

Economics & Society

DRAFT FOR A COURSE OUTLINE

PINE UCM
PINE.UCM@GMAIL.COM

This course manual has been put together by members of PINE UCM, a student-run initiative at University College Maastricht which calls for a (more) pluralistic economics education. The following manual contains elements that we see as crucial and interesting for a possible economics course that aims to take a plural perspective. In this manual, we provide an overview over the topics that could be discussed, for each topic briefly outlining what the content and possible literature would be. For some tasks, we formulated a text that could potentially be used in a pre-discussion, which would fit the Problem-Based Learning methodology used at Maastricht University. We hope that this manual will be a helpful tool in illustrating what we expect of a plural economics education.

Intended Learning Outcomes

- Students should develop the ability to critically reflect upon the strengths and weakness of viewing issues from different economic perspectives
 - Students should be introduced and familiarized with the existence of different schools of thought in economics
 - Students should reflect on how our viewpoints and focuses of analyses but also the suggested solutions to economic problems can shift
- Students should explore the relationship of the economy with society, politics and the environment in an applied manner, i.e. by looking at different case studies, and compare positive and normative approaches.

Overview

Fundamentals

Task 1: Economics - the dismal science?

Task 2: The growth of economic thought

Task 3: Economics and other disciplines

Applications

Task 4: Markets, States and Institutions: The free market

Task 5: Markets, States and Institutions: Alternative perspectives on the free market

Task 6: Growth and Sustainability

Task 7: Social welfare & Equality

Task 8: Employment and Labor

Task 9: The case of education

While only 9 tasks are mentioned, we could imagine one tutorial being devoted to a practical debate of one of the topics. This enables students to engage more deeply with a chosen perspective and to work out what it means to discuss a certain topic from complementing and contrasting economic perspectives. In terms of assessment, we would propose a midterm exam (take home exam) to be given. There will only be one tutorial in the week of the midterm. The final assessment consists of a paper.

We realize that the proposed course manual is by no means all-encompassing. There are many other themes and topics that would be very interesting to discuss from a plural economics perspective, such as retirement, innovation or entrepreneurship. The purpose of this manual is rather to provide an exemplary selection of topics.

Task 1: Economics - the dismal science?

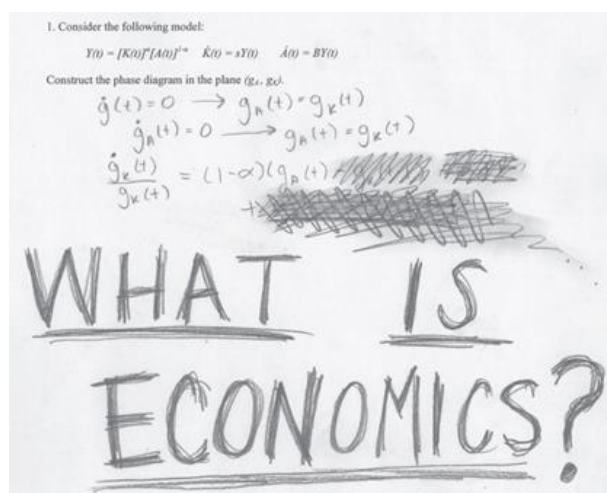
The aim on the first task to give students a broad understanding of economics discipline, its status and different conceptions thereof. At the end the post-discussion, students should be able to give an informed opinion on what economics is or could be. This includes a reflection on the (1) status of economics in the social sciences, (2) the status of economics in society, (3) whether it is a science or not, and the (4) conception of economics as a moral science. The readings will comprise of Lionel Robbins 1932 foundational text, three very short articles (Shiller, 2013; Halligan, 2013, Chetty, 2013) on the dispute over the status of economics as a science, an excerpt from a sociological monograph on how different conceptions of the profession evolved (Fourcade, 2009), a text the history economics as a moral science (Alvey, 2000).

