

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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WEA young economists

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Call for contributions:

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The latest on WEA Conferences

Ongoing and planned conferences

The conference on [The economics curriculum. Towards a radical reformation](#), has just closed. We had a very good set of papers and interesting comments. We were pleased to see that the main leader of this conference, Jack Reardon, was able to return to the conference – following treatment for his illness - just at the start of the Discussion Forum. I thank him for his efforts and dedication and wish him continuous improvement of his health. I wish to thank the co-leaders (Alejandra Maria Madi, David Wheat and Haiyun Zhao) of this conference for the excellent work in the run up to the opening of the Discussion Forum and during it.

The [Inequalities in Asia](#) conference is ongoing. The leaders (Jayati Ghosh, Vamsi Vakilabharanam and Parthapratim Pal) have worked hard to secure an excellent set of papers; comments are coming in and I encourage you all to contribute.

The next conference will be on [Neoliberalism in Turkey: a balance sheet of three decades](#). Quite a well timed theme for a conference; though we did not predict the political events of the last few weeks when we started planning it, nor did we organize such events to suit the theme of the conference! The idea for a conference on Turkey dates back almost a year and came from Ilker Aslan, one of the members of the Conference Organizing Committee. I embraced it wholeheartedly and we have been lucky to secure a group of enthusiastic conference leaders (Erinç Yeldan, Ozden Birkan and Ilker Aslan). The deadline for papers is 1st October 2013 and the Discussion Forum will be from 28th October to 24th November 2013. I invite contributions of papers from anyone working in the field.

General issues related to the conferences

1. Comments and Suggestions

The participation to conferences has not been as high as we would like to see. Please, please take a little time to read some of the papers of interest and **post comments**. I take this opportunity to remind you all that I would like to receive **suggestions for future conferences** and possibly, for leaders.

2. Approaches

The Curriculum conference forum contained a general comment and request for help by Ruth Anaya. It made us think it desirable to have a forum within the WEA to help colleagues all over the world with specific curriculum and teaching issues. The new WEA feature (**Approaches**) may address some of these issues.

3. Publications

The **publication** of papers from conferences is the responsibility of individual authors and (or in conjunction with) the leaders. Some papers from past conferences have been published in the WEA journals (The [World Economic Review](#), [Economic Thought](#) and [Real World Economic Review](#)). The editors of the journals make their independent judgement as to whether a specific paper or collections from a conference are appropriate for their journals. However, at the WEA we are in the process of developing **WEA Books** in collaboration with **College Publications** (see p.12 of this Newsletter). Edited collections of the

most appropriate papers in a conference may be a good way to start and I am having discussions with conference leaders on this.

4. Book Stalls

We have already announced the setting up of book Stalls at each conference. The plan is that each conference has a page dedicated to advertising books related to the conference theme. Authors of accepted conference papers and the leaders of the conference can advertise for free. Other members are asked to contribute £10 for each book. Journals on relevant themes can also be advertised. The book stalls remain part of the archived conference papers. The Curriculum conference had quite an active book stall.

5. Conference Organizing Committee (COC)

This now consists of myself (UK and Italy), Ilker Aslan (Turkey, US and Switzerland ilker.aslan@unifr.ch), and Malgorzata Derienowska (Poland, md.deren@gmail.com). You can approach any of us with ideas, suggestions and comments.

Grazia Ietto-Gillies

Chair, Conference Organizing Committee

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Economics in the Public Sphere

<http://www.econpublic.hps.cam.ac.uk/>

This project of the Department of History and Philosophy of Science, University of Cambridge is described on its web page as follows:

““Economics in the Public Sphere” (ECONPUBLIC) is a 5 year project funded by the European Research Council’s Starting Grants Scheme. Media reporting on the economy is never far from controversy. Academic economists and the public regularly find journalists at fault in their interpretation of events and prescription of solutions. Past scholarship has sought to locate the biases of journalists in political and institutional contexts. The ECON-PUBLIC project takes a novel approach by **studying “economic journalism” as a site for the production of public economic knowledge.**”

It promises to provide useful insights into reporting and media coverage of economics. The embryo YouTube site is at:

<http://www.youtube.com/user/ECONPUBLIC>

The map is not the territory

In the following quote, Johnson raises a point which is relevant for people (economists) using theory and models without a grounding in real world events.

"At first the abstract information compiled and transmitted by these computer systems merely supplemented the perspectives of managers who were already familiar with concrete details of the operations they managed, no matter how complicated and confused those operations became. Such individuals, prevalent in top management ranks before 1970, had a clear sense of **the difference between "the map" created by abstract computer calculations and "the territory" that people inhabited** in the workplace. Increasingly after 1970, however, managers lacking in shopfloor experience or in engineering training, often trained in graduate business schools, came to dominate American and European manufacturing establishments. In their hands the "map was the territory." In other words, they considered reality to be the abstract quantitative models, the management accounting reports, and the computer scheduling algorithms that were used to make sense of decoupled batch-production systems." (Johnson, 2000, p. 25) (emphasis added)

This issue is discussed further on the RWER Blog by Robert Locke in [“Getting business school reform wrong, Why it happened, and what to do about it”](#)

Johnson, H. T. (2000). *Profit beyond measure: extraordinary results through attention to work and people*. New York: Free Press.

