
Foreword

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1 Introduction

One of my students wrote on an recent exam, “I took two economics classes before, and I had a hard time finding a relationship between the study of economics, firms and the entire society”. Given that the overall objective of economics is to study the economy (isn’t it?) and given that the economy is comprised of firms and individuals, isn’t this a damning criticism?

If this was an isolated comment, I could cavalierly dismiss it, but I hear it time and time again. My heart stops when students tell me that they were excited to begin their study of economics only to be turned off by an onslaught of deductive logic, with little resemblance to the world in which they live. Indeed, “in the business, government and other non-academic communities, the perception is widespread and growing of economics as a technical and rarefied discipline, of questionable relevance and limited practical use” [Hodgson, (2001), p.9].

But why is this? Isn’t economics the “study of mankind in the ordinary business of life?” [Marshall, (1890), p.1] Doesn’t economics affect all of us, no matter what we do? And shouldn’t our students, after taking a class in economics, react by saying, “Wow! Now I understand!”

The problem with neoclassical economics is not too much math – actually quite the opposite: it uses the wrong math – simple calculus – to study the wrong problem – optimisation; nor is neoclassical economics too complex: as a former physics major who switched to economics, I found it deceptively simple; and perhaps this is its appeal.¹

The problem with neoclassical economics is twofold: First, a disconnect between what is taught as subject matter and how the world works. Rather than teach students how real firms operate in real industries, students analyse hypothetical firms in idealised

industries. Second, the teaching of economics. Instead of enabling students to grasp the complexity of our problems with a multi-faceted emphasis on different theoretical and empirical approaches, neoclassical economists train students to think like economists – as if all economists think alike – and that only one perspective is needed, while denying the legitimacy of all others.

We have abnegated the lofty goal of educating our students in lieu of the easier (yet ethically questionable) goal of prosyletisation.

Is it any wonder that the economics profession no longer produces “worldly philosophers like Smith, Keynes and Marx – capable of wrestling with the big questions associated with capitalism?” (Backhouse and Bateman, 2011).

In reforming economics education, pluralism must play a central role. While competing definitions of pluralism exist (is this surprising?) a simple definition which captures its essence, is a respect for the legitimacy of competing views. Yes, pluralists debate what is ‘legitimate’ and which views are ‘competing’, but I, unlike most, am at one end of the pluralist spectrum that no discipline is off limits; that all views deserve the right to compete; and that there should be a true democracy in ideas. Our problems are not delineated by disciplinary boundaries and neither should our education.

I am inspired by William Lloyd Garrison, who began publishing *The Liberator* in 1831 and vowed to continue until the abominable injustice of slavery was outlawed. Our generation is also enslaved by an outdated and unrealistic neoclassical economics that ignores pressing environmental realities and inures its practitioners to our generation’s many problems.² We must reform economics education so that it once again helps us to “identify redressable injustice” [Sen, (2009), p.vii] and gives the intellectual courage to help solve the problems of our generation. This is the purpose of the *IJPEE* and we welcome contributions from all who desire to do so.

2 Contents of the current issue

2.1 *Articles on pluralism*

An ongoing objective of the *IJPEE* is to look to other disciplines for insight while ascertaining commonalities to bridge the gap between the social sciences, not to attenuate any one discipline, but rather to synergistically strengthen each, thereby allowing more holistic solutions based on a broader understanding.

A good example is Arturo Hermann’s opening article, ‘Policy responses to economic and financial crises: insights from heterodox economics and psychoanalysis’. While much has been written on the causes of the crisis, and deservedly so, Hermann creatively looks to psychoanalysis to conceptualise its essence. In a earlier article in the *IJPEE*, Hermann (2010) noted the common ground between institutional economics and psychoanalysis. A referee suggested that he write a more explicit article using psychoanalysis to understand the current crisis. And here it is.

