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The Economists of Tomorrow: The Case for Assertive Pluralism in Economics Education

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Abstract. This article presents the case for 'assertive pluralism' in economics education and proposes how to achieve it, illustrating the point with reference to the UK Subject Benchmark Statement in Economics (SBSE). It proposes a revision of the benchmark prioritising the role of *controversy* in the teaching of economics, combined with pluralistic principles upholding and guarantee critical and independent thinking.

This reform is a necessary response to what Colander et al. (2008) term the 'systemic failure' of economics—the inability of the profession, taken as a whole, to anticipate and understand the financial crash and recession of 2008. 1

Failure on this scale testifies to a more deep-seated weakness in economics than commonly recognised. It arises from what Turner (Tett 2009) terms the regulatory capture of the economics profession by narrow financial interests. The public, and the economics profession, require specific protection against the pressures that have produced this systemic failure. This requires a rethink of the relation of economics to society, founded on a rejection of the idea that the function of economics is to provide a single, unequivocal solution to every problem of policy.

Instead, the paper explains, good economics should be constrained to evaluate the full range of relevant solutions to any given policy issue, leaving the decision-makers accountable for the decisions they make on which solution to adopt.

Key words: Pluralism, Social Compact, Economics Education, Heterodox, Bench Marking

Introduction

This paper is a proposal to change the way economists are educated by applying the principle of 'assertive pluralism' to the definition and concept of economics.

This will equip the public to recognise bad economics, which I define as economics that takes no precautions against the possibility of error. It offers a remedy for what Colander et al. (2009) describe as a 'systemic failure' of economics, prior to the crash of 2008. And it offers the profession a defence against the cause of this failure, which, following Turner (2009), I describe as its regulatory capture by financial interests.

The objectives are intimately linked: a definition of good economics equips the public to demand good economists. Embedding this definition in the requirements placed on economics education providers, this will create a supply of good economists. Both will conspire to produce a generation of economists who can react, and prepare for, those changes in the world which their predecessors were so poorly placed to foresee or react to.

The UK Context

The methodology proposed—assertive pluralism—has wider implications for the reform of economics. It is a general principle, applicable equally inside and outside the UK and in all spheres of economic practice and theory including research, publication, selection and promotion, the procurement of policy advice, and, not least, funding. I focus however on UK higher education. For the information of readers unfamiliar with the way this has evolved, at this point some context may be helpful.

The article outlines the rationale for, and principles behind, a pluralist Subject Benchmark Statement for Economics (SBSE). It is an offshoot of a consultation (Freeman 2007) undertaken by the Association for Heterodox Economics (AHE) to provide input for a consultative review of the SBSE undertaken by the UK Quality Assurance Agency (QAA) in 2007. This led to an AHE-sponsored paper (Freeman 2009) in a special edition of the *International Review of Economics Education* (Denis 2009), a journal published by the Economics

Network, the main practitioner body for developing economics teaching in the UK.

The discussion it reflects is thus quite well advanced in the UK. In 2009 the AHE was asked to address the UK Committee of Heads of University Departments of Education (CHUDE) which is formally charged with establishing the SBSE. With CHUDE's support the AHE proposed a panel on pluralism in economics education to the 2010 conference of the Royal Economic Society (RES), effectively the profession's highest UK body.

The RES however declined to accept. Such a refusal, two years into the present crisis, to even consider a discussion on curriculum change, adds weight to the conclusions of this paper that significant structural and institutional reforms are required in economics.

Subject benchmarks were themselves introduced by the QAA, itself established following a review of Higher Education conducted at the request of the UK Labour government in 1997, headed by Ron Dearing.[1]

The QAA, continuing the practice of 'audits', which began in 1990, initially concentrated on the teaching and learning process as such, rather than content. However Dearing had recommended that "standards should be developed by the academic community itself, through formal groupings for the main areas of study." Accordingly in 1999, the first three subject benchmarks were released for consultation and a further 19 in 2000. By the middle of the last decade, benchmarks existed to cover almost all subjects. In consequence, imperceptibly but relentlessly, the content of teaching entered into the definition of 'quality' of teaching in the UK.