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

The Façade of “Turkey Ended Its Debt to the IMF” By [Erinc Yeldan](#)

In May of this year Turkey had completed the last trench (US\$424m) of its debt obligations to the International Monetary Fund (IMF). To some this meant the long awaited declaration of autonomy for Turkey and the loss of the final “consumer” for the IMF. For some others who adhere to the neoliberal orthodoxy, this meant the graduation of Turkey and the successful completion of the IMF programme. The reality is that neither of these assessments is correct, as Turkey is currently trapped in a high debt, speculative growth environment with jobless patterns; and its government institutions are put under siege by the eradication of numerous independent bodies of *governance*, that are under the direct supervision of both the Bretton Woods Institutions such as the IMF and the World Bank, as well as the International Finance Institutions (IFIs). Thus, there is neither autonomy, nor successful graduation.

Turkey and the IMF signed a *Staff Monitoring Program* in 1998 to enable closer supervision and control of the Turkish economy by the IMF staff. Turkey experienced a severe economic crisis in November 2000 and again in February 2001 when it was following an *exchange-rate based disinflation program* led and engineered by the IMF. During 2001 the GNP fell by 5.7% in real terms, consumer price inflation soared to 54.9%, and the currency lost 51% of its value against the major foreign currencies. The burden of adjustment fell disproportionately on the laboring classes as the rate of unemployment rose steadily to 10% and the real wages were reduced abruptly by 20% upon impact in 2001.

The IMF had been involved with the macro management of the Turkish economy both prior to and after the crisis, and provided financial assistance of \$20.4 billion, net, between 1999 and 2003. Following the crisis, Turkey implemented an orthodox strategy of raising interest rates and maintaining an “overvalued” exchange rate. The government followed a contractionary fiscal stance, and promised to initiate further steps towards “market friendly” reforms.

In spite of the fact that the IMF has a long-continued place in Turkey’s economic history, its position within economic policies has become clearer notably since the *Staff Monitoring Program of 1998*. Consequently, just like January 24th, 1980 (the inception of neoliberal reforms), and August 1989, when capital flows were fully liberalized, the year “1998” represents a critical juncture in Turkish economic history. These observations were discussed in detail in the *Independent Social Scientists Alliance* (2007) report. Below is a set of crucial observations of the aforementioned report:

“In 1998, Turkey has already recognized the neoliberal reconditioning actions over its economic and political institutions under the supervision and scrutiny of the IMF, World Bank (WB), World Trade Or-

ganization and international financial institutions and rating agencies, and undertaken the new role provided by international division of labor. The main characteristics of this role can be summarized as follows:

- *To provide the international and domestic finance capital with high financial gains by guaranteeing unlimited liberty over capital movements;*
- *To specialize in the technologies with relatively low value added and to reshape its industry into a subcontractor of international corporations by transforming domestic labor markets into a cheap workforce heaven through deregulation and increased flexibility;*
- *To turn the entire economy into a cheap import heaven, which is financed, in essence, by speculative inflows of capital that resulted in the deepening of import dependence in production and aggregate consumption;*
- *To transform citizens into ‘customers’, and the agencies producing public services into ‘commercial enterprises’ by commercializing public services; and to barter away public economic enterprises to domestic and international private equity for the sake of attracting direct foreign capital inflows;*
- *To take the decision-making and implementation processes relating to strategic, economic and politic issues that are of particular concern to the entire society out of democratic mechanisms, hiding behind the discourse of effective and democratic administration and of ‘good governance’, and to try to win public support in restructuring the state in line with the neoliberal paradigm.”*

To sum up, the policy implementation during the post-1998 period within the frame of the IMF Staff Monitoring Program is the major stumbling block preventing Turkey from practicing an independent development strategy that is relatively more rooted in equity and social solidarity, and for which the targets and the resources are set independently.

Another myth of unbounded proportions is that Turkey’s external debt will be paid off as soon as payables to the IMF are cleared. Yet, the bare truth of the matter is that over the post-2000 era, instead of relying on the IMF’s lending, Turkey is currently on a roller-coaster ride borrowing directly from the “markets”, leading to the highest foreign indebtedness ever seen in the history of the Republic.



Turkey's external debt was on the order of US\$130 billion in 2002. As of 2012, Turkish external debt has increased to US\$336.8 billion, with an aggregate increase of US\$207 billions. Out of this increase, only US\$24 billion was created by the public sector (including the central bank), while private sector has turned out to be responsible for the remaining portion (US\$183 billion).

Looking from a different perspective, one can also trace out the debt-dependent structure of the Turkish macroeconomy. In 2008, Turkey's national income, the gross domestic product (GDP), was US\$742.1 billion with a total external debt stock of US\$241 billion, US\$52.5 billion of which was composed of *short term debt*. Data presented in Table 1 indicate the Turkish economy's external borrowing and growth adventure during the process of *global great recession* (2008 – 2012).

Table 1. Debt-Led Growth in Turkey

	Total external debt stock (\$ million)	Short-term external debt stock (\$ million)	GDP (\$ million)
2008	281.045	52.522	742.094,4
2009	269.223	49.020	616.703,3
2010	291.924	77.369	734.928,6
2011	304.207	81.996	773.980,0
2012	336.863	100.951	786.393,0
2012-2008 Difference	55.818	48.429	44.298,6
Sources: TurkSTAT, National Accounts and TR Central Bank data dissemination system.			

