA Journal—*Economic Thought*

The editorial team of *Economic Thought* invites submissions in any area of philosophy, methodology or the history of economic thought.

We encourage all members of the WEA to consider submitting full-length articles on any topic within our [aims and scope](#) to be assessed on our [open peer discussion](#) site.

Economic Thought was launched in January 2012 and has published four issues, comprising papers by young scholars and established academics, including Victoria Chick, Sheila Dow, Geoffrey Hodgson, Tony Lawson and Avner Offer. Here are some reasons for submitting your research to *Economic Thought*:

- 1) **Your research will be accessible to all.** The journal is completely open-access and free of charge. Universities and grant-giving bodies are beginning to insist on 'Gold' open access research and few of the traditional journals are able to supply this without imposing additional costs, complicated access rules, or both.
- 2) **Your papers will be assessed transparently and fairly.** The *World Economic Review* and *Economic Thought* are pioneers of open peer review, which seeks to address the weaknesses of the traditional double-blind peer review system by providing de-anonymised constructive criticism to authors.
- 3) **Your papers will be widely read.** In our first four issues we have published articles by authors working in Europe, North and South America, Asia and Australasia. Our most popular article "[Mathematical Modelling and Ideology in the Economics Academy](#)" (by Tony Lawson) has been downloaded more than 570 times since publication. In addition, the journal website has received more than 3700 visits since the publication of our Autumn 2013 issue.
- 4) **You will benefit from an efficient, streamlined editorial process.** 32% of submitted manuscripts have been accepted, and all accepted papers have been published within 12 months of the initial submission date.
- 5) **You will contribute to the creation of a more pluralistic and relevant economics!**

We look forward to receiving your manuscripts.

With best wishes,

Sheila Dow, John Latsis, Alejandro Nadal and Annalisa Rosselli

WEA Pedagogy Blog

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

WEA National Chapters

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

Conferences: Plans for the year ahead...and a look at the past

Plans

The upcoming conference on '*Is a more inclusive and sustainable development possible in Brazil?*' will take place in the summer 2014 (3rd May to 14th July). The Conference call can be accessed at:

<http://brazilconference2014.worldeconomicassociation.org/>

Current plans include conferences on:

- Greece society, economy and politics in the austerity years.
- The nuclear industry after Fukushima

Some colleagues are currently working on them – respectively - in Greece and in Japan. More on these conferences in the next Newsletter.

Looking back

Since we have started the WEA programme of online conference we have organized the following seven conferences:

Conference title	Discussion forum dates
Economics in Society: the ethical dimension	12/3 – 14/4, 2012
Sustainability: Missing points in the development dialogue	24/9 – 21/10, 2012
Rethinking Financial markets	3/12 – 31/12, 2012
The Political economy of economic metrics	28/1 – 14/3, 2013
The economics curriculum: towards a radical reformation	5/5 – 14/6, 2013
Inequalities in Asia	27/5 – 12/7, 2013
Neoliberalism in Turkey: a balance sheet of three decades	28/10 – 16/12, 2013

Our conferences have very good attendance records and I thought that members should be informed of the degree of interest. Table 1 gives, for each conference, the: number of visits; of page views, and of downloads. It also gives the 3 main countries from which visitors originate. The statistics refer to the 6 months since the beginning of the conference Discussion Forum. For the last conference we had, *Neoliberalism in Turkey*, the period covered is only 3 months thus the statistics appear smaller than the others and must be interpreted with this in mind. The table does not include our first conference - Economics in Society: the ethical dimension – because we do not have the full records on it owing to the less IT-intensive way it was organized. Since then our IT specialist – Jake McMurchie – has put our conferences on a more digitalized basis.

Table 1. WEA conferences. Viewing statistics. First 6 months* from opening of Discussion Forum

Conference	N. visits	Page views	PDF downloads	Visitors—top 3 countries
Sustainability	3271	6572	1432	US, UK Australia
Financial Markets	1327	2100	436	US, Germany, UK
Economic Metrics	5778	9530	2337	US, India, UK
Economics Curriculum	4572	8757	3169	US, UK, Germany
Inequalities in Asia	1540	2445	620	India, UK, US
Neoliberalism in Turkey*	1375	2498	269	Turkey, UK, US

*For the conference on 'Neoliberalism in Turkey' the period is 3 months.

Most visits occur within the first 3-4 months of the opening of the conference. Most peter out after 6 months. We know that many papers have been published – indeed some in the WEA journals. Two conferences are planning special issues: the leaders of the Sustainability conference are working on a Special Issue of the *International Journals of Sustainable Development*; the leaders of the Curriculum conference are planning a WEA volume from some of the papers in their conference. As previously announced, the WEA is, in fact, developing books for the publication of volumes from some of the conferences. We would like to hear about those conference papers published outside the WEA channels.

The success of our conferences is due to you – our members – and your participation as contributor, commentator, or audience. I hope you continue to support this important channel of interaction on academic matters.

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Federico Caffè: the man, the teaching, and the intellectual path

By [Nicola Aocella](#)
and [Mario Tiberi](#)

Federico Caffè was born a century ago. He left home voluntarily in the night between 14th and 15th April 1987 and disappeared, leaving no trace behind. For weeks and weeks his relatives, friends and pupils helped the police to search for him. No body has ever been found.