A latent conflict between standards and diversity was recognised from the outset. As Dearing (1997: 10.3) noted:

> "Uniformity of programmes and national curricula, one possible approach to the development of national standards, would deny higher education the vitality, excitement and challenge that comes from institutions consciously pursuing distinctive purposes, with academics having scope to pursue their own scholarship and enthusiasms in their teaching. The task facing higher education is to reconcile that desirable diversity with achievement of reasonable consistency in standards of awards"

Most subjects took special measures (see Freeman 2007) to safeguard their subject against uniformity. They specified the range of views with which students should be acquainted, and clarified that students should be knowledgeable about the controversies in their subjects.

Economics alone sought a prescriptive approach, making little or no explicit provision for pluralism. This highlights a problem we will return to. Subject benchmarks, by virtue of the way the UK process evolved, were self-defined. The SBSE thus expressed the subject's view of itself, not any external imposition. The fact is that economists in the UK, given the chance to conceptualise their subject, of their own free will described it as closed deductive system with a single synthetic view.

Noting how anomalous this stance was, a point that appears to have escaped both economists and the wider HE community, the AHE opted to propose a reform of the benchmark by using 'assertive pluralist benchmarking' to create explicit safeguards for pluralism, and by implication, heterodoxy.

What Is Assertive Pluralism?

Pluralism has a specific meaning which this article will clarify. It is 'assertive':[2] the pluralist economist is not merely allowed, but required, to consider a variety of approaches to problems in the real world. It is 'critical': the pluralist economist makes explicit the alternative theoretical approaches considered, the different solutions and policies which arise, and the basis for choosing between them.

Whenever, in history, economic theory has positively and usefully informed policy and particularly changes in policy, it has done so by questioning accepted precepts, re-examining fundamental principles without prejudice, and above all engaging in and promoting controversy. The central argument of this article is the next generation of economists should be steeped in this principle, if they are to avoid repeating the mistakes of the economists of yesterday.

This is a radical idea. It calls into question the entire idea of a general consensus to which all economists can sign up—and with it, the entire idea of 'synthesis' that has driven the subject's post-war development. Pluralism implies that a subject is better defined by its actual controversies than its alleged agreements.

Pluralism also redefines the 'social compact' between economists and society. It redefines the product of economics. It reconsiders the idea that the job of economics is to offer a single unqualified answer to any question of economic policy. If consistently implemented, it would mean that decision makers should neither accept, nor even ask for, a single answer to any question of economic policy. They should instead be informed of the *range* of possible policies that might be applied, and should then take responsibility for choosing between these options.

The need for such a fundamental shift of perspective is illustrated by Anatole Kaletsky's complaint that '[i]n the search for the "guilty men" responsible for the near-collapse of the global economy, one obvious group of scapegoats has escaped blame: the economists.' By this he means 'the academic theorists who win Nobel prizes, or dream of winning them.'

> To see why these seemingly obscure academics deserve to be hauled out of their ivory towers and put in the dock of public opinion, consider why the bankers, politicians, accountants and regulators behaved in the egregious ways that they have . . . The answer was beautifully expressed two generations ago by John Maynard Keynes: "Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back."

The problem with this judgement—which though vituperative, gives vent to feelings of public outrage that it would be perilous to ignore—is that it fails to explain why our bankers, politicians, accountants and regulators chose to let themselves be deluded by such scoundrels.

Economics, as delivered to the public, expresses the procurement system—the mechanisms that lead to its production. These same bankers, politicians, accountants and regulators also hired economists to furnish them with the rationale for their egregiousness. They got what they paid for. When decision-makers wish to absolve themselves from the awkward job of making decisions, 'the economists tell us so' provides an all-too-convenient excuse.

By hiring economists to tell them a single, unique answer—usually, as we shall see, the answer they wished in any case to give—they

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themselves created the supply of the product which they now no longer demand. Pluralism, properly implemented, will deprive the decision-makers of the opportunity to delegate to the economists the work that is rightfully theirs.

