
Foreword

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1 Introduction

This has been a difficult year for many of us, healthwise and economically; and myself and my family have been hit hard, as have many others. Personal health, the health of our family and loved ones can never be taken for granted; and likewise, the health of our economy, making our work at the *IJPEE* all the more urgent.

2 Contents of the current issue

2.1 *Pluralism*

Ideology is a preponderant litmus test for neoclassical economics: stalwart advocates claim that economics is a value-free science, able to distinguish between positive and normative, while detractors claim that economics is not a science, and even if it were it can never be value-free; and to wish so is a quaintly disingenuous vestige of 19th century pre-quantum physics. And furthermore, they argue that there is nothing wrong with ideology; it is part and parcel of the modus operandi of all scientists and social scientists.

But what is ideology, why does it matter and who is right are central questions discussed by Arne Heise in his paper, 'Ideology and pluralism in economics: a German view'. He begins with the sociologist Karl Mannheim's distinction between a value-free and an evaluative concept of ideology:

"The value-free conception understands ideology as a vision of a desired (i.e., positively construed) state. It is thus value-free not in the sense that it does not involve subjective assessments, but as a neutral descriptor of a 'worldview' that serves as a necessary guide to social action. The evaluative concept of ideology, by contrast, refers to an interpretation of reality that, in the service of particular interests, consciously or unconsciously conceals certain facts or makes untrue/unverifiable claims."

In his paper, Heise utilises the negatively connoted concept of ideology, so that "to call economics ideological is to imply that it, consciously or unconsciously, 'sells' untruths as truths so as to promote individual or group/class-specific interests."

So what's the verdict? Is neoclassical ideological in this pejorative sense? After a really interesting discussion, Heise concludes that:

“A social science such as economics, particularly if it chooses to understand itself as positivist, must necessarily be practised pluralistically, in the sense that multiple paradigms can compete over the best interpretation of reality provided that they meet certain methodological standards. This implies that even ‘less good’ or false interpretations of reality (i.e., interpretations based on false pre-analytic visions) can satisfy the aspiration of scientific analysis if or insofar as they are not clearly falsified by empirical evidence or logical fallacies. However, in order for the relativity of the acquired knowledge not to become an ideological distortion, it is necessary that the pluralist imperative be recognised and that there is transparency about the paradigmatic basis of the findings. [But] if a single monistic paradigm marginalises other competing paradigms and its scientific views and the economic policy recommendations derived from them are ‘constantly banded about with great fanfare’, alternative ideas are rejected as ‘crazy nonsense’ and the theoretical principles underlying this paradigm are not taught in universities, this must be considered ideological distortion... A science whose community is unable to ensure that its discipline is practised in a proper (i.e., pluralist) manner must accept the charge of ideology.”

While many elements in neoclassical economics have caused me great angst over the years, probably none more than Milton Friedman’s exhortation that a theory’s assumptions do not matter, as long as it is able to predict. Switching majors from physics, I found this naïve and dangerously simplistic, the antithesis of science; and unethical: teaching our students that only results matter, that we need not discuss our plan or strategy with others. Such a *modus operandi* inures its practitioners against the clarion call for pluralism: after all, we have little to learn from them, and they from us. And, Friedman’s exhortation explicitly assumes that the current state of economics is non-teleological, it is as good as it gets; thus there is no need to progress the science. But assumptions do matter, and as the basic building blocks in any theory, they matter a great deal to help us understand our own logical reasoning, and that of others.

Morris Altman in his article ‘Why realism and methodological pluralism matter for robust research and public policy: perspectives from behavioural economics’ reminds us of the importance of assumptions in economics.¹ His thesis is simple, yet powerful and necessary, especially as we consider how pluralism can help us construct a better world:

“the realism of the assumptions underlying one’s theory and methodological pluralism are necessary conditions for scientific analysis and are critically important to the construction of robust economic theories and the testing of theories either in an econometric or narrative demeanor. Otherwise, one is left with theories and empirical analyses that can generate misleading causal analyses and policy prescriptions.”