Thus, from 2008 to 2012, over the so-called great recession cycle, the Turkish economy has accumulated *net extra* external debt amounting to US\$55.8 billion in total.

Over the course of the same period, Turkish gross domestic product has advanced to USD 786.4 billion with a cumulative increase of US\$44.3 billion. That's to say, after 2008 *the total net increase in external indebtedness was higher than that of the national income*.

Another astonishing aspect of this growth miracle, which was running the Turkish economy into a debt trap at a dizzying speed, is that the external borrowing is mostly characterized by its *short-term* structure. The net increase in short-term external debt stock, US\$48.4 billion, accounts for 87% of the overall increase.

A related question is which agents (institutions) were the dominant sources of this episode. I know that a satisfactory answer to this question requires a more comprehensive analysis going far beyond the scope of this column, yet I believe that we can make comments about the overall tendency that we have derived from the official data. The official data show that out of the net increase of US\$55.8 billion in external indebtedness, US\$18.5 billion was generated by the public sector

(including the Central Bank), while US\$37.3 billion was contracted by the private sector. Almost all of the private sector external debt were in turn concluded by the *financial institutions*. Only % 1.6 (corresponding to US\$0.6 billion) of the net increase of US\$37.3 billion in private sector external indebtedness was generated by *non-financial institutions*.

Table 2

Distribution of Net Increase in External Indebtedness between	
Public	18.487
Private	37.332
<i>Private Financial</i>	36.731
<i>Private Non-financial</i>	601
TOTAL	55.819

However, the case was the exact opposite before 2008. Approximately two-thirds of the US\$100 billion net external debts accumulated by the Turkish private sector during the period 2003-2008 were accumulated by *non-financial real economy* sectors. Since the 2008/09 crisis, the real sector companies have seemingly declined using credit by way of external borrowing. Turkey has been, once again but much more severely, possessed by speculative fluctuations led by the risk appetite of the financial arbitrageurs.

An economy, whose short-term external debt is increasing more rapidly than its national income... Rating agencies, whose recent decisions have been celebrated by the Turks as a matter of national pride, are undoubtedly familiar with these facts. Yet, one should not be naïve in matters of international political economy, and have a clear understanding that Turkey's position in the new international division of labour is an extension of not only purely economical, but also political preferences of *collective imperialism*. The myths of "economic successes" are now ballooned via political elements.

Independent Social Scientists Alliance (2007) *The Long Ten Years under the Scrutiny of the IMF, 1998-2008: Different Governments Single Politics*, Istanbul: Yordam.

[Editor's Note: A. Erinc Yeldan is Professor of Economics, Yasar University, Izmir, and Executive Committee Member, International Development Economics Associates (IDEAs). Given recent developments in Turkey, some of you may be interested in his post, [The Party is Over: Children, Clean up the House! Lessons from the Turkish #OccupyGezi](#). It is a post on the [Triple Crisis Blog](#), which focuses on the crises in finance, development and the environment. The blog "seeks to contribute to a more open and global dialogue around these three crises: about how they interact, and how they can collectively be solved."]

Two videos: rethinking economics – the need for pluralism

George Soros: Why we need to rethink economics

“In this short [3 minute] interview, [Institute for New Economic Thinking](#) co-founder [George Soros](#) tackles the question at the heart of the Institute’s mission: What’s wrong with economics and what can we do to change it? ”

A case for pluralism in economics

“Economics is unique among the social sciences in having a single monolithic mainstream, which is either unaware of or actively hostile to alternative approaches...[Professor John King](#) of La Trobe University presents a case for pluralism”

Tony Atkinson on synthesis

“In my view, economics has become too splintered into sub-disciplines. It has become over-specialized. There is a great need, particularly at this juncture, to unify the different branches of economics.”

P.15 of Atkinson, A. B. (2009). Factor shares: the principal problem of political economy? *Oxford Review of Economic Policy*, 25(1), 3-16.

Students rethinking economics

There was a student-based conference held in London, 28-30 June 2013:

“The economics we have been studying does not fit the economy we are living in. We need to ask new questions to get new answers, and we need a greater diversity of ideas in economics.”

[Conference web page](#), [Facebook page](#)
[News and articles](#)

World Economics Association on Facebook

Visit the [WEA Facebook Page](#)

<https://www.facebook.com/worldeconomicsassociation>

Click “Like” for regular update information.

WEA Young Economists Facebook Page

“This Facebook group marks the beginning of the World Economics Association’s Young Economists Network (YEN). Its intention is to provide the means by which thousands of economics students and post-docs from around the world can join together to help reform the economics discipline, especially the way it is taught in universities, and to open up career opportunities for post-neoclassical economists. Although the Young Economists Network is intended primarily for students and young professionals, others are welcome to join.”

<https://www.facebook.com/groups/521797714546263/>

WEA Newsletter mini-interview with James Galbraith:

1. How would you briefly state your perspective on economics?

Empirical and practical.

2. How does this compare to the mainstream?

It's different.

3. Do you think that a more pluralist approach might gain traction? What factors constrain and support such a development?

No chance unless the grip of the journal hierarchies on appointments is broken.

4. What lessons, if any, have been learned from your and your father's experiences challenging the conventional wisdom?

Breaking the rules is fun once you have a safe job. People who do it without that are braver than I ever needed to be, and I admire them.

WEA National Chapters

Get involved!