The Systemic Failure of Economics

Recent criticism of economics is unprecedented in living memory. It extends to the authoritative heights of the profession and questions its most cherished beliefs. Ideologically its sources range from Stiglitz (2008) to the pro-market Buiter (2009). Space prevents us from reproducing it in the detail which may be found on our reference website www.emperorstailors.com;[3] yet whatever one may think of its validity, to deny its existence defies the laws of evidence. Colander et al. (2009) summarise what may reasonably be termed a critical consensus:

> If one browses through the academic macroeconomics and finance literature, "systemic crisis" appears like an otherworldly event that is absent from economic models. Most models, by design, offer no immediate handle on how to think about or deal with this recurring phenomenon. In our hour of greatest need, societies around the world are left to grope in the dark without a theory. That, to us, is a systemic failure of the economics profession.

Gillian Tett reports yet stronger charges from Adair Turner, chair of the UK Financial Services Authority (FSA):

> In recent years, he argues, "the whole efficient market theory, Washington consensus, free market deregulation system" was so dominant that it was somewhat like a "religion". This gave rise to "*regulatory capture* through the intellectual zeitgeist" (Tett 2009, our emphasis)

Buiter (2009) highlights the core of the case:

> In both the New Classical and New Keynesian approaches to monetary theory (and to aggregative macroeconomics in general), the strongest version of the efficient markets hypothesis (EMH) was maintained. This is the hypothesis that asset prices aggregate and fully reflect all relevant fundamental information, and thus provide the proper signals for resource allocation. Even during the seventies, eighties, nineties and noughties before 2007, the manifest failure of the EMH in many key asset markets was obvious to virtually all those whose cognitive abilities had not been

> warped by a modern Anglo-American Ph.D. education. But most of the profession continued to swallow the EMH hook, line and sinker, although there were influential advocates of reason throughout, including James Tobin, Robert Shiller, George Akerlof, Hyman Minsky, Joseph Stiglitz and behaviourist approaches to finance. The influence of the heterodox approaches . . . was, however, strictly limited.

These all rebut the ill-considered claim that, since economics has produced heterodox writers, it is already pluralist, a hypothesis akin to crediting Mary Tudor with the rise of Protestantism. The issue is not whether dissent exists, but what happens to it. The critics' complaint is that the *system*, as a whole, delivered wrong results: that the considered advice given to decision-makers was grounded in erroneous theory. The touchstone is not whether dissent existed, but how it affected the advice normally given, the theories normally used, and the qualifications normally awarded. We now therefore turn to a closer study of the system that produced this normal advice.

Economics and the Treatment of Dissent

The distinguishing feature of Buiter's list of dissenters is that, had they been considered, different economic judgements would have been offered to decision-makers. This 'select club of the seers who saw it all coming' as the *Times* describes it (Pettifor 2008) extends to Roubini [3] (Mihm 2008), Brenner (2002), Shiller (2006), Turner (2008), Pettifor (2006), Stiglitz (2008), and Wade (2009). [4]

The profession's approach, I will argue, is not that such dissenting views are wrong, but that it does not need to consider them. The point is clearly, if unintentionally made by Portes (2008), outgoing General Secretary of the Royal Economics Society. Questioning

> [a]dministrators, who may not have deep disciplinary backgrounds, [who] nevertheless impose their own views rather than deferring to professional standards,

he singles out for derision a referee who rejects a funding proposal with the words

> "despite the excellence of the partners' record within mainly economic science, they fail to include alternative, complementary or even competing approaches."

Portes laments that 'Referees like these have regrettably been taken seriously'.

Consider this text carefully. Actually, the administrators, from Portes' own testimony, did not 'impose their own views'. They asked the researcher to include *views other than his own*. Portes' inadvertent but revealing definition of 'professional standards' is that research based on a single idea is superior and it is positively wrong to consider anything else.

As early as 1992 this tendency was sufficiently threatening to move 44 economists, including four Sveriges Riksbank Prize Laureates, to sign a declaration in the American Economic Review (Hodgson et al. 1992) in defence of pluralism. It brought no discernible improvement. There is countless further testimony that the standard view of an economists' job is to acquire, from his peers, a *single* theory around which consensus exists, and apply it.

The Institutional Origin of Systemic Failure

Reduced to essentials, the behaviour of a regulated system depends on the interaction between behavioural rules and institutional practice. I have identified the informal, but effective rules, under which economics operates. How does this impact its practice? They lead, I will show, to *selection for conformity*. Its practitioners are dominated by a compulsion to agree. I will now show that this introduces two risks: adverse theoretical selection, and—as Adair Turner (Tett, *op. cit)* notes, regulatory capture.

