Editorial

Ioana Negru*

University Lucian Blaga Sibiu,
Faculty of Economic Sciences,
B-dul Dumbravii nr. 17, Sibiu 550-324, Romania
Email: ioana.negru@ulbsibiu.ro
*Corresponding author

Henry Leveson-Gower

Promoting Economic Pluralism,
45 Coval Road, London, SW14 7RW, UK
Email: henry.leveson-gower@economicpluralism.org

Biographical notes: Ioana Negru is a Senior Lecturer in Economics in the Faculty of Economic Sciences within Lucian Blaga University, Sibiu, Romania. She completed her doctoral thesis in May 2007 entitled 'Market, institutions and gift: neoclassical, institutional and Austrian approaches', at Nottingham Trent University. This thesis was concerned with examining specific theoretical and methodological issues surrounding the emergence of institutions and rules within societies, and advances an institutional and Austrian critique of neo-classical conceptions of institutions such as markets and gifts, in the context of pluralism. She has experience in designing pluralist economics courses. Her current research interests revolve around scientific pluralism, the philosophy and methodology of economics, the economics of gift and philanthropy, the methodology of Austrian and institutional economics, methodology of macroeconomics, ecological/green economics and sustainability. She is a member of Reteaching Economics, and Skidelski Group for Economics Curriculum Reform

Henry Leveson-Gower has been a practicing economist and policy analyst for almost 25 years. He has worked on issues from international trade and environment to economic and environmental regulation design. He has always sought to draw on a whole range of economic and social science thinking and techniques from international political to behavioural economics. He was also a Research Fellow at the Centre for Evaluation of Complexity Across the Nexus in 2017, and is a Fellow of the RSA and a qualified chartered accountant.

1 Introduction

There is much debate whether increased pluralism is required in economic teaching and research. This special issue will not, for the most part, revisit this debate, although of course teaching strongly impacts those who advise policy makers. Mainly, we will explore how a pluralist approach to economics might inform policy development.

Over the last few decades, a standard (neoclassical) approach to applying economics in policy formulation has developed and has been refined. This has been formalised in many jurisdictions by requiring economic impact assessments of policy proposals. The UK, for instance, has only recently revised its *Green Book* which systematically establishes how policies should be appraised within a neoclassical economics framework (HM Treasury, 2018).

Given this entrenched institutional and technical system, the idea of moving to a pluralist approach seems difficult to imagine. However, evidence indicates that the current approach is struggling to meet policy demands. For instance, in 2013, the UK's HM Treasury published its *Green Book Supplementary Guidance: Valuing Infrastructure Spending* (https://www.gov.uk/government/publications/green-book-supplementary-guidance-valuing-infrastructure-spend), highlighting amongst other things, two major challenges for valuing major infrastructure projects: non-marginal or wider economic effects and endogenous preferences. Major infrastructure projects can significantly change local and potentially regional economic possibilities, and thus preferences as they change the environment within which preferences are created. On the latter point, a future reservoir, for example, might be seen as a property blight, whereas a current reservoir might be seen as a recreational resource.

This suggests a key tension between policy demands for a narrative on the strategic benefits of major infrastructure projects, while the capacity of neoclassical approaches is limited to assessing marginal effects, e.g., reductions in travel time. This limitation for infrastructure assessment also applies to other strategic government interventions such as industrial strategy, where again tools that can only identify marginal impacts have limited utility. For instance, providing an evidenced rationale that links investment in innovation to economic outcomes is clearly impossible in a marginalist framework unless the investment is actually aimed at marginal efficiency improvements. Such improvements need not be insignificant and are claimed as the basis of the UK recent cycling competitive success.

However, clearly non-marginal or disruptive innovation is a more significant economic phenomenon desired by most policy interventions such as investment in research and development. Hence, this seems a fertile ground for pluralist approaches to economic analysis.[1] Indeed, most politicians, one would imagine, are likely to be interested more in strategic shifts rather than in marginal change.

However, to meet this policy need, we need both a shared understanding of the meaning of a pluralist approach to understanding economic phenomena, including feasible applied methods from relevant disciplines and a means of choosing between them. Furthermore, pluralism is more than meeting particular policy demands, it also entails the culture, institutions and relationships supporting pluralism.

This is, of course, a huge agenda; and in this issue, we merely attempt to start the discussion with the expectation that others will refine and develop it further.

2 Contents of the current issue

Imko Meyenburg tackles the fundamental challenge of pluralist approaches: how to select analytical frameworks from a range of options so the results are not just relative to the framework chosen but have wider legitimacy. He sees epistemological crises as the driver for challenging current dominant frameworks. In terms of where this takes us, he sees the potential for a new intellectual consensus on framework selection based on what seems more useful in addressing the crises that initially precipitated the search for new frameworks.

Jonathan Warner addresses similar terrain but from the perspective of narratives and the current phenomenon of 'fake news'. He looks back over different policy areas and examines why different narratives have dominated, such as Friedman's famous helicopter narrative. He argues that since no narrative can give the whole truth, we need to look for coherence amongst narratives.

Lucie Cerna and William Hynes consider the process of change in economic analysis in the OECD following the 2008 Financial Crisis using an institutional theory of change framework. They examine the effects of the OECD New Approaches to Economic Challenges Project (which took a more pluralist approach to economic analysis) on the overall approach to OECD work. From a survey across different areas of the OECD, they see mixed results suggesting the formidable challenge to change large and complex organisations.

Stefanos Ioannou and Olivia Bullio Mattos argue for pluralism in the teaching of economics – macroeconomics in this case, in terms of how it has impacted policy making. Hence, they examine how macroeconomics pedagogy has continued to ignore the role of money, and how this impacted macro economic policy before the 2008 crash.

Guillaume Vallet provides a more focused (policy) case study of a Swiss local currency to argue for the importance of the cross-fertilisation between economics and sociology. He shows how this cross-fertilisation can help reveal money as an institution for economic organisation, giving banks a public or commons dimension even if private. From this, he draws interesting implications for monetary policy reform.

3 Conclusions

The job of policy advisers is to use the best available analytical tools and evidence to inform policy to address real concrete issues. In principle policy, advisors should be relatively pragmatic in seeking out analytical tools that best suit that purpose in any particular circumstances. Hence, it might be expected that policy advisers are relatively open to a pluralist approach as it should deliver 'fit for purpose' analysis.

However, as with any group there are established norms, both formal and informal, for what counts as acceptable policy tools, which in turn, rely on analysts whose training may be limited to neoclassical economics. Policy advisers in general may not be aware of other economic frameworks and their implications, given the dominance of neoclassical economics.

We hope that this special issue will contribute to the process of raising awareness amongst policy advisers and analysts of the existence of a wider range of analytical frameworks; how they can be used and their benefits for policy making.

References

HM Treasury (2018) *The Green Book: Appraisal and Evaluation in Central Government*, HM Government [online] https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-goverent (accessed 12 February 2018).

Notes

1 For instance, Professor Michael Grubb in his 2018 inaugural lecture proposed that institutional and evolutionary economics are required to understand long-term innovation [online] https://www.youtube.com/watch?v=QrLcWlxTO0A&feature=youtu.be.