Pre-discussion text

“One problem with economics is that it is necessarily focused on policy, rather than discovery of fundamentals. Nobody really cares much about economic data except as a guide to policy: economic phenomena do not have the same intrinsic fascination for us as the internal resonances of the atom or the functioning of the vesicles and other organelles of a living cell. We judge economics by what it can produce. As such, economics is rather more like engineering than physics, more practical than spiritual.”

“Economics as a profession is prominently intertwined with public administrations, corporations, and international organizations; these institutions not only provide economists with resources and collect their data, they also foster a “fix it” culture—or, as sociologists would put it, a particular “habitus,” a disposition to intervene in the world.”

“The ‘scientification’ of economics has led to a separation of economics from its ethical roots. The ‘mainstream economics’ of the twentieth century fully accepts this separation. Economic theory is seen as a positive science which has to analyse and to explain the mechanisms of economic processes.... Important as ethical valuations (“ought”-statements) may be, they should not form part of the economist’s research programme.”



Literature

Alvey, J. (2000). *An introduction to economics as a moral science*. International Journal Of Social Economics, 27(12), 1231-1252.

Chetty, R. (2013). *Yes, Economics Is a Science*. New York Times. Retrieved from <http://www.nytimes.com/2013/10/21/opinion/yes-economics-is-a-science.html>

Fourcade, M. (2009). *Economists and societies* (pp. 1-28). Princeton: Princeton University Press.

Halligan, L. (2013). *Time to stop this pretense – economics is not science*. The Telegraph. <http://www.telegraph.co.uk/finance/comment/10390981/Time-to-stop-this-pretence-economics-is-not-science.html>

Robbins, L. (1932). *An essay on the nature and significance of economic science* (pp. 1-22). New York: New York University Press.

Shiller, R. (2013). *Is Economics a Science?*. Project Syndicate. Retrieved 17 April 2016, from <https://www.project-syndicate.org/commentary/robert-j--shilleron-whether-he-is-a-scientist>

Task 2: The growth of economic thought

This task will familiarize students with the the development of economic thought, as well as the concepts of mainstream or neoclassical economics, heterodox economics and pluralism. Students will read Gregory Mankiw's concise account of the development of economic theory and a detailed reflection on neoclassical economics by Lawson. Additionally, students will be introduced to the concept of heterodox economics and notion of a pluralist framework of inquiry that includes both orthodox and heterodox schools of thought. By way of an introduction, students will watch a lecture by Dr. Ha-Joon Chang (University of Cambridge). The point of this assignment is not to press the issue of pluralism, but rather to understand and assimilate concepts from different currents of economic thought. The idea is also not to discuss the content of various schools of thoughts, but rather to think about what it means to have and study a plurality of economic schools of thought. Arguably, there is not only value in theories that expand and improve neoclassical theory, but also in those that call us to critically reflect upon basic neoclassical assumptions. Yet, there are also critical voices from within the field of heterodox economics, who point towards the danger of "arbitrary openness to just everything" (Baumgartner et al, 2008).

Pre-discussion text

Today, mainstream economic education seems to suggest that, under certain conditions, we can have infinite economic growth. The neoclassical Solow-Swan model, for example, predicts that even though the economy moves towards a steady state, infinite economic growth is possible under the condition of technological progress. The idea that infinite economic growth is, in principle, possible has not always been an assumption of mainstream economics. In fact, classical thinkers like Mill, Smith or Ricardo were expecting an unavoidable eventual stationary state economy as increasing population, diminishing returns and increasing land rents would shrink profits to zero). Only with the so-called post-physiocratic epistemological break (at the end of the 19th century), where the focus was shifted from the factor land to the factor labour and capital, neoclassical economics were born and land and natural resources entirely removed from production functions.

However, starting in the 1940s, a renewed interest in ecological factors arose again, as for example expressed by Polanyi, or in the 60s by Herman Daly. Critique of neoclassical models also came to be voiced by feminists, neo-Marxists, or within the Austrian school, represented by scholars such as Hayek. Some of these new perspectives aim at expanding on neoclassical theory to make it more applicable to real-world economic phenomena in areas where neoclassical theory was still lacking explanatory power. Other theories, on the other hand, started challenging fundamental assumptions of the neoclassical model, such as that of the rational agent.