The risk of adverse theoretical selection arises not from the way theories are applied, but from the process which verifies them. If a theory can be verified external to a profession, conformity might ensure that this correct theory is applied. But conformity as such is no more likely to enforce valid theory than wrong theory.

The problem is precisely the lack of any tested mechanism to verify economic theories externally. Economics bows to no authority. It has no regulatory structure worth speaking of, and nor a code of conduct, nor a code of ethics.[4] And it does not merely enforce theories: it produces them. If it creates a wrong theory, the only safeguard against enforcing error as assiduously as truth, it would appear, is peer review.

But peer review is not a safeguard against wrong theory. Peer endorsement, it is well known, is an indicator of approval, not merit. Ample research demonstrates that in the absence of explicit safeguards, assessors confuse dissent with poor quality, assigning lower ratings when they simply disagree with what is said.[5]

The process that passes judgement also selects the judges. If those who share a certain viewpoint assign higher quality ratings to those they agree with, these will secure higher status. They will then themselves be disproportionately entrusted with the function of judgement. Those who dissent—the 'heterodox'—will attain lower rankings and will be less likely to become judges. A positive feedback loop will be established, selecting on no other basis than approval by the representatives of orthodoxy.

Such a process eliminates over time, in the names of both efficiency and quality, the intellectual capacity to generate correct theory; at the same time it suppresses the mechanisms for eliminating error. It breeds out the stock of innovative or creative thinking. This, the evidence suggests, is what has happened. The residual capacity of economics to generate new ideas, as we have already pointed out, arises almost exclusively from the ranks of those who have so far contrived to resist or evade the mechanism's consequences.

Keynesian Once Again: How Economists Change Their Minds

Lee and Harley (1998: 41) studied the relation between rating, university status, and the hiring of heterodox economists arising from the first Research Assessment Exercise (RAE) in 1992. They found a more or less inverse correlation between rating, and the hiring of heterodox economists. The RAE itself was making it difficult, if not impossible, for dissenting economists to be hired in high-performing, high-funding, research-oriented economics departments.

In the lowest ranked departments (RAE 2) 14 out of 63-26 percent—of hirings were heterodox. In departments ranked 3, the proportion was 9.7 percent; In those ranked 5 or 4, one economist hired in every seventy (1.4 percent) was heterodox.

Lee's research demonstrates that the review system goes beyond merely securing 'favour' for a particular idea: it eliminates the capacity to generate alternatives. This is the logical outcome of an outlook which identifies dissent with poor quality. If there is only one correct view, it is self-evidently wasteful to invest in producing any other. Contrarian research is not funded, dissident work is not published, heterodox lecturers are not hired, and survivors are not promoted.

Conformity necrotises the capacity for change. If Wolf (2008) is to believed we are now all duty bound to become Keynesians yet again—yet it takes years to become an accomplished Keynesian macroeconomist. A specialism is an expertise, not a fashion item. From whom should future economists learn ideas that *differ* from those of their teachers? How can we nurture the dissidents that will be needed in the next crisis?

Who Regulates Economics?

We have noted that, *were* there an external standard of quality, the risk of adverse theoretical selection by even a narrowly-based system might be reduced. What actual external conditions govern the theories selected by the system we have analysed?

When all is said and done, the only real external constraint on economists is money. Those who judge its policies, and those who benefit, also pay for them. Why should this matter? Because as Freeman and Kliman (2009) note, economics is uniquely close to 5
policy—notably, policy on which large fortunes depend.

Economics is itself a regulatory system. True, it does not directly intervene in decision-making process, or infrequently so. However, it provides the *language* of decisions, the bulk of which are allocative and monetary. It provides the criteria used to judge whether decisions were right. To take just two examples, it furnished the rationale for dismantling post-war regulatory constraints on financial institutions, and for the structural adjustment programmes the IMF and World Bank have demanded of debtor countries for the past thirty years.

Such decisions have enormous material consequences. It makes a real difference when economic theory comes down on one side or the other of any dispute in fiscal policy, bank regulation, trade policy, or wage and labour relations. Huge social conflicts testify to the seriousness which the protagonists attach to economic judgements.