Is your country listed?

Become a contact!

Add a link or post!

Now available, the

[June/July 2013 Bulletin](#)

from the UNDP’s

[International Policy Centre for Inclusive Growth](#)

No frills economics

The general presentation of economics to most of our students is a neatly packaged but watered-down version of the discipline as it has developed over the past 250 or so years. Yes, there are technical refinements, but many of the subtleties have disappeared, to be replaced by a clinical, positivist and unrealistic mainstream formulation relying heavily on the constraints of the mathematical formulations.

Consider the following extracts from the 8th (1920) edition of Alfred Marshall's *Principles of Economics*, first published 1890. They are selective and consequently out of context, but indicate some dimensions that Marshall considered worth mentioning:

"...there are vast numbers of people both in town and country who are brought up with insufficient food, clothing, and house-room; whose education is broken off early in order that they may go to work for wages; who thenceforth are engaged during long hours in exhausting toil with imperfectly nourished bodies, and have therefore no chance of developing their higher mental faculties. Their life is not necessarily unhealthy or unhappy. Rejoicing in their affections towards God and man, and perhaps even possessing some natural refinement of feeling, they may lead lives that are far less incomplete than those of many, who have more material wealth." [I.I.4]

"Everyone who is worth anything carries his higher nature with him into business; and, there as elsewhere, he is influenced by his personal affections, by his conceptions of duty and his reverence for high ideals. And it is true that the best energies of the ablest inventors and organizers of improved methods and appliances are stimulated by a noble emulation more than by any love of wealth for its own sake." [I.II.1]

"But of course economics cannot be compared with the exact physical sciences: for it deals with the ever changing and subtle forces of human nature" [I.II.1]

"...the pleasures which two persons derive from smoking cannot be directly compared: nor can even those which the same person derives from it at different times." [I.II.4]

"When we speak of the measurement of desire by the action to which it forms the incentive, it is not to be supposed that we assume every action to be deliberate, and the outcome of calculation. For in this, as in every other respect, economics takes man just as he is in ordinary life: and in ordinary life people do not weigh beforehand the results of every action, whether the impulses to it come from their higher nature or their lower" [I.II.16]

"What makes one course answer better than another, will not necessarily be a selfish gain, nor any material gain; and it will often have been argued that "though this or that plan saved a little trouble or a little money, yet it was not fair to others," and "it made one look mean," or "it made one feel mean." [I.II.17]

"...when the motive to a man's action is spoken of as supplied by the money which he will earn, it is not meant that his mind is closed to all other considerations save those of gain. For even the most purely business relations of life assume honesty and good faith; while many of them take for granted, if not generosity, yet at least the absence of meanness, and the pride which every honest man takes in acquitting himself well. Again, much of the work by which people earn their living is pleasurable in itself...Indeed even business work, that seems at first sight unattractive, often yields a great pleasure by offering scope for the exercise of men's faculties, and for their instincts of emulation and of power. For just as a racehorse or an athlete strains every nerve to get in advance of his competitors, and delights in the strain; so a manufacturer or a trader is often stimulated much more by the hope of victory over his rivals than by the desire to add something to his fortune." [I.II.23]

"It has indeed always been the practice of economists to take careful account of all the advantages which attract people generally towards an occupation, whether they appear in a money form or not." [I.II.24]

"...in most economic problems the best starting-point is to be found in the motives that affect the individual, regarded not indeed as an isolated atom, but as a member of some particular trade or industrial group; but it is also true, as German writers have well urged, that economics has a great and an increasing concern in motives connected with the collective ownership of property, and the collective pursuit of important aims." [I.II.28]

"[Economists] deal with man as he is: not with an abstract or "economic" man; but a man of flesh and blood." [I.II.33]

"...there is not any one method of investigation which can properly be called the method of economics; but every method must be made serviceable in its proper place, either singly or in combination with others." [I.III.1]

OECD Better Life Initiative: Measuring Well-Being and Progress

"Are our lives getting better? How can policies improve our lives? Are we measuring the right things? The OECD Better Life Initiative and the work programme on Measuring Well-Being and Progress answer these questions. They allow understanding what drives well-being of people and nations and what needs to be done to achieve greater progress for all." [More here...](#)

Open peer review – some current WEA journal papers

The WEA open access open peer review journals [Economic Thought](#) and [World Economic Review](#) have papers available for comment, including:

At the [Economic Thought paper review page](#):

**[The Theory of the Transnational Corporation at 50+](#)
Grazia Ietto-Gillies**

The paper briefly summarizes the historical evolution of TNCs and their activities. It then introduced the major theories developed to explain the TNC. There is an attempt to place the theories historically, within the context of the socio-economic conditions and of the relevant economic ideas in which they were developed. The following theories are discussed. ... [Continue reading »](#)

**[From Rational Choice to Reflexivity: Learning from Sen, Keynes, Hayek, Soros, and most of all, from Darwin](#)
Alex Rosenberg**

This paper identifies the major failings of mainstream economics and the rational choice theory it relies upon. These failures were identified by the four figures mentioned in the title: economics treats agents as rational fools; by the time the long run equilibrium arrives, we are all dead; the social, political and economic institutions that meet ... [Continue reading »](#)

[Should the history of economic thought be included in undergraduate curricula?](#) Alessandro Roncaglia