Literature

- Chang, H. (2015). Dr Ha-Joon Chang: Why Pluralism in Economics is Important. Retrieved from <https://www.youtube.com/watch?v=uOy7utDDE2A>
- Dobusch, L., & Kapeller, J. (2012). Heterodox United vs. Mainstream City? Sketching a Framework for Interested Pluralism in Economics. *Journal Of Economic Issues*, 46(4), 1035-1058.
- Lawson, T. (2013). What is this 'school' called neoclassical economics?. *Cambridge Journal Of Economics*, 37(5), 947-983.
- Mankiw, N. (2006). The Macroeconomist as Scientist and Engineer. *SSRN Electronic Journal*.

Task 3: Economics and other disciplines

Economics is often studied in isolation from other disciplines. However, many links exist between economics and other academic fields such as philosophy, politics, sociology and psychology. The aim of this task is for students to investigate how economics interlinks with other disciplines and discuss what economics can learn from other disciplines. The example of economics and psychology will serve to illustrate the relationship. First the concept of the homo oeconomicus will be introduced. This concept will then be reevaluated by the results of psychological research on the value of fairness and cooperation between individuals. Students will then critically reflect on questions such as: is egoistic behaviour realistic? How should rationality be understood? And how do human relationships influence economic behaviour? Students are thus required to critically reflect on the effect of other disciplines on economics and how they interact.

Literature

Arthur, W. B. (2005). Cognition: the black box of economics. *Perspectives on Adaptation in Natural and Artificial Systems*, 291.

Gowdy, J. M. (Ed.). (2009). *Economics interactions with other disciplines*. UNESCO.

Ioannides, S., & Nielsen, K. (Eds.). (2007). *Economics and the social sciences: Boundaries, interaction and integration*. Edward Elgar Publishing.

Şen, S. (2012). *The Relationship Between Psychology and Economics* (No. 0001). Okan University Research Centre for Financial Risks, OKFRAM.

Ted Blog Video. Two Monkeys Were Paid Unequally: Excerpt from Frans de Waal's TED Talk. Retrieved from <https://www.youtube.com/watch?v=meiU6TxysCg>

Task 4: Markets, states and institutions: the free market

This task will introduce the first topic-related discussion. It will deal with the relationship between markets, states and institutions, focusing on the free market. Students should grasp the rationale behind the idea of the free market, its scope and implications. They should understand the mechanisms of the market and realize its underlying assumptions. Hereafter, the role of the state and institutions in the market will be evaluated. Students should realize the different reasons for and against state intervention as well as the theoretical consequences that result.

Pre-discussion text

The neoclassical school of thought in economics presents free market economies as the most efficient way of allocating resources. They argue that free market economies settle at equilibrium which maximizes the social welfare of the population. Apart from well-known particular cases e.g. externalities, information asymmetry, the neoclassical school sees free market as the desirable economic state societies should aim at.

Yet, several economic phenomena that capitalists societies have experienced are challenging the claim that free market capitalism maximize social welfare. A striking example is the Occupy Movement and their focus on the 1%. Piketty's magistrale data collection on inequality has indeed shown that economic inequalities are increasing in capitalist societies. But why does that matter since free market capitalism maximizes social welfare and allows everybody to be better off? Is there more to social welfare than what FM capitalism has to offer?

So in light of all this criticism, how can the free market still be defended?

Literature

Erhard, L. (1958). *Prosperity through competition*. Ludwig von Mises Institute.

[Chapter about the role of the state generally, Football game metaphor]

Hayek, F. A. (1945). The use of knowledge in society. *The American economic review*, 519-530.

Miller, D. (1990). *Market, state, and community: Theoretical foundations of market socialism*. Oxford University Press. (Parts of Part II)

Additional Literature

Arthur, W. B. (2006). Out-of-equilibrium economics and agent-based modeling. *Handbook of computational economics*, 2, 1551-1564.