The principle of *cui bono* is relevant. Whose fortunes depend on whether hypotheses like EMH are adopted in the policy sphere? Clearly, those to whom the decisions are applied—not least governments and most of all, financial institutions.

But these same institutions finance the economics profession. Governments and financial bodies directly employ most professional economists, and are heavily involved in processes which influence the selection of economic theories. They award prizes, fund departments, hand out grants and consultancies, and, in the case of international monetary authorities, directly intervene in selecting personnel. The risk attached—raised in Freeman (2009)—is well-known to public choice theory and, as noted, has been made explicit by Adair Turner, who as chair of the FSA ought to know something about it. Regulatory capture occurs when private interests intervene in the regulatory system to ensure it decides in their favour.[6]

Indeed, it is astonishing that this risk remains unrecognised by the profession, which is quick enough to point to dangers affecting others. The same Richard Portes who, as RES secretary inveighed against heterodox economics in 2008, received £58,000 in 2007 for a report commissioned by the Icelandic Chamber of Commerce giving the Icelandic banking system a clean bill of health. No committee of ethics considered the propriety of this payment, and the RES does not even have any procedures to consider whether such there might be some conflict between such activity and Portes' status as its General Secretary. One only has to imagine the consequences if, for example, the Chief Executive of the British Medical Association were to receive a direct payment for writing an unsubstantiated endorsement of a controversial and potentially lethal drug, to grasp the astonishing laxity of our profession.[7]

With the possible exception of health, no field of human knowledge benefits from such large quantities of goal-directed funding from organisations whose interests directly depend on the conclusions arrived at.[8] What defence can be offered to the public against this risks that may arise? The corrective, I argue, begins with the economists of tomorrow: namely, the students of today.

The Case for Assertive Pluralism

We have already referred to the strong adverse effect of benchmarking and research assessment on academic economics. Is the remedy to do away with these or the peer review method they apply? Perhaps, but this does not get to the root of the matter. The problem is that the drive for conformity and the process of adverse selection operate within economics regardless of the institutional context, for example in countries without benchmarking or an RAE. And we have already noted that the UK benchmark was drawn up by the profession itself, of its own free will. The problems, I conclude, arise from within the economics profession itself, and its unique relation to society. What must change is the conduct of that profession, and this in turn must be express a rethink of the relation between the economist and society.

The problem is not just that economics has produced a bad consensus which seriously misinformed policymakers in the run-up to a crisis it utterly failed to foresee, but the very fact that strives to produce a consensus at all: that it treats dissent and controversy as a failing instead of a virtue

A good economist should constantly expect to be surprised. Any thinking person should be sceptical that a single, summative canon of knowledge will ever suffice to grapple with real economic processes. The entire project of a definitive body of economic knowledge, the AHE contends, is misconceived.

The solution is to embed the principle of controversy in the definition of economic theory. The defining characteristic of the economist of tomorrow should be the capacity to handle *disagreement*: to identify, select, adapt, and critically interrogate the *range* of theories relevant to each concrete problem. In particular, for any given thesis considered, she or he should be capable of 'testing to destruction' the thesis by confronting it with the most damaging evidence against it.[9] Only thus can she or he hope to confront each juncture with the fresh mind required to understand it. This is the rational basis for pluralism.

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The Case for Critical Pluralism

The best way to define pluralism more precisely is to address the most common misconceptions about it. This is the subject of the next two sections

The first of these—entertained by not a few heterodox economists—is that pluralism is a means to replace one orthodoxy by another. Actually, the objective of critical pluralist economics is an end to orthodoxy. Instead it seeks real understanding of variety. It aims to equip practitioners to select, from all appropriate theories, that which best fits the evidence. To achieve this, students first need to understand, not where economists concur, but why they disagree.

Pluralism goes hand in hand with critical thinking. Beyond the different predictions of conflicting theories, the student needs to grasp the premises on which each rests. Consider, for example, the EMH itself. As Buiter notes, it has become an implicit assumption in financial theory. Yet it is an assumption, not a proven theory. The possibility that circumstances might arise in which it was not valid, must always be considered, even if only to identify when it might be valid. To be competent to undertake such questioning, researchers are needed who, firstly, understand it is not an established fact, and who, second, understand at least some approaches which do not presume it holds.