The mainstream view about the irrelevance of the history of economic thought (HET) is illustrated, and the reasons for it are indicated in the hidden assumption of a positivist idea about the cumulative growth of knowledge. HET is however very important when existence of different approaches to economics is recognized. As an illustration, classical and ... [Continue reading »](#)

[Economics as a Science, Economics as a Vocation: A Weberian Examination of Robert Heilbroner's Philosophy of Economics](#) Daniyal Khan

The paper analyzes Robert Heilbroner's philosophy of

economics through the lens of Max Weber's philosophy of science. Specifically, Heilbroner's position on vision, ideology and value-freedom is examined by contextualizing it within a framework of Weberian science. Doing so leads to a better understanding of Heilbroner's seemingly contradictory statements about ideology as well as a re-interpretation ... [Continue reading »](#)

At the [World Economic Review paper review page](#):

[India: Globalisation and Growth](#), Mritunjoy Mohanty

Post-reforms, in the 1990s, India chose greater integration with the global economy as a part of its development strategy. Even though integration deepened, rates of growth of per-capita-income and investment levels did not change very much. But in the first decade of the 21st century both the pace and character of this integration changed. The ... [Continue reading »](#)

[Incrementum ad Absurdum: Global Growth, Inequality and Poverty Eradication in a Carbon-Constrained World](#), David Woodward

The paper seeks to assess the timeframe for eradication of poverty, defined by poverty lines of \$1.25 and \$5 per person per day at 2005 purchasing power parity, if pre-crisis (1993-2008) patterns of income growth were maintained indefinitely, taking account of the differential performance of China. On the basis of optimistic assumptions, and implicitly assuming ... [Continue reading »](#)

[Agriculture-industry relation and the question of 'home market': Towards closing a centuries old debate](#), Saumya Chakrabarti

In our journey through the literature on 'home market' for industry we find that time and again agriculture has been identified as the potential sector. However, our basic point is that, it is rather the appropriate government intervention creating scope for Kaleckian 'domestic exports' that can mitigate the short-run problem of 'effective demand' faced by ... [Continue reading »](#)

The changing nature of economics and other disciplines By [Stuart Birks](#)

When white sliced bread was introduced it was seen as a real boon ("Chorleywood: The bread that changed Britain," 2011). We could have large quantities at low cost, and it was initially seen as superior, being more refined. It was able to out-compete all the traditional breads and it took many years before people decided that they wanted something of higher quality. Now we again get more specialist breads and people are prepared to pay perhaps twice as much for them.

It may be that a parallel can be drawn with core university courses now. In universities, there is a major global market in core papers with increasing numbers of people wanting tertiary education. It has become a big business with significant economies of scale. The result is packaging of course material in a way that drives out smaller

scale alternatives. This is centred round the textbooks. Taking the example of economics, core books are provided along with study guides, online resources, test banks, instructors' notes and PowerPoint presentations.

It is easy to put someone, perhaps a graduate student, in front of a body of students to present the course. All the material is ready prepared and there can be little required beyond reading out the material that is provided. More could be done, but at greater effort and consequently greater cost. Provision of materials may "free up instructors' time", allowing them to focus on the more intellectually challenging aspects of the syllabus, but the additional subtleties which can be conveyed will not be incorporated into the packaged, homogenised assessment. There are two reasons for this. First,

the extra insights are likely to be specific to individual lecturers, so cannot be expected in all presentations of the material. Second, the method of assessment does not lend itself to such issues.

A promotional video giving points in favour of the approach can be seen at: <http://connect.customer.mcgraw-hill.com/about/>. In practice, given resource pressures on universities, the result may simply be reduced time allocated to instructors or reduced background knowledge required of instructors. Assessment, based primarily on test banks of true/false and multiple choice questions, is set up for quick and easy processing. To fit this type of assessment, the courses themselves tend to emphasise simplified points and arguments that are framed to suggest certain things are right and others are wrong. This means that it is very easy for work to be marked electronically, dramatically reducing the costs of assessment and of processing results. There may be benefits, but these are by no means guaranteed.

What are the implications for the nature of teaching? Universities are competing against each other for students. Competition is based partly on cost. Here is a product, like sliced white bread, which is much cheaper than the alternatives. Even if the quality is not quite as good, it may have such a strong price advantage that it can dominate the market. A small number of successful products can benefit also from international brand recognition and associated standardisation. With uniformity across universities, the issue of cross-crediting is largely removed. Conversely, where there is great diversity in teaching, with individual lecturers putting their own stamp on courses, cross credits can become far more problematic. There are strong incentives for this major standardisation in a rapidly growing global market with great demands for mobility and recognition of results across institutions. However, the result would arguably be a dumbing down of the discipline (in our case, economics).

A specific focus on the discipline is likely to become dominant and presented as if universally applicable. As Fairclough (1995) suggested with “ideological-discursive formations”, if there is a dominant discourse which drives out all the alternatives, it becomes seen as “the truth”, “the way to view the world”. Any alternative is then “ideological” and highly questionable. If he is correct, we are likely to find ourselves increasingly locked in to highly stylised versions of the affected disciplines, including economics.

The development may change economics in other ways also. Gabriel Egan, [in a comment](#) (Coughlan, 2013a), distinguished between the sciences, which have many right or wrong answers, and the social sciences which do not. While this means that the sciences are better suited to this form of assessment, the social sciences may be re-framed and repackaged to suit, giving students the impression that they too contain many absolutes.

