

Students for Economic Pluralism

by Keith Rankin, 9 May 2014

Last week *The Guardian* has run articles about the need for economics to NOT be left to economists, and about a new student movement which questions the way economics is taught. See [Economics is too important to leave to the experts](#) by Ha-Joon Chang, [Economics students call for shakeup of the way their subject is taught](#), and [Economics teaching and the real world](#).

In particular there is an increasingly vocal desire for economics to incorporate more realistic approaches to the study of welfare, production, distribution and exchange. How do economic interactions work in the real world, and not just in the Petrie dish worlds of economics textbooks and academic idealism?

The new student rebellion, under the name of [International Student Initiative for Pluralism in Economics](#) (open letter [here](#)), is not the first. In the student revolutions of 1968, the London School of Economics was a hotbed for change in the United Kingdom (see [The Agitators](#), from *The Guardian*, 10 July 2003).

Conflict over economics teaching raged at the University of Sydney in the 1970s. For a recent ABC radio documentary, see [Radical economics: The Political Economy dispute at Sydney University](#), and see this obituary – [Warrior in Sydney's economics war](#) – for Warren Hogan, one of the two Kiwi antagonists of the Sydney story. The Sydney schism led to the Economics Department splitting in two, an orthodox economics department and a heterodox department of political economy.

In the early 2000s the Post-Autistic Economics Network (see my [Autistic Economics?](#), published in December 2002 in the *Journal of Australian Political Economy*). This network has now morphed into the pluralist [World Economics Association](#).

One important theme of the protests is the desire for realism in economics. In particular, the most recent movement is concerned about the unreality of an economics that failed to predict or even address the issues of the Global Financial Crisis (GFC) of 2008. (Part of the issue here is that finance and economics are two separate disciplines – much as astrology and Ptolemaic astronomy were two separate disciplines – which the public and even many economists treat as one. The GFC falls though the fissure between the two disciplines.)

The antonym of 'realism' is *idealism*, and the 1968 conflict is particularly pertinent in that it illustrates the two very different ways that the word 'idealism' is used. The student radicals in 1968 were idealists in the sense that the general public is most likely to use that word, rebelling for causes (ideals) such as social freedom, social justice, peace and harmony.

However it is formal idealism that the economics' reformers are fighting against. Such idealism is the philosophy of Plato, applied originally to politics and in more recent centuries to economics. Academic economic idealism is inspired by physics, especially the planetary physics of Isaac Newton.

Physics moved away from its formal idealism following the theories of Albert Einstein that brought about a new quantum paradigm. Economics has largely failed to revolutionise itself, though it got quite close in the 1930s when JM Keynes wrote a *General Theory* that exposed academic neoclassical economics as a special case, a Special Theory only applicable to economies that experienced a number of special conditions. For the most part of history these were unreal (though ideal) conditions.

(Note that there are reasons why economics struggles to reform itself. There are powerful real-economic-world interests out there who quite appreciate the existence of an academic discipline that largely ignores their power over the marketplace. Modern economics is an anti-competitive hegemonic discipline that suppresses – or at least marginalises – the contest of ideas within the study of what we commonly call 'the economy'. These powerful interests represent the principal market for economics. They buy liberal neoclassical economics not because they believe it but because it is satisfying to them; it is much more harmless to them than some of its potential competitors.)

Formal idealism tries to make the world conform with a special theory or prescription. Various political systems are idealistic – including those of Plato and Confucius – in that they prescribe rules of behavior. Society would be in a state of harmony, it was believed, if everybody behaved naturally according to their idealised set of rules, much as the planets behave naturally with respect to their prescribed (gravitational) rules.

Societies formed upon idealist principles are cruel, because they treat people who do not conform with the natural 'laws' as defective; like defective components of a machine.

Tokugawa Japan from 1603 to 1853 was like that. A society that banned foreigners, would not allow Japanese people to travel abroad, and applied very cruel sanctions to those who did not follow the rules of orderliness and respect. The supreme crime was to behave in a disorderly or unpredictable manner. (We see echoes of this today, with the profuse apologies that arise if a train is 4 minutes late!)

Pure market idealism is much the same, except that the hand of the king, emperor or shogun is invisible. It's a system based on the primacy of private property and the belief that all life should be subject to the discipline (not freedom) of natural forces such as those of the marketplace, and that the only role of government is to provide sanctions against those

defective (eg "lazy" or "foolish") people who spoof the system by making choices that are not "rational".

The real world of actual economic life is clearly far richer – more diverse, more complex – than this idealist reduction. Further, in line with actual Darwinism rather than with Herbert Spencer's social Darwinism, the diversity of actual-world practice is its strength. Academic neoclassical economics is simultaneously simplistic and impenetrable. We need a strong complementary discipline of political economy that investigates – through speculation, observation and refutation – how real economies actually work.

Rather than confront reality, however, idealist policymakers and their advisers want to make the world conform to their preferred image of it; typically an image of a harmonious machine that incorporates 'natural' inequalities. That's why we should never leave economics to economists. And it's why students should get a better deal.