A shortlist of such alternatives would include the Austrians, whose core proposition is not the Walrasian assumption that the market functions free from disruption, but that no superior mechanism exists; Keynes' vigorous critique of Say's Law; Marx's startlingly relevant account of capitalist crisis, Schumpeter's notion of creative destruction, and behavioural accounts such as Shiller's.

Pluralistic education would have equipped today's economists with an understanding of such theories *even* if EMH-based models furnished their method of choice. They would then, as the crisis approached, have supplied early warnings of the relevance of Keynes' theory of liquidity preference, the importance of flow-of-funds accounting, and the business-cycle disputes of the 1920s which gave us both the NBER and Hayek's theory of the trade cycle. Acquaintance with Schumpeter would have sensitised them to the importance of underlying long trends, and they would have been attuned to behaviouralist and institutionalist critiques.

They would also have understood historical context. Having absorbed the lessons of a past stage of history, they could have dusted off their economic history and history of thought textbooks to study the relation between 2009 and 1929. They would have recollected the warnings of Galbraith and Minsky, and realised that received opinions on the role of the banks and the state should be set aside once their presupposed conditions no longer applied.

Three outstanding benefits of pluralism can now be summarised: it equips the economist to respond to *new or unanticipated phenomena*. It equips the economist to check, critically and regularly, the *non-evidenced assumptions* which inform any judgement, and refrain from employing them in the absence of solid evidence. And it constrains the economist to react creatively to *unsolved* problems, pushing forward the frontiers of knowledge without falling back on a formulaic catechism.

Pluralism as a Standard of Attainment

A second misconception is that pluralism is excuse for laxity. Pluralism is not a substitute for a standard: it *is* a standard.

Pluralism does not claim there is no such thing as truth or falsehood. It does state that the ultimate test of theory is evidence. The purpose of research is to judge what is true, and the purpose of education is to equip students to make judgements. These may not be made in *advance* of conducting empirical tests. We do not yet know whether the present crisis is best understood using the approach of Buiter, Shiller, Krugman, Hayek, Friedman, Keynes, Schumpeter or Marx. Therefore, without prior prejudice, we must confront each approach, excluding none, with the evidence as it emerges—and *then* judge between them.

Pluralism is not a method contrary to that of the sciences but the method *of* the sciences, as Fullbrook (2001, 2008) has accurately shown, drawing on a wealth of work in the philosophy of science. No evidence supports Portes' view that pluralism constitutes a relaxation of professional standards. To the contrary it is far more *difficult*—but also far more necessary—to understand, and represent fairly,. a point of view with which one disagrees, than simply to repeat one's own beliefs, or worse still the beliefs of one's superiors. Moreover, it is greatly more probable that a student who understands the arguments against any theory will truly grasp what that theory actually says.

Pluralism is not relativism. It does not give researchers or students license to assume whatever they feel happy with. To the contrary, it requires competent economists to be conversant with theories they may be singularly unhappy with.

Pluralism also, importantly, does not reduce to the idea that no theory can be discounted and every idea, no matter how bizarre, must be entertained. Some critics of my 2009 article have argued, for example, that pluralism implies creationism should be mandatory. Not so: creationism is not a theory supported by evidence, and this is an important difference. The case for creationist teaching in biology in the USA, for example, is stated in terms of the *flaws* in evolutionary theory. But every science possesses flaws and contradictions, and this is what moves scientific theory forward. This does not compel us to travel backward, by treating as 'legitimate theory' theses for which there is no evidence.

The profound flaw in economics' claim to function as a science is that it rules out perfectly viable theories which are strongly supported by evidence—such as Marx's account of the tendency of the rate of profit to fall, or Keynes's (hastily rediscovered of late) account of liquidity preference. It does so on no basis other than that these ideas do not conform to current thinking. But this is the precise reason for considering them: how can we make a judgement on any theory, if we are not allowed to consider the alternatives? Comparing economics again to the medical profession, scarcely a member of the public has not heard of the right to a second opinion. Why should this not apply to economists, diagnoses affect not just one life at a time, but millions?