Since then a number of initiatives have been undertaken to honour and remember him. There has been [a film](#) and a book on his life. A series of annual lectures in his name has been established. They are jointly sponsored by the Department of Economics and Law, Sapienza University of Rome, where Caffè held a chair from 1959 to 1987, and the Bank of Italy, where he served for many years in different positions. The lectures are delivered by famous economists, including Nobel laureates, and are published in a special [Cambridge University Press series](#).

Who was this economist so sorely missed and fondly remembered by so many Italian economists of the later generations?

1. The man

Federico Caffè was generous, reserved and shy, humble yet proud. The heightened awareness and wit that set him apart, led him not to isolate himself, but rather to look around and to share in others' problems. Moreover, he was unusually ready to accept other people's points of view, despite his well-known wrath, which he recognized as his deadly sin.

It was this aspect of his character, reinforced by his clear conviction as a scholar, which led him to interpret his profession of public employee in the fullest and most active manner, with working hours that he - euphemistically yet hinting at his social interests (see below) - likened to those of a metalworker. Caffè's character is reflected in his works, which were often of a seemingly subdued tone, yet exhibited a polished, scholarly, and rich prose. The wealth of quotations, fruit of a vast culture and an unremitting drive for new knowledge, was more than a habit; it was an act of humility and respect for the reader, whom he believed should be protected from superficial claims unsupported by others' meditations, ignorant rediscoveries, as well as from the alarmist tones and pressures of vested interest groups.

His generosity led him to express, even in scientific works, deep sympathy for the problems of the poor, the unemployed and the marginalized. He strongly believed that value judgements serve a useful role in the accumulation of knowledge and that the scholar's necessary effort to be objective consists in explicitly declaring his ideals, rather than introducing them surreptitiously or repressing them.

2. The teaching

This backdrop of generosity and openness formed the premise behind his course on Economic Policy, which he continuously revised and enriched. Students unaccustomed to pluralistic views and unaware of the influence of value judgements sometimes found his approach a little confusing, being used to uncritically accept eco-

nomical theories as objective truth. His consciousness of the subjective component in economic science, however, did not translate into biased instruction. In fact, the fear of indoctrinating his pupils was always so strong in him that there were hardly any cases of him revealing his thoughts about contemporary issues to his students.

Caffè believed in university education for the masses, overseeing the students' progress at all stages. If his ability as a "talent-scout" - which was one of the few things he allowed himself to be complacent about - made him appreciate the most gifted, his awareness of being able to contribute to individual and social progress led him to be helpful and "compassionate" with others as well, especially with students from more humble beginnings.

His teaching, however, was not limited to lecture halls. His was a kind of permanent school, for various educational levels, which made use of a great variety of instruments, some of which, such as the translation of scientific works or production of essays for a wider audience, were meant to broaden the range of scholars and readers of economics. A particularly noteworthy example of his work outside academia were Caffè's very successful educational activities at various trade union premises.

3. The intellectual path



Awareness of concrete problems and open-mindedness to the most innovative contributions brought Caffè to foster Keynesian studies and become an advocate of these new theories; this was in the early

1950's, a period in Italy where pre-Keynesian theories were the accepted norm. His attention to the works of economists such as Kaldor, J. Robinson and Kalecki attested to his appreciation for some fruitful developments of the effective demand approach, although he maintained that the timeless Keynes' message has also been "a world view that commits to the human responsibility the chances for social improvement".

Caffè has been one of the main proponents in Italy of the study of welfare economics. It allowed him the means to dissect the virtues and failures of the market at the most abstract level, for the enhancement of the public agenda. He loved to define this methodological approach, having its roots in the contributions of Sidgwick and Pigou, as the *logic of economic policy*.

The analysis of coherent rules and the techniques necessary to create a unified design of government policy is the last logical step of Caffè's intellectual path, which had begun with perceiving and examining concrete problems. A necessary guide to consistent action was thus needed. In preparing for didactic purposes the Italian edition of *Science and welfare in economic policy* by

Zeuthen, Caffè came in contact with the intellectual environment and programming experience of the countries of Central and Northern Europe. In Scandinavian countries and in the Netherlands a "theory of economic policy" had emerged through the investigations of Frisch, Tinbergen, Theil, Hansen and others. This aimed at ensuring effective public action, thus complementing the implications for positive public action deriving from the *logic of economic policy*.

The theory of economic policy and the very possibility of successful government intervention in the presence of rational expectations was later questioned by the Lucas critique. Caffè had however suggested an idea of economic policy in strategic terms, as the interaction of different social subjects (not only the Government, but also big firms and trade unions). This idea of economic policy as the outcome of such an interaction was later to become the ordinary way of dealing with policy action. More recently, it has been developed by some of Caffè's followers, to become the core of the new theory of economic policy, exempt from Lucas critique, as it incorporates the assumption of rational expectations.

Not infrequently, his writings denounce the drift, sometimes silent and gradual, of domestic and international institutions. The latter have long acted against the Keynesian suggestions for avoiding a deflationary set up. In addition, sometimes they had also an arbitrary basis at least for some years, being the product of technocracies unauthorized by the bodies in charge of modifying the statutes of those institutions.