He illustrates his thesis with numerous examples chosen for their “important methodological, policy and social implications [which] illustrate how more realistic modeling assumptions and alternative models or theoretical frames affects one’s causal analysis which, in turn, impacts policy.” He writes:

“Even if a particular model correctly predicts, this does not mean that it tells a plausible causal story. For this to be determined, it is important to understand the extent to which the behavioural (inclusive of institutional) assumptions underlying one’s model (and related independent variables) are reasonable. If they are not, they need to be replaced by more robust variables and models. Methodological pluralism opens the door to a broader analytical perspective wherein one searches for models and one is willing to modify models so that

one can best generate a causal narrative predicated upon robust behavioural and institutional assumptions.”

2.2 Teaching economics

It is hard to disagree with Dirk Ehnts’ opening statement that change is needed most desperately in macroeconomics, although I would offer sterile micro theory as a very close second. Ehnts, the *IJPEE* book review editor,² offers a succinctly alternative opening lesson for either beginning or intermediate macroeconomics. His paper ‘Macroeconomics and the world economy in one lecture: a didactic primer’, helps students understand the world economy from a monetary perspective. His central theme is simple but extraordinarily realistic:

“Introducing debts that provide credits to borrowers... explains why debt is crucial to the functioning of the payment system. It also explains why debt and savings are interconnected and why saving is the accounting record of investment and not the other way around. Without expenditures, no incomes can be generated, and without income no savings can result. Hence investment expenditures financed by debt are a necessary condition for a positive level of savings in an economy... [This] should put students on the right track from the very start instead of leaving them confused with the IS/LM-model and its many flaws.”

In the move away from traditional chalk and talk, service learning has received added emphasis given that it comports very well with pluralism, as Erik Olsen wrote earlier in the *IJPEE*,

“Service learning gives students the opportunity to discover for themselves that parsimonious (instrumentalist) models and deduction may fail to produce convincing economic theories and analyses; and consequently that some of the currently heterodox approaches, which employ a variety of modes of reasoning, may be useful in making sense of the things they encounter... If students find limitations to the textbook approach in practical application, they are likely to be receptive to other types of economic thinking...a pluralist economics requires that students be able to evaluate these different competing claims. Service learning can provide the necessary experience to do this.” [Olsen, (2011), p.190–191]

While many of us are interested in implementing pluralism, and indeed service learning is a key buzzword in today’s pedagogy, when push comes to shove and an instructor decides to incorporate it into our pedagogy, questions abound. To help out, from time-to-time the *IJPEE* publishes suggestively instructive articles on service learning.³ Our latest is Valerie K. Kepner’s ‘Service-learning in the undergraduate economics classroom’. Based on her experience with required service learning in two upper division courses (Public Economics, and Money, Banking, and Financial Institutions) she advises what works and what does not, lessons learned, mistakes made, what to avoid, and her overall student reactions. Of course, not all students will be satisfied (nor all professors) but Kepner’s article provides ample guidance. Kepner concludes,

“There is much more to the philosophical idea of choices than ensuring that individuals have more than one option from which to choose; ideally, SL will demonstrate to students the perceived, or real, lack of choices available to those individuals being served. I’m more mindful of the danger of having students thinking erroneously that society simply needs to guide individuals to make the

“right” choices... However, when all is said and done, I believe SL to be a worthwhile endeavor as it can be a transformational activity for students and professors alike, and I believe my teaching is better for incorporating SL into my classes.”

Another pet peeve of mine is neoclassical economics’ failure (or reluctance or parrying; I am not sure the right word) to adequately investigate how real firms in real industries behave, using actual real data. After all, the firm is one of the most important elements of any economy, and failure to discuss it is like physicists not investigating the atom, or even worse, assuming that all atoms are the same and behave identically.