Much has been written on how the alienation of capitalism attenuates the fulfilment of human needs. Hunt and Lautzenheiser (2011), for example, write,

“Basic human needs . . . are translated into conscious desires only in a social setting and as a consequence of an individual’s participation in social processes. Socialization may, in fact, so condition a person that the person remains unaware of any conscious desires that stem from, and might lead to the

satisfaction of, an innate universal need. Such a situation generally culminates in the individual having neurotic anxiety. Socialization may also lead to conscious desires that systematically thwart the fulfillment of universal needs.” (2011, p.539)

Hermann’s analysis extends this insight while providing a solid foundation for the cooperation between psychoanalysis, institutional and Keynesian economics “in order to better understand the dynamics of economic behaviour and policy action”.

In the limited pages of the *IJPEE* it is impossible to present a definitive account of any topic, and even if possible, I would refuse to publish it. I believe, in the tradition of Sen (2009) that economics can only move forward within a pluralist dialogue, “not only are dialogue and communication part of the subject matter of the theory of justice . . . it is also the case that the nature, robustness and reach of the theories proposed themselves depend on contributions from discussion and discourse” (pp.88–89). So rather than accept any article as the definitive last word, each article in the *IJPEE* should be read as the commencement of a pluralist dialogue. How can other disciplines help to reconceptualise economics?

2.2 *Mini symposium on sustainable development and economic growth*

Marshall (1890) wrote, “economic conditions are constantly changing, and each generation looks at its own problems in its own way” (p.v). One of our generation’s problems, and indeed, a most pressing one, is the challenges that climate change pose for human development, particularly for the poor. Central is the emphasis on economic growth as the *modus operandi* to satisfy material wants,

“as civilization has progressed, man has always been developing new wants, and new and more expensive ways of gratifying them. . . there seems to be no good reason for believing that we are anywhere near a stationary state in which there will be no new important wants to be satisfied . . . the whole history of man shows that his wants expand with the growth of his wealth and knowledge.” [Marshall, (1890), p.223]

But when Marshall wrote these words, there was no concern about global warming and, needless to say “economists thought, wrote, and prescribed as if nature did not” [McNeil, (2000), p.336]. Today this is a luxury we can no longer afford.

While economic growth is welcomed and encouraged by many economists since it makes “possible to have more of everything – higher health spending and welfare benefits, with plenty left over for more private consumption of goods and services” [Gordon, (2012), p.362], given the pressing concerns of climate change, species depletion, etc., it is incumbent for economists of all ideologies to study the interrelation between economic development, human capabilities and the environment. Not to do so, while blithely assuming that economic growth will allow us to have our cake and eat it too, is ethically untenable.

Gordon (2012) writes that “events cause the evolution of ideas” (p.574). True, although I would add that the causation often runs in reverse: the ossification of old ideas and the blindness to new ones causes events. Nevertheless, economics must reconceptualise its growth models to incorporate improving human capabilities within the context of climate change.

This issue of the *IJPEE* publishes the first of several mini-symposiums on the relationship between economics, education and sustainable development. Our

preponderant objective is to redirect the evolution of economics to recognise and conceptualise our generation's changing problems, which do not promise to go away. A central theme of this symposium is the necessity of pluralism and dialogue within the Sen tradition.

Peter Söderbaum opens this series with an insightful call to pluralism as the most effective way to conceptualise sustainable development. Given that each paradigm has its strengths and weaknesses, it is unrealistic to expect any one paradigm to be best for all purposes. Söderbaum cogently demonstrates why neoclassical economics is unsuitable as a paradigm for sustainability, and within a context of pluralism, proffers institutional economics as a more suitable alternative.

Hendrik Van den Berg follows with an article extending the well-known Solow model to address environmental concerns. While much has been criticised about the Solow model for its simplistic assumptions and exclusion of relevant variables affecting economic growth;³ nevertheless,

“The Solow model is the starting point for almost all [neoclassical] analyses of growth. Even models that depart fundamentally from Solow's are often best understood through comparison with the Solow model. Thus understanding the model is essential to understanding theories of growth.” (Romer, 2012)

At the *IJPEE* we work with existing tools – no matter the ideology – if they can be used as a foundation to extend and reconceptualise economics education.⁴ This comports with Marshall's observation that new doctrines seldom subvert older doctrines, but have “extended, developed, and sometimes corrected them, and often have given them a different tone by a new distribution of emphasis” [Marshall, (1890), p.v]. Van den Berg, by incorporating an environmental dimension, gives the Solow model a much needed ‘new distribution of emphasis’.