This was the case, e.g., of the decisions by the IMF to grant financial resources to member countries for deficits in their balance of payments due to capital movements or to "condition" grants on adoption of tough

monetary and fiscal policy as well as structural "pro-market reforms". The soundness of Caffè's objections to the action of the Fund have proved to be relevant from the point of view of later developments of international monetary and financial problems. Indeed, the anticipation of many of the positions of Stiglitz has been underlined by some of Caffè's followers.

In his later years he confronts the rude revival of the ideas of the fundamental stability, efficiency and equity of a free market economy. He contends that these ideas are expressed with a formal rigour which conceals an analytical impoverishment and assumes essentially the status of a slogan, "repetition providing assurance". In this he sees an attempt to obscure the difference between ideal and real capitalism.

His rejection of neoliberal stances is founded on the observation that, not the excess of public intervention nor of public assistance, but their deficiencies are responsible for poor economic and social results.

The "struggle to attenuate the multiple forms of marginalisation of human beings", is not the fruit of partisan ideas, but stems from his wish to support the improvement of all human beings. This leads him to support the idea of a universal welfare state, not solely for the poor, but as a tool for the well-being of all.

In a work dedicated to economic programming in Italy he cites – without remotely surprising anyone acquainted even minimally with his world view – a passage from his preface to the collection of Einaudi's *Three decades of economic and political chronicles*: "The man, to be assumed as the central reference point of economic programming is what Einaudi presents us in pages which should be reread: 'The man – he wrote – as a sum of spiritual and moral energies, as a force which opposes itself to nature, impoverished for centuries, to corrupting government, to torpid environment, and to surrounding misery'".

In one of his final works (*In defence of the "welfare state"*), he makes explicit his 'fixed points' as an economist, when he writes: "an economic policy that does not exclude, among the tools to be used, the controls conditioning individual choices; that maintains as undeniable the objectives of egalitarianism and assistance, which are usually summed up in the expression 'the State to be responsible for social welfare'; that entrusts public intervention with a fundamental role in economic activity".

[Editor's note: To read further on Federico Caffè and his influence, see:

Milone L. (2012), *At the Roots of the International Monetary Fund's Difficulties: the Pioneering Contribution of Federico Caffè*, *History of Economic Ideas*, 20(1): 109-130.

Acocella, N., Di Bartolomeo, G., & Hughes Hallett, A. (2012). *The theory of economic policy in a strategic context*. Cambridge, UK: Cambridge University Press]



Workshop calendar

16 March 2014: Deadline for abstract submissions

4 May 2014: Notification of acceptance

27 July 2014: Deadline for full-paper submissions

Swiss Hotel Grand Ephesus, Izmir, Turkey

www.EconEthics2014.org

Please note that the workshop is limited by 20 participants. Information with regard to lodging and transportation will soon be available on the workshop website.

Since the screening of *Inside Job* in movie theatres around the world in 2010, research integrity in economics has been questioned by scholars and public intellectuals. Prestigious economists and policy makers are accused of conflicts of interest while prominent economists are charged with plagiarism and self-plagiarism. Recently, errors and omissions in a number of influential papers, uncovered in 2013 by UMass researchers, caused scholars to raise serious questions about the reliability of findings in economics. Some of these economists replied to accusations about themselves while many others have preferred not to respond at all. These days, economists hear the following question more often than before: "what is wrong with economics?"

Despite serious concerns regarding the honesty of economists, scientific misconduct in economics, entailing plagiarism, fraud, and fabrication of data, has been among the issues drawing inadequate attention and remaining unexplored. The number of publications on the collective responsibility of economists is too small and there are only a few undergraduate and graduate courses in the US and Europe where economics students are taught about breaches of research integrity. Research ethics is not part of the standard curriculum in many research universities.

Concerned by the unresponsiveness of the community of economists about the significance of the problem, we invite authors to submit paper proposals to a two-day workshop on *Scientific Misconduct and Research Ethics in Economics* to be held in Izmir, Turkey in August 2014. Submitted articles will first be reviewed by the workshop committee, involving Altug Yalcintas, Robert McMaster, and Wilfred Dolfsma, for inclusion in the workshop. A selection of workshop papers will then be invited to the regular submission process of the *Review of Social Economy* for publication in a special issue on the same topic. Guest editors of the special issue will be Altug Yalcintas

and James Wible.

In this special issue, we aim at opening a platform for debates on the *nature, scope, and pervasiveness* of questionable research practices in economics.

• **Nature of questionable research practices in economics:** Why do economists involve themselves in breaches of research integrity? How should one explain the violation of the principle of "truth-seeking"?

• **Scope of questionable research practices in economics:** What are the forms of breaches of research integrity in economics? What has ethics got to do with it?

• **Pervasiveness of questionable research practices in economics:** What is the frequency of cases of breaches of research integrity in economics? Are these cases just a few "bad apples" or are they a real threat to the reliability of economic research?

Research topics that we would welcome in this special issue include but are not limited to:

• Cases of scientific misconduct and best practices of scientific conduct in economics (such as the editorial policies of *Econ Journal Watch* publishing scholarly comments on "inappropriate assumptions, weak chains of argument, phony claims of relevance, and omissions of pertinent truths" as well as *American Economic Review*, *Journal of Political Economy*, *Econometrica*, *Journal of Money, Credit, and Banking*, *Empirical Economics*, and *Labour Economics*, among others, making research data and codes available on the websites of journals so that potential readers are able to replicate the results that papers reach)

• Cases of scientific misconduct in social and natural sciences as analyzed from an economic perspective

• Surveys providing evidence on the extent of fraud, lack of financial disclosure, conflicts of interest etc.