There is a further development which gives cause for concern. The BBC has recently published several articles on the theme of online universities (see Coughlan, 2013a; Coughlan, 2013b, 2013c). These appear to be growing very rapidly and are associated with prominent universities such as Stanford, Harvard and MIT. They can build on the foundations set through the standardisation of courses and associated additional resources, including the electronic processing of assessment. Instead of just test banks, students are now offered feedback based on the answers they give, and even guided learning designed to identify and remedy deficiencies in required skills. This is very impressive, as long as it works as promised and reflects the nature of the discipline. It is not so desirable if it requires a transformation of the discipline to fit the technology. In any event, the end result is a homogenised product with selected factoids assuming great significance, and heavy emphasis on simplified methods of thinking. The nuances, subtleties and complexities of the world would be largely set to one side, thereby becoming invisible.

Is this the future that we can expect for universities? Can we afford to ignore these trends? The presentation of pluralist approaches is particularly challenging in this environment.

Chorleywood: The bread that changed Britain. (2011). (7 June). Retrieved from

<http://www.bbc.co.uk/news/magazine-13670278>

Coughlan, S. (2013a). Online university giant gets bigger. (25 February). Retrieved from

<http://www.bbc.co.uk/news/education-21519876>

Coughlan, S. (2013b). UK universities 'face online threat'. (11 March). Retrieved from

<http://www.bbc.co.uk/news/education-21670959>

Coughlan, S. (2013c). Willetts urges UK universities to put courses online. (27 February). Retrieved from

<http://www.bbc.co.uk/news/education-21603703>

Fairclough, N. (1995). *Critical discourse analysis: the critical study of language*. London: Longman.

The economics curriculum: towards a radical reformation

The WEA conference on [The economics curriculum: towards a radical reformation](#) has closed, but the papers and comments are still available. In [his paper](#), conference leader **Jack Reardon** contends, “The conventional university trains narrow, politically correct thinkers who ultimately become the economic warriors of the system. Our proposal is to counter this by an alternative framework for the training and complete education of a new type of person who will be wise and fit to serve and to rule.”

The debate is not over. You can participate in the ongoing [WEA Pedagogy blog](#)

Interview with Jayati Ghosh

Jayati Ghosh Jayati Ghosh is Professor of Economics at the Centre for Economic Studies and Planning, Jawahar-

lal Nehru University, New Delhi. Since 2002 she has been the Executive Secretary of [International Development Economics Associates](#) (IDEAS), an international network of heterodox development economists. She is Founding Trustee of the [Economic Research Foundation](#). has received the NordSud Prize for Social Sciences 2010 of the Fondazione Pescarabruzzo, Italy, and has been awarded the ILO Decent Work Research Prize for 2010.

She recently answered the following questions for the WEA Newsletter:

1. What is the point of studying economics?

Why study economics? One reason of course is to understand the workings of the material world around us and the social relations that are expressed in economic form. But perhaps even more than in the other social sciences, there is a focus on being able to change things for the better. Not for nothing did economics in Europe emerge from what is broadly called "moral philosophy", and the idea that such study is not only designed to interpret the world but also to change it has been quite firmly developed. One of the earliest tracts on the subject from India, the "Arthashastra" of Kautilya that dates from around 300 BC, is essentially an exercise in statecraft that also dwells on how to ensure the material security and progress of the subjects of a realm ([see here](#)).

The English economist Alfred Marshall (no raving radical) used to keep a photograph of a poor worker on his desk to remind himself of the rationale for his work and for who it should be directed. So the desire for positive change has always been a compelling reason for engaging in this discipline.

This may seem excessively idealistic today, when so much of the professional discipline and so many of its practitioners seem to be caught in the more self-serving version of material improvement, when economics has come to be regarded as the great defender of the status quo or (even worse) of change that essentially favours the interests of large capital in various forms. Yet I still come across many students who come to the study of economics with the same integrity, thirst for knowledge and passion for change that has driven all the major contributions to our subject over the decades.

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2. How would you briefly state your perspective on economics?

My approach is to take a political economy perspective on studying and analysing economic processes. This means recognising that economic processes are intertwined with social, political and cultural processes, and that history matters. Crucially, it also means emphasising

realism even while developing theoretical constructs, and keeping one eye firmly on the data that provide us with some sense of the actual reality.

This does not mean doing away with theory or abstraction. While abstraction at various levels is necessarily required for theoretical analysis, it must still retain and capture the essence of particular contexts, even if that makes the theorising more complicated as a result. Thus, conceptualising the working of an actual economy while assuming, say, perfect competition or constant returns to scale in most activities, is not just a waste of time - it is actually counterproductive. Similarly, markets cannot be assumed to function in a vacuum independent of history, or of the political and social power relations that then tend to be reflected explicitly or implicitly in various forms of market power.

Similarly economic policies of the state cannot always be treated as the well-intentioned moves of an independent state, a *deus ex machina* that is somehow external to and above the social and political relations of groups and individuals with different and often competing interests. In a very basic sense, the underlying issue of the distribution of power in different forms is absolutely critical. Thus economics is necessarily about politics, and politics is about economics.

Recognising this obviously makes the study of economic processes more complex and challenging, but also more nuanced and fruitful, and therefore more satisfying. It is particularly important when studying the economies of development and trying to understand how economic processes unfold over time. It is also crucial when trying to understand how particular economic policies are chosen and implemented, and what impact they have.