Rounding out this mini-symposium is Dzineta Dimante's article, ‘Environmental education in Latvia’. I had the wonderful privilege of visiting Latvia in 1990, when it was still part of the Soviet Union. Glasnost and Perestroika were in full force, encouraging many Latvians to speak candidly to foreigners. I was impressed by the environmental awareness, especially among young people, and especially compared to the relatively lack of environmental awareness in the USA.

In January 1991, while lecturing at Latvia University in Riga, my students and I got into an emotional (and at times heated) discussion on the inevitability of Latvia's independence from the USSR. Most students desired it (certainly not all) and all expected it sometime during lives, most likely later than sooner. All were resigned that it would be violent and cataclysmic. And certainly no one expected independence by the end of the year; but events unfolded quickly⁵ and by August a botched coup set in quick motion the call for independence and the demise of the USSR.

Since 1991, Latvia (and the other Soviet republics) has undergone a triple transition: from authoritarian socialism to pluralist democracy; from a centrally planned to a market economy; and from incorporation into the USSR to independent statehood (Norgaard and Johannsen, 1999). I would add a fourth element – the repair of extensive ecological damage perpetrated by a regime focused exclusively on economic growth.

So I was pleasantly surprised to learn that the 2012 Environmental Performance Index (EPI) ranked Latvia as the second most environmentally healthy country among 132 countries; and in addition, recognised Latvia for the best EPI improvement since

2000. Although partly this is due to deindustrialisation and the excessive difficulties of the triple transition, Dimante writes,

“Sustainable development doesn’t just happen; nor can it be implemented solely from a top-down approach; rather it is possible only with significant changes in attitudes, values and lifestyles, which can only occur with significant education. Positive steps towards environmental education at all levels is perhaps the biggest lesson that Latvia can offer other nations.”

2.3 *Ongoing series on the eurozone crisis*

Yanis Varoufakis continues this ongoing series with an intriguing article “Keynes and Hayek betrayed: on the curious stance of Europe’s Keynesian and Libertarian political economists in the context of the eurozone crisis”. Varoufakis references the 1930s debate between Hayek and Keynes, and then laments that today’s politicians and economists who claim their heritage, actually have ignored, distorted and betrayed the insights of the original thinkers. Varoufakis writes,

“In the end, perhaps it is inevitable that the greatest of thinkers will see their legacy damaged the most by those who claim to speak in their name. Be that as it may, today there is more than the great theorists’ legacies at stake. There is a Crisis to deal with, especially in Europe. It would be good if the better, potentially useful, ideas of great thinkers from the past were not diluted or, worse, polluted by their own disciples.”

2.4 *Incorporating pluralism into the curriculum*

Like most business school professors I share a tinge of guilt over the recent financial crisis, but nevertheless use the guilt as an energetic springboard to reconceptualise economics education. From time to time the *IJPEE* will publish articles on the business curriculum.

Prestin Lewis, Wei Lu and Louis C. Vaccaro lament that the entrepreneur once occupied a central role in economics but has since forgotten and ignored it. This comes at great loss for both disciplines since, “entrepreneurship needs the expertise from economics to have a better understanding of how economic systems work. Economics needs the expertise from entrepreneurship to understand how economic growth occurs and its influencing factors”.

Can a pluralist melding of neoclassical economics and entrepreneurship benefit both disciplines?

Lewis et al. write:

“perhaps by studying the entrepreneur in practice and incorporating the actions of entrepreneurs into models, neoclassical economics can become more pluralist. A pluralist combination of both disciplines can result in increased knowledge which can no doubt benefit both.”