• Replication failure, epistemic costs, intellectual path dependence

• Student misbehavior and teaching scientific misconduct in undergraduate and graduate programs.

• Normative issues: accountability and proposals for reform.

Michal Kalecki's legacy, an interview with Jan Toporowski

Jan Toporowski has recently published Volume 1 of a biography of Michal Kalecki. He agreed to this interview with the WEA Newsletter.

Q1. What made you choose to write a biography of Michal Kalecki?

It was not a matter of choice. I discovered Kalecki when I was studying economics at Birkbeck College in the late 1970s. The macroeconomics taught at the time (and still today) was all about the general equilibrium that is supposed to be immanent in the economy. I was then working in the Stock Exchange Investments Department of the Church Commissioners for England (the Church of England's pension fund) when the financial markets were in turmoil and collapse, while outside the economy was succumbing to mass unemployment and inflation. In the College Library I came across Kalecki's *Studies in the Theory of Business Cycle*. This was a revelation to me, in explaining all the phenomena that I was witnessing in my work, but that seemed strangely absent from the curriculum that I was studying. After that I read everything that I could find by him.

In September 1989 I was invited to Budapest for a conference honouring Nicholas Kaldor. There I met for the first time prominent Post-Keynesians, including Geoff Harcourt. One afternoon he and Peter Kriesler invaded my hotel room and invited me to join Peter Kriesler and Bruce McFarlane in writing an intellectual biography of Kalecki. This joint effort did not come to anything, although we had some interesting discussions, did some basic research, and pulled together some interesting material. Although I was aware that I had unique advantages in writing this biography, because of my familiarity with Polish, I felt that I did not adequately understand his economics of capitalism, and I kept being distracted by my work in monetary and financial economics.

Kalecki returned dramatically to my agenda in 2002 when I lost my job at South Bank University. With few other prospects I applied for and was awarded a Leverhulme Fellowship to write an intellectual biography of Kalecki. The Fellowship was for one year. But it allowed me to get visiting positions at the University of Cambridge and at the School of Oriental and African Studies, University of London, and to do some of the archival research necessary for this. After this it was a matter of writing up my material.

So, in the end it was not so much a choice, as a way of saving my career and paying tribute to economists, like Kalecki, who have illuminated economics for me and those, like Geoff Harcourt, Victoria Chick, Charles Goodhart and my family who have supported me through a

troubled career.

Q2. What do you see as his main contributions to economics?

Undoubtedly his theory of the business cycle, the most serious challenge to general equilibrium macroeconomics. This is an approach to economics wholly different to the standard general equilibrium theory that has prevailed since the end of the nineteenth century. It is dynamic, accounts for economic change, and incorporates the most commonly observed phenomena about contemporary capitalism: the crucial factor of business investment as the driver of the business cycle, the inability to increase employment by lowering wages, and the inability of capitalism to secure the rational use of resources because of the blocking political, social and financial power of the capitalist class. All this is expounded in a carefully reasoned analysis rather than accusations of injustice and bad faith. He applied similar reasoning to the economic problems of developing countries and the centrally planned economies of the communist bloc.

Q3. Did his background influence the development of these ideas?

His childhood and adolescence in the Polish/Russian city of Lodz vividly impressed on him the crucial dependence of capitalism on the business decisions of capitalist firms (rather than abstracted 'agents' or households, as our textbooks teach our students). The 1905 Revolution in Lodz and the turbulence in that city right up into the 1920s brought home to him that capitalism is not just about the distribution of income and the allocation of resources. It also involves daily struggles to limit the power of capitalists in society, because their social and economic circumstances force them to make decisions that are irrational from the point of view of the efficient management of social resources, and lead to misery and waste. This inefficiency and waste is epitomised in the business cycle, in which full employment is only obtained, if at all, at the peak of the boom, and then only temporarily. Unemployment and excess capacity is the natural state of capitalist economies, along with poverty and the more or less blatant autocracy of business interests.

Q4. How did his work fit with that of Keynes?

Keynes and Kalecki had one fundamental idea in common. This is that a free market capitalist economy cannot be brought into an efficient, full employment, equilibrium by price and wage flexibility. What determines

the equilibrium in such an economy is the level of investment. If investment is too low, then there will be involuntary unemployment. If investment is too high then there will be inflation and foreign trade difficulties. However, Keynes and Kalecki differed over the scope and significance of money and monetary policy. For Kalecki, money and monetary policy were endogenous to the business cycle. The circulation of money is determined by business investment, and not by credit policy. In their interest rate and credit policies, central bankers delude themselves that they control the business cycle, when it is the business cycle that controls central bankers. Inflation targeting or the Taylor Rule reveal the conditions that adapt central bank operations to the business cycle, rather than showing the mastery of central bankers over the business cycle.