Arthur, W. B. (1994). Inductive reasoning and bounded rationality. *The American economic review*, 84(2), 406-411.

Falk, A., Fehr, E., & Fischbacher, U. (2003). On the nature of fair behavior. *Economic Inquiry*, 41(1), 20-26.

Sandel, M. (2012). *What money can't buy - the moral limit of markets*. London: Penguin Books Ltd.

Task 5: Markets, states and institutions: Alternative perspectives on the free market

In this task, students will discuss possible answers to the free market problematic from two different economic traditions: Institutional and Keynesian approaches. As a case study for a market failure, students could discuss the financial crisis of 2007. By reading comments about this crisis, for example, students will obtain an insight of how contemporary economic phenomena can be approached from various perspectives. The aim of this task is to allow students to gain insight in contemporary discussions by economists who diverge from orthodox theory. Furthermore, by investigating a case such as the financial crisis students should begin to understand how economic phenomena can shift perspectives. Lastly, students will familiarize themselves with core assumptions/ideas of institutional and Keynesian economics expressed by Piketty, Galbraith or Stiglitz, whose alternative ideas have gained momentum in current times.

Literature:

Galbraith, J.K. (2012). *Inequality and Instability. A Study of the World Economy just before the Great Crisis*. Oxford: Oxford University Press.

Housemen, G. (2006). Joseph Stiglitz and the critique of the free market analysis. *Challenge*, 49(2), 52 - 62. Retrieved from: http://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2006_Challenge.pdf

Stiglitz, J. (2008). The fruit of hypocrisy. *The Guardian*. Retrieved from <http://www.theguardian.com/commentisfree/2008/sep/16/economics.wallstreet>

Stiglitz, J. (2008). After the financial crisis we were all Keynesians - but not for long enough. *The Guardian*. Retrieved from <http://www.theguardian.com/business/economics-blog/2013/oct/10/financial-crisis-keynesians-eurozone-recession>

Additional literature:

McKay, T. (n.d.). Explaining the 2008 Financial Crisis: A Comparative Analysis of Stiglitz and Harvey. *Centre for the Critical Study of Global Power and Politics*. Retrieved from <https://www.trentu.ca/globalpolitics/documents/Discussion112TravisMcKay.pdf>

Foster, J.B., & Yates, M.D. (2014). Piketty and the Crisis of Neoclassical Economics. *Monthly Review*, 66(06). Retrieved from: <http://monthlyreview.org/2014/11/01/piketty-and-the-crisis-of-neoclassical-economics/>

Task 6: Growth and Sustainability

In contrast to task 2, where the focus lay on highlighting the development of different schools of thought applied to the example of growth, this task focuses on growth and sustainability as an issue in today's societies. It looks at how different schools of thought tackle the issue and at the role that is played by growth and sustainability in the discipline of economics as a whole, as well as in economic policymaking. An objective is to allow students to compare and contrast the neoclassical approach to ecological economics. By doing so, students will familiarize themselves with the different ways in which growth is defined, measured and practically implemented. Students will be required to discuss and critically reflect on the effects that different conceptions of growth and development have for our societies and states. Taking the idea of degrowth as a case study will show how deeply all aspects of societies can be affected by our economic conceptions.

Literature:

- Gillis, M., Perkins, D. H., Radelet, S., Roemer, M., & Snodgrass, D. R. (2001). *Economics of development*. New York, NY: Norton.
- Kallis, G., Kerschner, C., Martinez-Alier, J. (2012) The economics of degrowth. *Ecological Economics*. In Press. Available online 21 September 2012.
- Landefeld, J. S., Seskin, E. P., & Fraumeni, B. M. (2008). Taking the Pulse of the Economy: Measuring GDP. *Journal of Economic Perspectives*, 22(2), 193-216. Retrieved from <http://www.ingentaconnect.com/content/aea/jep/2008/00000022/00000002/art00010>
- North, D. C., Wallis, J. J., & Weingast, B. R. (2006). *A conceptual framework for interpreting recorded human history* (No. w12795). National Bureau of Economic Research.
- Talberth, J. (2008). A New Bottom Line for Progress (T. Prugh & L. Starke, Eds.). In G. T. Gardner (Ed.), *State of the world 2008: Innovations for a sustainable economy: A Worldwatch Institute report on progress toward a sustainable society* (pp. 18-31). New York: W.W. Norton.