And perhaps this can give entrepreneurship more visibly, since “it is not strongly represented in the curricula of most undergraduate business programs, nor is it widespread in relevant areas in the arts and sciences” [Colby et al., (2011), p.141].

2.5 *Ongoing series on challenging economic icons*

The concept of time, as Marshall (1890) noted, is “the source of many of the greatest difficulties in economics” (p.109). This remains true today for the simple reason that neoclassical economics is static and ignores that “time usually elapses and sometimes, much time – between the incurring of costs by the producer and the purchase of output by the ultimate consumer” [Keynes, (1936), p.46]. The failure of neoclassical economics to effectively model how agents act (and react) during the passage of time befuddles students while imputing an alluring but false sense of simplicity to economic models.⁶

Fu-Lai Tony Yu’s article ‘Two perspectives of time in economics: the neoclassical school (Newtonian) versus the Austrian school (Bergsonian)’ contrasts the conceptualisation of time between neoclassical and Austrian economics. He argues (and then demonstrates) that the latter is far more useful in elucidating economic phenomena.

Based on my experience teaching for over 25 years, two concepts in neoclassical economics continuously confuse students and abet in the decision of some to leave economics. One, is the idealisation of perfect competition, which is seen by the more perceptive students as highly ideological, deliberately contravening the clarion call to separate normative from positive analysis. Indeed the elevation of perfect competition epitomises the attempt of neoclassical economics to project their utopia into the distant past of the 19th century [Diesing, (1982), p.324].

Second, is the constricting of the definition of economics to elevate scarcity into a preponderant role. In fact, scarcity is the first concept that appears in most economic textbooks. Students are then told that if they want to think like an economist, they must learn to allocate scarce resources among unlimited wants. Aside from never meeting a student who enters economics in order to think like an economist, or to become proficient in the art of allocating scarce resources among unlimited wants, our goal as educators should be to teach how societies provision for their citizens. And yes, scarcity is integral to any economic system but so is wealth and abundance. Pedagogically, we should be investigating the institutions that generate scarcity and who benefits and who loses. And how can we design institutions so that all, rather than just a few, benefit?

Costas Panayotakis, in his article ‘Scarcity, capitalism and the promise of economic democracy’ acknowledges that

“the use of scarcity as an ideological tool designed to legitimize the injustices and irrationalities of the capitalist economic system is not new. In fact, scarcity is a foundational concept for the neoclassical edifice that has long served as capitalism’s most trusted cheerleader.”

Panayotakis argues that only in a truly democratic society (of which capitalism is not) whereby all people have an equal say over economic decisions affecting their lives, can scarcity be managed “in accordance with human well-being and the ecological integrity of the planet”.

2.6 *Conclusions*

At the *IJPEE* we welcome articles from any ideology in order to reconceptualise economics and economics education. I am grateful to all who made this publication possible, and invite readers to respond to the articles in this issue.

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Notes

- 1 Keynes’ observation on “the completeness of the Ricardian victory” is apropos, “That it reached conclusions quite different from what the ordinary uninstructed person would expect, added . . . to its intellectual prestige. That its teaching, translated into practice, was austere and often unpalatable, lent it virtue. That is was adapted to carry a vast and consistent logical superstructure, gave it beauty” [Keynes, (1936), p.33].
- 2 Keynes once again, on the completeness of the Ricardian victory, “That it could explain much social injustice and apparent cruelty as an inevitable incident in the scheme of progress, and the attempt to change such things as likely on the whole to do more harm than good, commended it to authority” [Keynes, (1936), p.33].
- 3 See Gordon (2012, pp.372–380 and pp.392–398) for an introduction to this literature.
- 4 For recent examples in the *IJPEE*, see Lavoie (2010) and Claar and Finn (2011).
- 5 For an incisive account of the independence movement, and a very readable and informative discussion of the Baltic nations of Latvia, Estonia and Lithuania, see Lieven (1993).
- 6 For suggestions to incorporate the teaching of time directly into economics curriculum, see Wheat (2009).