By contrast, Keynes never properly put aside the idea, inherent in his earlier work, that the business cycle can be managed somehow by monetary policy. In part this was because Keynes needed to find a place in his macroeconomics for his highly original monetary analysis whereas Kalecki, having determined that money plays a largely passive role in the business cycle, was less interested in the financial circulation of money. Style also came into it: Keynes's real purpose was to change economic policy and he wrote with the rhetorical aim of changing the minds of his readers. His starting point was therefore the ideas of the 'classics' that he felt needed to be changed, rather than a clear exposition of the fundamental relationships in a capitalist economy. Behind these discrepancies too were wholly different approaches to economic dynamics. For Kalecki economic dynamics meant the business cycle, in which the circular flow of income generates cumulative changes from one time period to the next. Keynes never threw off the partial equilibrium approach that he inherited from Alfred Marshall, in which various aspects of the economy is divided into logical 'periods' each with a determinate equilibrium that can then feed into the equilibria of the other periods.

Nevertheless, Keynes had huge respect for Kalecki and his technical abilities, and even tried to recruit Kalecki to mount a serious critique of Tinbergen's econometric work on the business cycle. Kalecki wisely declined: He had a practical knowledge of statistics, rather than the firm grasp of statistical theory that would have been necessary for this.

Q5. Why has he been largely unrecognised for so long?

For many years Kalecki had a huge following in Cambridge and Oxford, thanks to the efforts of his friend Joan Robinson. But he was unsuccessful in America, in large part because of the anti-Communist fervour of late 1940s and early 1950s: He was denounced in the US Senate as a Communist sympathiser. Kalecki was not a Com-

unist. But he hated capitalism for the misery that it created and he thought that socialism would avoid this. Politically, therefore, he has not been in tune with the rightward drift of political economy since the 1980s. Moreover, unlike Keynes, and even his own friend the Polish Marxist Oskar Lange, Kalecki was not interested in any aspect of economics that did not have a bearing on the problem of how explain and model the business cycle. So he did not really engage with the ideas of other economists, or the history of economic thought, beyond what he could use for his own analysis. The collapse of Communism reduced interest in Kalecki's work on the economics of socialism and his seminal contributions to development economics have fallen before the advance of banks and financial institutions in determining the policies of developing countries.

Q6. How might he be relevant today?

There are two ways in which his work addresses our current situation and concerns. First of all he stands out for his insistence that, in a capitalist economy, it is capitalist firms that determine the character and dynamics of the system, with lesser possibilities available to governments and households than is attributed to them by most current economic theory. Today, economic theory is taught, and economic policy is conducted, as if firms did not exist, except as abstracted 'wealth-creators', continually frustrated by any remnants of progressive welfare or tax policies. Most contemporary economic theory tells us that the key economic decisions are made by households rather than firms and this is quite patently untrue. The kind of analysis of the firm that he gave us can give much improved insights into our current predicaments: the rise of unemployment and the decline in the quality of employment, the failure of Keynesianism and the economic instability that undermines security in all classes of society.

Secondly, Kalecki understood that business investment is the only effective way in which debt problems can be overcome in an indebted capitalist economy. The difficulty is that there is no mechanism in a capitalist economy to ensure that sufficient business investment is forthcoming to allow all the debts in an economy to be serviced (Minsky came to much the same conclusion in his analysis), just as there is no mechanism to ensure that there is sufficient business investment to generate full employment. The notion that price or wage flexibility can secure full employment is even less relevant in an indebted capitalist economy.

Q7. Is today's university economics environment conducive to the approaches that he took?

There are a number of obstacles to the better under-

standing of Kalecki's work in today's university economics environment. First of all we are supposed to train economists who will work in business and government, where their supervisors have expectations that their new staff will be familiar with certain ideas and not challenge them with new ones. In this way we are forced to pander to the backwardness and ignorance of Keynes's 'practical men'. Secondly, most core teaching in economics is from textbooks that trivialise economics and serve up for our students stews into which bleeding chunks, hacked from the serious theoretical constructions of our great economists, have been thrown with little regard for consistency or significance. Academic economics is further rendered insubstantial by the undue pressure on academics to publish in particular journals favouring trivial technical solutions to puzzles of dubious significance. In fact it was not so different in Kalecki's time, although the pressure to publish sophisticated technical expositions of commonplace observations might have been somewhat less. I wonder if Kalecki would have been such a great economist if he had been at university. (It was only during the last thirteen years of his life that he worked in a university and even then this was on suffer-

ance on the part of the university, since he had no university degree.) So much of his most original ideas came from thinking through the practical knowledge that he acquired as an engineer, as a business journalist, credit investigator, and an avid follower of business practices. Very few academics have that kind of background or experience. Moreover he knew that he was unusual among academics in this regard, and this gave him an unusually critical, even contemptuous, attitude towards academic research that dealt with abstract theory rather than practical problems. Following the crisis of 2008, academic economics is not short of critical, even contemptuous, attitudes among economists for those who do not adhere to their particular school of thought (whether heterodox or mainstream). But too little of these attitudes are informed by the kind of hard practical knowledge that Kalecki had. And if they were we might see those colleagues with whom we disagree as more naïve than contemptible.

[Editor's note: Jan Toporowski's book is *Michal Kalecki: An Intellectual Biography, Volume 1: Rendezvous in Cambridge 1899-1939*, Palgrave Macmillan, July 2013.]

Economics with feelings...

Gigi Foster (pictured) and Paul Frijters have been working on the incorporation of emotions and groups into an economic perspective on society. Here Gigi answers some questions on their approach:



Q.1: What made you choose this area of investigation?