This also means that - while broad or "grand" theories are useful to some extent - the study of economics must be adjusted to the specific history and socio-cultural and political context of the economy that is being considered, along with explicit recognition of the nature of its past and present interaction with other economies.

3. How does this compare to the mainstream?

While the approach I have described above was clearly shared by all the classical political economists of the 19th century as well as by structural and development theorists of the mid-20th century, it is already evident that the current mainstream approach has moved very far from this. And what is worse is that current policy making advice as dispensed by the major international economic institutions has moved away from recognising any nuances and complexity at all, in favour of one-size-fits-all solutions that are universally prescribed irrespective of the actual requirements of the economy concerned or the internal and external forces that could cause particular policies to have effects that are very different from those officially anticipated.

For example, policies of open trade based on static comparative advantage can have devastating effects in countries where the activities that generate increasing returns are still inadequately developed. This is not only because they eliminate the likelihood of expanding such activities (as they get wiped out by foreign competition), but also because they reduce the possibilities of creating positive synergies and wider dynamic scale economies that have been features of all successful development experiences. Similarly, reducing control over the financial sector has many adverse effects, not only the now well-known features of volatility and fragility that can generate periodic crises, but also the reduced ability to direct finance towards socially desired or strategic activities - and as it happens no country has yet developed without such directed finance in some form.

Despite such knowledge, the international institutions routinely continue to dispense not just dated but dangerous advice to developing countries. What is worse is that their approach reflects a broader tendency that has grown even within public institutions to curb the very development of knowledge in this respect. This has happened in several ways: by conniving in reduced state funding to genuinely independent research and forcing more researchers to undertake "sponsored" research by interested parties; by suppressing voices of dissent, however rational and reasoned they are; and by encouraging the established academe (through its associations, journals and peer reviews, rating systems that govern academic employment, and so on) to suppress dissenting views and tolerate or reward only those who stick to the straight and narrow in terms of the prevailing economic orthodoxy.

4. How do you see economics changing with the changing global distribution of economic activity?

The past two decades have been seen as the period of "emergence" of some developing countries as major exporters and importers, as well as new sources of foreign capital flows. Many of these countries have "emerged" precisely because they ignored the advice they were given to rely on free markets and so on to ensure their

development. To that extent, the validity of heterodox approaches to development is confirmed. Such experience must surely give greater credence to a diversity of positions and different ways of analysing and proposing economic changes. Further, this tendency is widely perceived to have significant implications for existing trade structures and patterns, as well as for global power as expressed in other ways. In particular, it means that developing countries themselves have alternative sources of capital inflows, alternative markets other than those in the North, and even alternative channels of migration compared to the past.

However, a note of caution is also in order. There is no doubt that the world economy is changing and older power imbalances are shifting to newer and more complex scenarios. But a premature celebration of this tendency in emerging economies, without careful recognition of the realities and limitations inherent in the process, is not only unjustified but can even be described as hubris. This is particularly so if growth expectations continue to rely on a development strategy that is unlikely to deliver sustained growth in future. There are at least three considerations that make the current strategy of choice in the "successful" countries one that will be hard

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to sustain in the future: the impact of financial liberalisation; the mercantilist obsession with export-oriented growth that generates adverse distributive consequences; and the inadequate attention to ecological imbalances that are already evident and emerge from the patterns of material expansion. Most growth strategies in developing countries need to change in order to deliver genuinely equitable and sustainable expansion and to ensure that growing South-South interaction is productive and beneficial to all parties.

5. What are the elements of an alternative economic strategy for development?

Globally, everyone now recognises the need to reform the international financial system, which has failed to meet two obvious requirements: preventing instability and crises; and transferring resources from richer to poorer economies. Not only have we experienced much greater volatility and propensity to financial meltdown across emerging markets and now even industrial countries, but even the periods of economic expansion have been based on the global poor subsidising the rich. Within national economies, this system has encouraged

pro-cyclicality; it has rendered national financial systems opaque and impossible to regulate; it has encouraged bubbles and speculative fervour rather than real productive investment for future growth; it has allowed for the proliferation of parallel transactions through tax havens and loose domestic controls; it has reduced the crucial developmental role of directed credit. Given these problems, there is no alternative to systematic state regulation and control of finance. Since private players will inevitably attempt to circumvent regulation, the core of the financial system * banking * must be protected, and this is only possible through social ownership. Therefore, some degree of socialisation of banking (and not, as in the past, just socialisation of the risks inherent in finance) is also inevitable. In developing countries this is also important because it enables public control over the direction of credit, without which no country has industrialised.

Second, the obsessively export-oriented model that has dominated the growth strategy of most developing countries for the past few decades needs to be reconsidered. This is not a just a desirable shift – it has become a necessity given the obvious fact that the United States cannot be expected to act as the engine of world growth through increasing import demand in the near future. This means that developing countries in general, and particularly those in developing Asia that continue to rely on the United States and the European Union as their primary export markets, must seek to redirect their exports to other countries and most of all to redirect their economies towards more domestic demand. The latter requires a shift towards wage-led growth particularly in economies that are large enough to sustain this shift. This can happen not only through direct redistributive policies but also through public expenditure to provide more basic goods and services.