Today’s students are quite interested in what economics has to say about the firm, especially the large firms that are ubiquitous in everyday life. Thankfully, heterodox economics has risen to the task, offering “clear, coherent, and empirically grounded explanations, so that we can effectively understand our economy and help solve our pressing problems”⁴ (Lee, 2010). Continuing in this very fine tradition, is Gustavo Vargas Sanchez, whose article ‘Heterodox microeconomics: the case of corn flour in Mexico’, investigates the market dynamics of corn flour in Mexico (the basic input for the production of tortillas, a fundamental food in the Mexican diet and a product that has been globally industrialised). And, in doing so, details the role of mega-corporations, pricing, competition, and the relationship between competition strategies and the dynamics of accumulation. His historically-based and empirically-grounded *modus operandi* contrasts sharply with the deduction-based neoclassical economics, and not surprising, reaching opposite conclusions, especially on the role of price competition.

Not only can this article be read at the principles level to show how real firms behave, but it also can be used to introduce different theories of economics, especially institutional, and post-Keynesian economics. This article is a gateway to pluralism, since, “the starting point of pluralist microeconomics should be the facts: the actual data on industry structure, and the behavior of firms and consumers... That alone will distinguish a pluralist course from a neoclassical one” [Keen, (2009), p.130]. For after reading this paper, it is clear that:

“A heterodox alternative to the neoclassical approach to oligopoly acknowledges that the factors of supply and demand are different and have their own dynamics: the supply curve is determined by average costs and the power to fix a profit margin; demand is determined by geographical, social, and cultural factors that evolve over time with society. The supply curve is horizontal, as heterodox theory posits, allowing us to represent demand as a point on the supply curve. Thus, we can explain (the Keynesian idea) of how short-run movements of demand determine firm (and overall) employment.”

It is hard to disagree with Steve Keen’s observation that neoclassical economics emphasises the wrong math to study the wrong problem. In fact, as the world has changed, little has changed in neoclassical mathematics (maths in the UK) where students are receiving much the same instruction in microeconomics as did their counterparts 100 years ago. As I’ve written many times elsewhere: if neoclassical economics were to emulate quantum physics, it would result in a self-injection of a much-needed dose of humility, along with a sense of awe and wonder at what we do not know. Much the same can be said for studying 20th century mathematics as it has evolved, since “one essential aspect of modern mathematics that economics has not realized is that mathematics today has a humility that economics lacks, because mathematicians have proved that mathematics has limits” [Keen, (2011), p.407].

Martin K. Jones in his paper, ‘Marginalism and maths teaching in introductory economics’ criticises marginalist teaching, and specifically the iterative argument embedded in the deductively-based and anti-empirical adage $MC = MR$, which “is difficult to understand, is never used beyond first year teaching, lacks empirical content and misleads the content of neoclassical economics.” He suggests jettisoning marginalist teaching (of which the $MC = MR$ rule is only one of many examples) in order to free up the curriculum to teach more important stuff about the economy, and,

“one can introduce ideas from other, alternative, schools of thought. To a certain extent, marginalist ideas in introductory economics act as a kind of propaganda...the focus on marginalist concerns in introductory economics results in first years being deprived of large areas of modern economic ideas. This is a great loss since many students will take economics only in its introductory form as an option and will not go beyond first year...Introductory economics is the shop window for economics as a whole and, if it fails to advertise it well, then economics as a whole will suffer.”

No argument from me.⁵

In 2012 we published a much-needed and widely-circulated Special Issue on Islamic Economics.⁶ Introducing our special issue on Islamic Economics, we wrote:

“We believe that Islamic Economics offers a rich repository of ideas and concepts originally developed as solutions to real practical problems, and can elucidate our current predicament and help conceptualize problems... of course we do not imply that Islamic economics has all the answers – no view does – only that we need to dialogue, listen, and learn from all disciplines within economics.” [Zaman and Reardon, (2015), pp.317, 321]

And the IJPEE concurs with Professor Islahi writing in his path-breaking book, *History of Economic Thought: Contributions of Muslim Scholars to Economic Thought and Analysis*⁷:

“It is no secret that the East and its religions have always given precedence to equity, social justice, ethics, and morality [...] We should pave the way for exchange and dialogue between the West and the East on an equal footing. Indeed, through dialogue on the basis of tolerance and mutual respect, the shared values become more familiar than those that distinguish and divide.” [Islahi, (2014,) pp.100–101]