Gigi: I didn't start out life as an economist. My mum was a psychologist and my college major was the jack-of-all-trades "ethics, politics, and economics." Even after finally committing myself to our discipline in graduate school, I was exasperated by its relative neglect of parts of life that are obviously important for driving behaviour – both materialist and otherwise. Real life has emotions, power, and groups in it. People love, hate, vote, believe, and make mistakes, but these facets of human life are dealt with only superficially, if at all, in mainstream economics, and this frustrates me. I know that Paul feels the same way. I was particularly motivated to understand the phenomena of religion and communism.

Q.2: So how can economics change to consider these aspects?

Gigi: As you know, the main story economists tell of how their society works is cold. 'Economic Man' is a heartless, smart calculator: caring only about his own material gain and not that of others, he sees everyone else merely as a potential trading partner and/or a potential competitor. The advantage of this view, which captures very nicely a large chunk of human motivation, is that when they are pitted against each other in a market where competition is

limited to the productive arena, Economic Men produce economic growth as well as good institutions that keep everyone honest and peaceful.

Of course, economists have long recognized that they were leaving emotions out of their story of markets and material self-interest, so we are not the first to notice that! But coming

up with simple theories that do justice to these aspects of real life while also retaining the simplicity and practicality of the main economic story has been one of the discipline's greatest challenges. If we open up the standard story of economics to incorporate the emotional content of elements that this story has to bend over backwards in order to fit, like religion, nationalism, democracy, human rights, sacrifice, and mental health, then it is not immediately clear what new framework we economists can offer to policymakers and the general public that includes an emotional component.

Our approach in this book has been to put forward the results of a long-term (20 years+) trial-and-error, analogue-reasoning-based pattern-recognition exercise to discover which core concepts outside of economics – when combined with what economics already offers – can, alone and in combination, best fit observed behaviours and phenomena lying outside of the explanatory reach of modern mainstream economics.

We have hence proposed our best guess at the big-picture story that fits best. The task remains to fine-tune our story and integrate it more into mainstream economics, which will involve decades more of theoretical, experi-

mental, and empirical work. We are definitely in the market for willing collaborators as we cannot do all of this on our own!

Q.3: Where do we find this sort of work?

Gigi: Adam Smith, Alfred Marshall, and even Karl Marx all spoke about emotion. “Moral sentiment” found its way into the title and topic of one of Smith’s great works. Marx’s dialectical materialism is built on the notion of class identification—i.e., emotional commitment to groups—and the entire Communist experiment proposed that people’s emotional commitment to the success of their group could, in the long run, trump their desire for personal material advancement.

Modern economists also have opinions about the realm of the heart. Household economists have implicitly recognized the emotional bond between parent and child in driving parents’ resource allocation decisions; experimental economists have tested the robustness of people’s “other-regarding preferences” (that is, their emotional attachment to others); and behavioural economists have even gone so far as to sprinkle emotional components into utility functions. Modern economics is now awash with stories of people’s attachment to what they have (known as “endowment effects”), their “irrational” anger at past slights, and the “market sentiments” that flared up in the global financial crisis.

The challenge has been to integrate these aspects with the existing story of economics. That is a challenge that we tackle, and similar treatises are scarce. By its ultimate interest in the big picture, our work follows somewhat in the tradition of Weber in sociology and Okun and North in economics, but we don’t know of other attempts to combine a detailed look at the inner life of individuals with the question of how the whole system works. Perhaps Machiavelli’s *The Prince* comes closest, although his intended audience was made up of those who wish to manipulate, rather than those who wish to understand. Still, we admire his pragmatic style and willingness to live with judgment calls.

Q.4: Can you give an example of this approach in practice?

Gigi: A good example of an application of our story to a particular aspect of behaviour is some ongoing research into the social phenomenon of “true believers” (committed supporters of a cause or movement). Our story suggests that people’s materialist behaviour will be influenced by the norms of their groups to which they belong, and we (together with Gautam Bose and Evgenia Dechter) are developing new ways of testing the strength of that influence using standard economic games in the laboratory. Our project is distinct from existing work that has shown evidence of altruism in the lab (“pure” and otherwise) because it is underpinned by a coherent story describing the core mechanisms and real-world consequences of group processes. This theoretical underpinning allows us to use our results to push forward our understanding of the wider economy, rather than only our understanding of a particular aspect of behaviour.

Paul put out a widely-publicised study last year that looked at whether bus drivers in Brisbane were more or less likely to give favours to people from different ethnic and social groups than themselves. Research assistants of varying skin colour and attire were sent into buses without money or valid bus passes, so that bus drivers had to decide whether to allow them on for free or not. Paul found that business suits and army uniforms could ‘compensate’ for being in a less favoured ethnic group. That study directly flowed from our book which views the economic system in terms of groups who have varying degrees of loyalty towards the group as a whole (the country), their ethnicity, and their social stratum. It made visible how these loyalties translate into actual behaviour.

Q.5: What’s next on your plate?

Gigi: We have more books in the hopper, plus a ream of papers and projects like the ones above, applying our story to particular aspects of life. So, watch this space!

[Editor’s note: These ideas are described and developed further in the recently published book, *An Economics Theory of Greed, Love, Groups, and Networks*, by Paul Frijters with Gigi Foster, Cambridge University Press, April 2013.]

The Institute for New Economic Thinking’s Young Scholars Initiative (YSI) will host a Ph.D. student workshop on May 27-28, 2014 at the University of Lausanne, Switzerland

The workshop is being organized in partnership with the European Society for the History of Economic Thought (ESHET), whose annual conference will take place on May 29-31.