Third, this means that fiscal policy and public expenditure must be brought back to centre stage. Clearly, fiscal stimulation is now essential, in both developed and developing countries, to cope with the adverse effects of the current crisis on the real economy and to prevent economic activity and employment from falling. Fiscal expenditure is also required to undertake and promote investment to manage the effects of climate change and promote greener technologies. And public spending is crucial to advance the development project in the South and fulfil the promise of achieving minimally acceptable standards of living for everyone in the developing world. Social policy – the public responsibility for meeting social and economic rights of citizens – is not only desirable in its own right but it also contributes positively to economic development.

Fourth, there have to be conscious attempts to reduce economic inequalities, both between countries and within countries. We have clearly crossed the limits of

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what is “acceptable” inequality in most societies, and future policies will have to reverse this trend. Globally and nationally, we have to recognise the need to reduce inequalities in income and wealth, and also most significantly in the consumption of natural resources. This is even more complicated than might be imagined, because unsustainable patterns of production and consumption are now deeply entrenched in the richer countries and are aspired to in developing countries. But many millions of citizens of the developing world still have poor or inadequate access to the most basic conditions of decent life, such as minimum physical infrastructure including electricity, transport and communication links, sanitation, health services, nutrition and education. Ensuring universal provision of this will inevitably require greater per capita use of natural resources and more carbon-emitting production. So both sustainability and equity require a reduction of the excessive resource use of the rich, especially in developed countries but also among the elites in the developing world. This means that redistributive fiscal and other economic policies must be specially oriented towards reducing inequalities of resource consumption, globally and nationally. For example, essential social and developmental expenditure can be financed by taxes within countries that penalise resource-wasteful expenditure.

Fifth, this requires new patterns of both demand and production. This is why the recent focus on developing new means of measuring genuine progress, well-being and quality of life are so important. Quantitative GDP growth targets, which still dominate the thinking of policy makers, are not simply distracting from these more important goals, but can even be counterproductive. For example, a chaotic, polluting and unpleasant system of privatised urban transport involving many private vehicles and over-congested roads actually generates more GDP than a safe, efficient and affordable system of public transport that reduces vehicular congestion and provides a pleasant living and working environment. So it is not enough to talk about “cleaner, greener technologies” to produce goods that continue to be consumed according to the same old and now discredited pattern of consumption. Instead, we must think creatively about such consumption itself, and work out which goods and services are more necessary and desirable for our societies.

Sixth, this cannot be left to market forces, since the international demonstration effect and the power of advertising will continue to create undesirable wants and unsustainable consumption and production. But public intervention in the market cannot be knee-jerk responses to constantly changing short-term conditions. Instead, planning – not in the sense of the detailed planning that destroyed the reputation of command regimes, but strategic thinking about the social requirements and goals for the future – is absolutely essential. Fiscal and monetary policies, as well as other forms of intervention, will have to be used to redirect consumption and production towards these social goals, to bring about such

shifts in socially created aspirations and material wants, and to reorganise economic life to be less rapacious and more sustainable.

This is particularly important for the quality of life in urban areas: the high rates of urbanisation in developing countries mean that in many populous countries more than half the population already lives in urban areas. Yet, because systematic urban planning for the future to make cities pleasant or liveable for most residents is still so rare, there is still a tendency to create urban monstrosities of congestion, inequality and insecurity.

Seventh, since state involvement in economic activity is now an imperative, we should be thinking of ways to make such involvement more democratic and accountable within our countries and internationally. Large amounts of public money will be used for financial bail-outs and the provision of fiscal stimuli. How this is done will have huge implications for income distribution, access to resources and the living conditions of the ordinary people whose taxes will be paying for this. So it is essential that we re-design the global economic architec-

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ture so that it functions more democratically. And it is even more important that states across the world, when formulating and implementing economic policies, are more open and responsive to the needs of the majority of their citizens.

Finally, we need an international economic framework that supports all this. In this regard, it is important to have better control and regulation of capital flows so as to ensure that they do not destabilise any of these strategies, but it is not sufficient. The global institutions that form the organising framework for international trade, investment and production decisions also need to change; they have to become not just more democratic in structure, but more genuinely democratic and people-oriented in spirit, intent and functioning. Financing for development and conservation of global resources must become the top priorities of the global economic institutions, which means in turn that they cannot continue to base their approach on a completely discredited and unbalanced economic model.

WEA BOOKS

In previous newsletters we have mentioned the possibility of developing WEA books.

We are now pleased to announce that we have had an offer of collaboration by College Publication (www.collegepublications.co.uk) a small and dynamic publisher specializing in academic books and journals. So far they have operated in the fields of science, mathematics and informatics and they value the opportunity of branching out into economics with us.

They have a strong reputation for high academic quality in the fields in which they have operated so far and have attracted world renown authors. The books they publish are produced to a high standard and are visually attractive. What is also very important to us is that they have a pricing policy of high accessibility. Low price is one of the features we want for our books to make sure that they will be accessible throughout the many countries in which we have members. They will be distributed through Amazon.

We aim to publish books that respond to the aims of WEA and specifically books that promote pluralism and inclusivity. We shall start with books as edited collections of some of the papers – and possibly comments – from our conferences. We shall consult outsiders on the quality of each book proposal. Later we may also move into the production of hard copies of our journals.

This is an exciting venture and we hope to have the support of our members in it.

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