Additional literature:

- Economic performance and social progress - Following up on the Stiglitz Report. (2014, October). Retrieved May 10, 2016, from http://www.insee.fr/en/publications-et-services/default.asp?page=dossiers_web/stiglitz/performance_eco.htm
- Dequech, D. (2007). Neoclassical, mainstream, orthodox and heterodox economics. *Journal of Post Keynesian Economics*, 30(2), p. 279-301.
- Johanisova, N., Crabtree, T., Franková, E. (2013) Social enterprises and non-market capitals: a path to degrowth? *Journal of Cleaner Production*. Volume 38, Pages 7-16

- Kosoy, N; Brown, PG; Bosselmann, K; Duraiappah, A; Mackey, B; Martinez-Alier, J; Rogers, D & Thomson, R (2012). Pillars for a flourishing Earth: planetary boundaries, economic growth delusion and green economy. *Current Opinion in Environmental Sustainability*, 4(1), 74-79.
- Ott, K. (2012). Variants of de-growth and deliberative democracy: A Habermasian proposal. *Futures*, 44(6), 571-581.
- Rostow, W. W. (1990). *The stages of economic growth: A non-communist manifesto*. Cambridge university press.
- Schumacher, E. F. (2011). *Small is beautiful: a study of economics as if people mattered*. Random House.

Task 7: Social Welfare & Equality

After looking at the different ways in which growth is conceptualized in mainstream neoclassical and ecological economics, this task goes into two of the currently most debated topics in the field: social welfare and equality. The overall aim of this task is to reflect on the different ways in which economic theories affect and result in a variety of conceptions of social welfare. At the core of this task will be the case study of global inequality. Students will be asked to investigate different concepts of equality, equity and efficiency and how they relate to each other. Exploring the role that equality has in conceptions of social welfare, students will be familiarized with three distinct perspectives on the issue, namely Marxism, Feminism, and Neoclassical/Mainstream theory. While discussing these three perspectives, four questions must be answered: (a) equality of what? (b) does inequality matter? (c) what is the effect of equality/inequality on society? (d) how is our current conception of equality expressed in the structure of society? Finally, students should reflect upon the different ways in which global inequality could be tackled, as well as the value of a multidimensional and pluralistic approach to the issue in question.

Literature

Arrow, K. J. (1950). A Difficulty in the Concept of Social Welfare. *Journal of Political Economy*, 58(4), 328-346.

Cole, J. (2008). Milton Friedman on Income Inequality. *Journal of Markets & Morality*, 11(2), p. 239-253.

[This will give insights into the neoclassical approach to equality and social welfare.]

McIntosh, M. (1981). Feminism and Social Policy. *Critical Social Policy*, 1(1), 32-42.

Milanovic, B. (2012). *Global Income Inequality by the Numbers: In History and Now. An Overview*.

Pereira, P. (2013). The concept of equality and well-being in Marx. *Revista Katálisis*, 16(1), 47-54.

Pieterse, J.N. (2002). Global Inequality: Bringing politics back in. *Third World Quarterly*, 23(6), p. 1-20.

Additional literature

Marcuse, H. (1974). Marxism and feminism. *Women's Studies: An Interdisciplinary Journal*, 2(3), 279-288.

Wade, R. H. (2004). Is globalization reducing poverty and inequality?. *World development*, 32(4), 567-589.