The workshop will consist of mini-courses covering topics and methods that are overlooked in the conventional economics curriculum. **Harald Hagemann** from the University of Hohenheim will discuss **Hayek, Schumpeter, and the Austrian School** during the interwar period. **Maria Cristina Marcuzzo** from the University of Rome will discuss the content, method, and style of the **Cambridge tradition of economics**.

The workshop will also feature student presentation sessions, which will give Ph.D. candidates the opportunity to present and discuss their research in a collaborative environment.

More info here: <http://ineteconomics.org/ysi/events/workshop-lausanne>

A Heterodox Perspective on the *Curriculum Open-Access Resources in Economics* (CORE) project of the Institute for New Economic Thinking

The Association for Heterodox Economics ([AHE](#)) is, along with the World Economics Association ([WEA](#)), one of several organizations that seek to transform economics. The need for such transformation has been widely recognized since the Global Financial Crisis (GFC).

One of the more prominent responses to the GFC has been the Institute for New Economic Thinking ([INET](#)). INET has also set itself the task of transforming economics. As part of this task INET has initiated a project to develop a new curriculum for economics: the *Curriculum Open-Access Resources in Economics* ([CORE](#)) project.

In an extensive report, [Pluralism, Heterodoxy, and the Prospects for a new Economics Curriculum](#), we assess the potentials of this new curriculum in the context of INET's founding concerns. We note seven key aspirations that can be inferred from the founding concerns of the INET project. The need for:

1. A change to the specific content of economics that has proved to be in error: some shift in theoretical form and emphasis...
2. A change to the common 'paradigm' within which specific branches of economics were in error...
3. A transmission of these changes through new content in the teaching of economics (a curriculum change)...
4. A change in the attitude of economists facilitated by a greater methodological awareness (extending to philosophy and the history of economic thought) of the limitations of economics... creating the grounds for a critical paradigm that is, ultimately, not a single closed paradigm....
5. A transmission of this change in attitude through the way the new curriculum is taught... creating a sense that economists can constructively disagree and that historically they have been and thus can always be in error...
6. With reference to 3, a transmission of this change in attitude through the content of the new curriculum that is to be taught; reflecting critical disagreements about foundational issues and embracing diversity...
7. An active promotion of diversity expressed in new research, career progression, and publication, both in terms of inter-disciplinarity and a constructive pluralism...

Our concern is that the CORE project seems unlikely to achieve any of these seven aspirations. As such, the positive potential of INET is, in this case, steadily being closed down.

What began as recognition of fundamental problems that require fundamental change is becoming a more modest set of alterations. An initial recognition of failure within economics is being translated into a context of relative success, requiring more limited changes.

The transformation is becoming a mainstream project and a matter of change without change (something Thomas Palley refers to as Gattopardo economics, see ref. below). It is our contention that heterodox economics, along with genuine diversity, is being marginalized in this process of 'change', and that this is to the detriment of the positive potential for transforming the discipline.

The Association for Heterodox Economists ([AHE](#)) was founded in 1999 precisely to address the kind of issues that are now more widely recognized through such high profile organizations as INET.

The CORE project in particular seems to neglect to teach:

- that economics can be defined in different ways;
- that an economic problem can be looked at from different theoretical perspectives;
- that economists constructively disagree;
- that economists can be in error;
- that economic ideas can be dangerous if uncontested; and
- that there is more to teaching economics in a historical context than simply a narrative and some data.

As such, despite the facts that the project is well intentioned and that INET is committed to engaging students, it seems unlikely that the CORE project as currently conceived will ultimately meet the expectations of new student organizations such as [the WEA Young Economists](#), [Rethinking Economics](#) and [Post-Crash Economics](#). There is a basic mismatch here.

The more that CORE becomes a mainstream project the more it will view limited change as radical because, from a mainstream point of view, small changes are significant. Mainstream economics is slow to change and highly conservative, one can win a Nobel Prize for such theoretical breakthroughs as noting that people are not quite rational and economic activity has actual rules that affect the nature of the activity.

If one wishes to develop an economics profession that does not contribute to ills in the world, one must develop an economics that is genuinely plural and that is genuinely self-critical. This also contributes to better economic theory able to provide a range of explanations of real world economic phenomena, such as the possibility of financial crises.

Jamie Morgan

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Thomas I. Palley, 2013. "[Gattopardo economics: the crisis and the mainstream response of change that keeps things the same](#)," [European Journal of Economics and Economic Policies: Intervention](#), Edward Elgar, vol. 10(2), pages 193-206.

FREE Public Conference

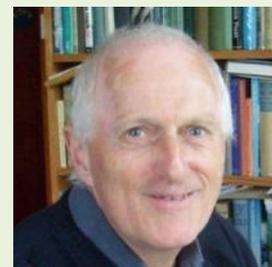
Heterodoxy in Economics: From History to Pluralism A Festschrift in Honour of J.E. King

Venue: Victoria University, City Flinders, 300 Flinders St, Melbourne, Level 9, Room FS915

When: 15-16 April 2014, 9.00 am – 5.00 pm

RSVP: Birute.Prasmutas@vu.edu.au

After a distinguished academic career in economics, including admission as Fellow of the Academy of the Social Sciences in Australia, John King retired from full-time university duties in July 2013. To mark this event, a festschrift has been organised in his honour, where eighteen peer-reviewed papers from distinguished heterodox economic scholars will be presented.