Ginger Rogers once remarked she had to do everything Fred Astaire did, but backwards and in high heels. Pluralist economists not only pursue their own preferred line of thought, but that of their own main opponents. The commonest objection during our consultation process was that pluralism was *difficult* for students, who did not like having to understand so many theories. This is true, but it cannot simultaneously be claimed that pluralism is difficult, and that it will lead to lax standards.

Things Fall Apart: The Myth of Synthesis

I now come to the heart of the issue, again arising from a misinformed objection. The most common defence of the existing SBSE is that, since it was drawn up by economists of all views, it includes the whole range of economic ideas.

This is demonstrably false. One searches the benchmark in vain for Austrian economics, behaviouralism, evolutionary economics, feminism, Keynesianism, Marxism, or any identifiable body of theory. One need only compare the SBSE with the politics benchmark (Freeman 2008) to illustrate this point:

> The scope of politics and international relations is broad, the boundaries often being contested or in movement. Perhaps in no other academic discipline are the subject matter and approaches so much in contention and in flux . . . International political theory could be taught as contending approaches such as realism, neo-realism, neo-liberalism, institutionalist theory, feminism, pluralism, Marxism or critical theory; it could also be taught as normative theory

The point is that pluralism is not an amalgam of isolated fragments from views that utterly conflict with each other. It is the systematic deployment of controversy as the founding principle of understanding and action. Beneath these two opposed specifications lies a conceptual and paradigmatic abyss.

Thus, the SBSE asserts that ‘analysis is both static . . . and dynamic’. Nice try, but plain wrong. It is not possible to be static *and* dynamic any more than to stand up whilst falling down: one may be static *or* dynamic. The SBSE should have specified ‘analysis begins from the irreconcilability of static and dynamic approaches’. The non-equilibrium approaches associated with Keynes, Marx, and the Austrians, and the comparative static approach of Walras and his successors, span a century of dispute; this is a *choice*, not a bygone family spat. Difference between approaches, not their similarity, is the defining characteristic of any important area of human knowledge.

Behind this lies a basic question mark, hanging over the 'compact between economics education and society' which has reigned since the idea of *synthesis* entered the vocabulary of economics. To present irreconcilable theories as a 'balanced mix' is a sin against logic.

The urge to do so expresses an almost Ibsenesque urge to conceal unresolved differences. The end effect is as suppressive as it is repressive.

The SBSE, in all innocence, defines economics as the 'study of the factors that influence income, wealth and well-being', aiming at the 'allocation, distribution and utilization of scarce resources'. The intention is welcome, but unfortunately this is not a synthesis. It is a single, deeply contested view, presented as a common denominator. An institution which assents to it signs away the right to present to its students any economic idea arising from a different standpoint—for example, that scarcity is socially produced. Not least it disqualifies most theory of ecological, Marxist or feminist inspiration.

This suppression is self-inflicted: a prescriptive definition is *unnecessary*; no other social science has done it, the QAA counsels against it, and it is perfectly legitimate to define a subject by its differences.

Behind this lies a deeper lesson: the age of economic synthesis, I contend, has run its course. Making policy is the job of policymakers. A useful economic advisor does not write scripts for decision-makers, but obliges them to take decisions. Those historical contributions that economists honour are generally considered outstanding, not for the answers they delivered, but for the profundity of the questions they asked; for all these reasons, the greatest gift we can bequeath our future students is a firm understanding of their own limitations.

Pluralist Benchmarking—A Declaration of Intent

What might be the function of a pluralist benchmark? Benchmarks as defined by the QAA are not curricula (although the SBSE, mistakenly, reads like one) but instruments for getting an answer to the question 'are our institutions fit for purpose?' A good economics benchmark would therefore define criteria by which the *public* may judge if an institution can provide students with the skills and competence to deliver good economics.

Tracing the chain of logical links backward from this desired output competence requires us to begin at the beginning—assessment.

A pluralism benchmark would assess students' capacity for critical and pluralistic reasoning. It would define excellence not as the ability to reproduce or conform to a canon, but as the capacity to think outside it. It would test not just knowledge of what the experts and their teachers have to say, but their understanding of what their opponents also say.