Task 8: Labor and employment

The issues of labor and unemployment have always been causes of debate and played an important role in economic policy making. In light of the recent wave of unemployment which has swept over Europe, governments have assumed a wide variety of different measures to face these challenges. These measures range from stark austerity in Greece to the idea of the reduction in working hours in Sweden to increase productivity and improve wellbeing. The Swedish experiment will serve as a case study in this task. Students will gain a general understanding of the role that labor and employments play in our economy. Students are required to reflect on the interplay between productivity, employment and well-being and their relation to the concept of efficiency. Once again, the aim is a multifaceted understanding which will be formed by reading texts on the topic from different schools of thought. Finally, students will be asked to tentatively outline different policies which could tackle the issue of unemployment, depending on particular understandings of the issue. These will then be compared to how things are approached in current systems.

Literature

- Boyer, G. R., & Smith, R. S. (2001). The development of the neoclassical tradition in labor economics. *Industrial & Labor Relations Review*, 54(2), 199-223.
- Furth, D., Heertje, A., & Van Der Veen, R. J. (1978). On Marx's theory of unemployment. *Oxford Economic Papers*, 30(2), 263-276.
- Keynes, J. M. (2006). *General theory of employment, interest and money*. Atlantic Publishers & Dist. [Chapters 1-3]
- Standing, Guy (2016): „Basic Income: A 21st Century Economic Right“. Retrieved 10. 05. 2016 from http://www.guystanding.com/files/documents/CDHE_Standing.pdf.

Additional literature on work reduction

- Frayne (2015). *The refusal of work*. Zed Books: London.
- Lafargue, P. (1969). *The right to be lazy*. Solidarity Publications. [Marxist]
- Keynes, J. M. (1997). Economic Possibilities for our Grandchildren. *Frontier issues in economic thought*, 2, 343-344.
- Russell, B. (2015). *In praise of idleness*. Lulu Press, Inc.
- Skidelsky, R., & Skidelsky, E. (2012). In praise of leisure. *Chronicle of Higher Education*.
- o Article: <http://chronicle.com/article/In-Praise-of-Leisure/132251/>
 - o Book: Skidelsky, R. J. A., & Skidelsky, E. (2012). *How Much is Enough?: The Love of Money and the Case for the Good Life*. Penguin UK.

Task 9: The case of education

The current trends in education are evolving extremely fast. Economic actors play a more important role in public (and private) education than ever before. This globalization and, some say, marketization of the education is not without consequences on society.

This task attempts to look at the way in which economic policymaking and economic actors affect education and the way it is perceived in our societies. Moreover, it attempts to look at how different narratives and rationales on the nature and aims of education affect the educational systems worldwide. Firstly, students will look at the Neoclassical/Mainstream conception of education, focusing on the role of the World Bank in the global educational sphere. Following this, they will look at specific ways in which these conceptions and narratives are put into practice, illustrated by the various case studies of educational policies as outlined in Spring's book *Globalization of education: An introduction*. Students are expected to understand the complexities behind the relationship between economic thinking and education, both on the theoretical as well as in the practical level.

Additionally, a critique to the so-called 'neo-liberalisation' and 'marketisation' of education will be presented from a Marxist perspective, providing with an alternative way to conceptualize education that does not adhere to the neoclassical/mainstream model. To finalize, this task should also serve as a reference of how economic discourses affect us, and how we as students and educational actors can become aware and act upon this. Students are expected to reflect on how the economic narratives on education present in this task affect our perceptions of education, arriving at the necessity for a democratic and pluralistic approach to education.

Literature

Checchi, D. (2006). *The economics of education: Human capital, family background and inequality*. Cambridge: Cambridge University Press.

Hill, D. (2004). Educational Perversion and Global Neo-Liberalism: A Marxist Critique.

Lundvall, B. & Johnson, B. (1994). The Learning Economy. *Journal of Industry Studies*, 1(2).

Spring, J. H. (2009). *Globalization of education: An introduction*. New York, NY: Routledge.

World Bank. (2014). Economics of Education. *The World Bank*.

Rogers, A. (2012). The case for educational pluralism. *First Things*.

Trifonas, P. (2003). *Pedagogies of difference: Rethinking education for social change*. New York: RoutledgeFalmer. Chapter 1 - Introduction, p. 1-10.