A major contemporary concern across the world is the nexus between finance, business organisation, and sustainability. While Islamic finance is not without fault or risk (no system of finance is) there is a lot that East and West can learn from each other, especially finance, and we will continue to publish such articles. Mohammad Ashrafal Ferdous Chowdhury, Yousuf Sultan, and Md Mahmudul Haque in their article, ‘Conventional futures: a review of major issues from the Islamic finance perspective’, discuss (as their title indicates) a major element of global finance: conventional futures. For better or worse these instruments, in one way or another, will play a key role in a post-COVID economy. Islamic finance (and economics) can shed light on tapping these instruments in order to sustainably provision for all, while attenuating the intrinsic inequality of western finance. For indeed, as the authors note:

“After the global financial crisis of 2007–2008, many researchers strongly advocated the importance of Islamic finance for the survival of a sound financial market. The crisis pushed governments and private organisations to diversify their investments and find alternatives to the conventional economic

system for risk minimisation. Islamic finance was among the alternatives considered. And in fact, Islamic banks and financial institutions showed better resilience during the crisis.”

2.3 *Book reviews*

2.3.1 *Democratizing the Economics Debate, by Carlo D’Ippoliti (reviewed by Dirk Ehnts)*

D’Ippoliti acknowledges the widely-held view that economics has not really changed since the Great Financial Crisis. He takes stock of our current situation, arguing that even though economic ideas are important, the public no longer trusts economists, and then offers his vision of what economics should be. Our reviewer, Dirk Ehnts, writes that the book is “well-structured, which one can read as a manifesto, a declaration of intellectual secession for heterodox economics if neoclassical economics does not shape up and reform.”

A good read, although D’Ippoliti could have benefitted from *the Econocracy*, and *The History of Heterodox Economics*⁸, each treading similar ground.

2.3.2 *Value Creation Principles, by Bartley J. Madden (reviewed by Jack Reardon)*

Bart Madden is rapidly turning into one of my favourite authors. His is a much needed-book that discusses the firm at its most fundamental level, how and why it evolves over its life-stages, its role within capitalism, with a plethora of real-world examples about how firms actually behave. In other words, this book is about what real firms do in a real economy. Refreshing!

This was a book (or something like it) that I had intended to write a while ago,⁹ but becoming *IJPEE* editor, and three books later on economics education forced this onto the proverbial back burner, and then off the stove completely. So I am thrilled that such a book is finally on the market. This important book deserves a central place in reconceptualising economics and in a new pluralist curriculum, and it should be mandatory in the economics and MBA curricula. Disclaimer: I helped edit the book for publication. I strongly believed in the book, and wanted to use my editing skills to bring it to wide readership. Did this interfere in any way with writing an objective review? I can truthfully say that my review would have been just as favourable if I had no part in the editing. So take it as you will, but this important book should be required reading.

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Notes

- 1 See [Keen, (2011), pp.158–165] for an interesting discussion on 'why assumptions matter and why economics is so different from the true sciences.'
- 2 Ehnts (2016) is also author of a well-read book on monetary theory.
- 3 See Olsen (2011) and Christensen (2017).
- 4 Lee also wrote an excellent micro text (Lee 2017).
- 5 For those interested in the relationship between math and pluralism see Giannakouros and Chen (2012).
- 6 See *IJPEE*, Vol. 6, No. 4 (2015) and Vol. 7, No. 3, pp.213–299, (2016).
- 7 For an *IJPEE* review of Islahi's book, see Reardon (2015a).
- 8 For an *IJPEE* review of Lee's book *A History of Heterodox Economics* (Lee, 2009), see (Reardon, 2015b).
- 9 Commemorating Martin Luther and the 500th anniversary of the commencement of the Reformation, I wrote: "Economics must become more inductive and less deductive. One is hard-pressed to find in any economics textbook empirical evidence about how real-world firms behave and how they operate. Instead we find fabricated data based on 19th century prescripts of how firms should behave. If we presume to teach about modern capitalism, we should begin with real-world data. (That this is even mentioned underscores how dysfunctional economics has become.)" (Reardon, 2015b, thesis #50, p.324.)