Competence in economics is, in short, the capacity to think originally and independently. This requires students to be cognisant of, and indeed familiar with, the variety of theories relevant to any chosen field of empirical study. They need to understand what these theories presuppose, and subject these presuppositions—not just their immediate predictions—to the empirical test of evidence. Finally, they must demonstrate the capacity to make independent judgements between theories on this basis.

Following this logic, outcome provides the key to assessment, and assessment provides the key to instruction. Teaching would introduce students, from day one, to the idea of controversy and debate. To take one example, consider the standard microeconomic theory of supply and demand. Objections and alternatives to that theory come from many quarters: from all critics of Say's Law such as Marx and Keynes; from Chamberlin's conception of 'monopolistic competition'; from studies of particular markets that do not comply with the theory of perfect competition, such as labour markets as analysed by Card, Krueger, and Manning;[10] from Kaleckian theories of price formation, feminist economics; from the literature on imperfect information and bounded rationality; and not least, from the growing if belated recognition that financial markets simply do not behave like commodity markets.

These specialist fields are all the subject of vigorous dispute. In studying any one of them, the mark of competence should no longer be exclusive mastery of any one approach, but the ability to offer the decision-maker a reasoned choice between them.

Take a second example: pluralist practitioners should not just know of Ricardo's theory of comparative advantage. They should understand its theoretical challengers: Mercantilism, the Listian corpus including modern-day developmental nationalism, developmentalist critics from Arthur Lewis to Prebisch and Singer, the Dependency School, and in modern times anti-globalisation theory and the New Trade Theory of Fujita, Krugman and Venables.[11] They should understand why Ricardian theory has been so rarely applied, and why the alternative tradition which Reinert (2004) terms the 'other canon' held so much sway.

Students schooled in this outlook would neither automatically support nor dismiss orthodox trade theory. They would not be clones of any "defunct economist". They would, in a word, make up their own minds.

Such students would understand Ricardo's theory far better than those trained simply to reproduce its mathematical basis, logically beautiful though this is, because they would understand not merely what Ricardo was arguing in favour of, but what he was arguing against; and they would understand in turn the assaults on Ricardo made since that time, and the responses of its defenders.

Conclusion: Resourcing Pluralist Institutions

Once we understand the kind of students required, and the kind of courses that can produce such students, the kind of educational institution required becomes clear. I have shown that this calls for a radical inversion of the criterion of quality, such that the excellence becomes once again synonymous with range of intellect in place of exclusivity of technique. Who, then, can teach pluralist courses, and who can turn out pluralist students?

The answer should be: the institution that can deliver a pluralist benchmark. Does it recruit, and offer, a range of educators, a range of courses and ideas, and a range of teaching materials, providing students access to the variety of theories they need to reach good judgements? Does it demonstrate controversy in research? Do its staff, including those of a mainstream persuasion, possess expertise, as revealed by their publication record, of heterodox theories, of methodology, of the history of thought?

Merely to pose the question in this way is to highlight the difficulties. According to such a criterion, it would be a bold head who would

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offer her or his department as a flagship. Yet it is for precisely this reason that 'assertive pluralism' holds the key to reform.

To be effective, as regulatory and behavioural theory tells us, the response will depend on the rewards. The evolutionary mechanisms of past decades was driven by a mechanism that rewarded conformity. A economics benchmark for the 21st Century should consciously and explicitly reward diversity. Economic pluralism should in turn be a requirement of funding. Given such an explicit linkage—an only given this linkage—the possibility exists to train a generation of economists capable of avoiding the mistakes of their teachers. Given moral courage, political will, and academic sagacity, this is an achievable outcome.

Notes

8. See for example Desai, R. (1995) for a detailed analysis of the conduct 8 of the think tanks on which the Thatcher government drew, in motivating its economic policies.

9. Freud, in *The Psychopathology of Everyday Life,* notes that Darwin evolved the habit of carrying around with him a notebook in which he immediately recorded anything he observed that contradicted his views. He did so, Freud approvingly notes, because he realized that the pressure to forget what is inconvenient is particularly strong, and so particular measures need to be taken to counter it.

10. See Cord and Krueger (2001), Manning (2003). 9

11. See Fujita et al. (1999).

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