Keynote speaker: M.C. (Michael) Howard

Distinguished Professor Emeritus, University of Waterloo (Canada)

Professor M.C. Howard, John King's long-time collaborator, will speak on "Neoliberalism after the Financial Crisis", re-considering the theory proposed in *The Rise of Neoliberalism in Advanced Capitalist Economies: A Materialist Analysis* (Howard and King, Palgrave Macmillan, 2008).

Other presenters

Other presenters include international scholars Heinz Kurz and Jan Toporowski, as well as many Australian colleagues, past PhD students and friends of John King, including (alphabetically) Harry Bloch, Geoff Harcourt, Neil Hart, Gillian Hewitson, Therese Jefferson, Steven Kates, Peter Kriesler, John Lodewijks, Greg Moore, Michael Schneider and Frank Stilwell. A panel discussion with John King, on the future of heterodox economics will also be held.

Conference themes

History of economic thought – method and theory
Labour economics
Marxian economics
Neoliberalism and its delusion
Microfoundations of macroeconomics
Pluralism in economics

Post Keynesian economics and its approach to economic crises
Post Keynesian economics and austerity
Synthesis in heterodoxy

More information

For more details see <https://www.vu.edu.au/heterodoxyineconomics>
or contact Jerry at j.courvisanos@ballarat.edu.au

Conference organisers: Jerry Courvisanos, Jamie Doughney and Alex Millmow

Michael Howard will also present public lectures on Contradictions of the 'Very Modern Economy': A Keynesianised Marxian Perspective, at the Ballarat Trades Halls (14th April) and Melbourne Trades Halls (17th April).

Sponsors



World Economic Review update by the editors

The latest issue of the *World Economic Review* tackles a wide variety of issues, presenting research that examines business cycles in Latin America, climate change, the impact of childhood poverty on brain functioning, the policy-making process, and the negative impact of the culture that exists within economics on understanding the phenomenon of group behaviour. The lead article, written by James K. Galbraith and J. Travis Hale, studies the evolution of income inequality in the US from 1969 to 2012 and finds it linked to developments in the financial sector, the technology boom, war-time public spending, and the real-estate bubble.

For the next edition of the *World Economic Review*, the editors have a number of very promising papers to choose from, which are currently in the open review process ([here](#)). Do not hesitate to have a look and leave your comment. Any comment with substance and the required degree of politeness will be published. Among the previewable and reviewable papers are:

Fabian Lindners "[Does Saving Increase the Supply of Credit? A Critique of Loanable Funds Theory](#)", in which he presents a critique of the infamous loanable funds theory, which is still ruling the textbooks, by using simple accounting relationships and standard excess demand analysis. He shows that the dominant view that more saving leads to a higher supply of credit, lower interest rates and thus more funds to be invested is only true under very restrictive assumptions, which are rarely ever met.

David Woodward in "[Incrementum ad Absurdum: Global Growth, Inequality and Poverty Eradication in a Carbon-Constrained World](#)", examines, if eradication of extreme poverty possible in a carbon constrained world without major changes in the share of resource consumption and growth that goes to the poorest? Woodward's answer is a plain No, as this would require a very large overall increase in world GDP which is incompatible with keeping carbon dioxide emissions at a level that the ecosystem can tolerate. In the context of Woodward's analysis a sharp decline in resource use by developed

nations is required to make a cooperative solution to the global warming and poverty problems feasible.

Steve Keen and Russell Standish take aim in "[Rationality in the Theory of the Firm](#)" at the standard Marshallian theory of the firm. They refine and further develop their alternative formulation. In a separate paper, [Minseong Kim](#) presents a critique of such attempts to disprove the Marshallian theory of the firm.

In "[India: Globalisation and Growth](#)", Mritunjy Mo-hanty describes and dissects macroeconomic developments in India in the last two decades.

["Roots and Fruits of Democracy: Natural Resources, Income Distribution and Social Violence"](#)

by Matteo Cervellati, Piergiuseppe Fortunato and Uwe Sunde makes the argument that the level of violence during the transition from authoritarianism to democracy determines the

success or failure of a democratic reform.

Marcel R. de la Fontejne is aiming to improve on the concrete formulation of Okun's law, which relates growth to changes in unemployment in "[Okun's law, Dead or Alive: A Fundamental Approach](#)".

Richard Phillips and Laszlo Czaban are analyzing the financial accounts of 25,575 publicly listed corporations between 1950 and 2011 to show that securitization was not driven by greed and unnecessary risk-taking, but by innovations required to bolster an already distressed financial system, in "[The double Ponzi: an alternative analysis of instability and crisis in the US economy](#)".

François Boye empirically examines the "[Dynamic effects of balancing the budget on the current account](#)".

Philip Pilkington asks "[Are Financial Markets Stable? A Survey of Three Theories of Financial Markets in Light of the 2008 Crisis](#)".

Simon Mouatt examines "[The Dissolution of the Financial State: Evidence from the UK and Germany](#)".

Donald W. Katzner as "[A Neoclassical Curmudgeon Looks at Heterodox Criticisms of Microeconomics](#)".

[Norbert Häring](#) and [John Harvey](#)

[Open review here](#)

Have a look and leave a comment.

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