
EDITORIAL

WHAT'S WRONG WITH ECONOMICS?

Probing what is wrong with economics is a recurrent theme in this journal. Indeed, JAPE's very existence reflects a long-standing and deep disquiet about mainstream economics. Generations of students have criticised the curriculum offered by university economics departments, here in Australia and elsewhere around the world, because they regard their courses as based on misleading assumptions, as being of dubious relevance to understanding the real world, and politically biased towards pro-market views. Progressive academics, sharing similar disquiet, have sought to develop alternatives to the neoclassical orthodoxy, including strands of post-Keynesian economics, institutional economics, Marxist economics, feminist economics and ecological economics. This journal has published many of their contributions, not just challenging the mainstream theory but also exploring the implications of critical political economic approaches to the analysis of modern capitalism, to public policy and to strategic thinking about economic change.

Taking stock of progress in challenging orthodoxy is periodically important. We did so in JAPE when this journal turned 50 with a special issue on 'the state of political economy'. There was some further stock-taking in the 75th issue when the special theme was 'heterodox economics: challenging the orthodoxy'. Now, for the current issue, we turn to a new and more specific re-examination of orthodoxy, its conceptual underpinnings and the challenges faced in developing constructive alternatives.

Much has happened within orthodox economics since this journal began publication. Has it been much ado about nothing much? Core theories in micro- and macroeconomics have been refined and elaborated, as has econometric modelling. There has also been the development of behavioural and experimental economics, 'new' institutional economics,

Stilwell, F. (2017)
'Editorial: What's Wrong With Economics?'
Journal of Australian Political Economy
No. 80, pp. 5-10.

the application of game theory and sundry other specialisms. Mainstream economists are wont to describe these modifications as evidence of disciplinary dynamism, novelty and diversity. Diane Coyle has called the result 'soulful economics' while David Colander has argued that the resulting 'internal heterodoxy' within mainstream economics renders the political economists' 'external' critique redundant. But is this really so? What are we to make of these developments and the associated claims?

Articles in the previous heterodox economics issue of the journal suggested that the core of mainstream economics remains essentially unchanged. This is most obviously the case in university courses where foundation units of study in macro- and micro-economics still effectively define what really matters within the discipline. From a liberal educational perspective, the addition of senior electives on less strictly neoclassical economics is welcome but not transformative. Moreover, because serious engagement with the history of economic ideas in the curriculum is rare these days, students are left with little understanding of rival schools of thought or exposure to the idea that progress in the discipline may not be straightforwardly linear and additive. Similarly, while the international CORE project, aiming to improve the quality of economics teaching, has produced some course changes in the university departments adopting it, its main effect seems to be as a more effective means of educating students in the same basic economic principles. It has not led to a thorough embrace of pluralism, nor was it designed to do so. Meanwhile the contents of the mainstream journals are pretty much business as usual.

These are circumstances in which a stocktaking of modern mainstream economics needs critical consideration. That is the announced intention for this special issue. Not all aspects are covered though. A journal special issue is not like an edited book: its contents depend on what is submitted in response to the call for papers, rather than the results of a pre-conceived plan. This has the beneficial effect of being a good indicator of what concerns are 'out there' among heterodox economics scholars and other critics of orthodoxy. As it turns out, however, the most important themes are well represented. There are articles on the philosophical foundations and method of mainstream economics, on particular sub-fields within mainstream economics, on the conceptual problems that limit its coherence as a basis for public policy formulation, and on the implications for developing heterodox alternatives. The contents of this issue are clustered in more or less that order.

An article by Tim Thornton leads off by looking at the recurrently awkward relationship between mainstream economics and supposedly cognate social sciences. Can economics really claim to be 'the queen of the social sciences'? Why does it not draw more from other fields of inquiry within that broader arena of knowledge? And what are the implications of this for proponents of a more genuinely interdisciplinary approach? Thornton argues that the obstacles to internal reform are such that other institutional options need to be considered.

An article by Tony Lawson follows on by criticising economists for their lack of attention to ontology and hence their failure to consider alternative ways of seeing the world. He argues that the mainstream economists' obsession with mathematics regrettably sets those more fundamentally important issues aside. In a somewhat similar vein, Andres Blanco's article draws on the philosophy of science to identify basic assumptions and features of mainstream economics that render the discipline useless for explanation, prediction and prescription. Blanco argues that mainstream economics is ideology, not science. Also wrestling with the characteristics of orthodoxy, particularly in a university teaching context, Yanis Varoufakis argues that there are fundamental elements of ambiguity. He suggests that thoughtful economists face a parallel with the challenge posed in the classic movie 'The Matrix' - whether to swallow the blue pill or the red pill. The former results in conformity to a fundamentally flawed orthodoxy whereas the latter involves posing difficult questions that consign you to 'outsider' status. What's it to be: comfortable complacency or questing for uncomfortable truths?

Particular aspects from within the modern mainstream economics portfolio then come under critical scrutiny. Shaun Hargreaves Heap, himself a leading contributor to the application of game theory in economics, points to some of the important conundrums involved in this exercise, concluding that there is much to be gained by engagement with political economy. David Primrose follows on with a critique of behavioural economics, focusing on its failure to banish *homo economicus* despite recognition of the more complex and 'irrational' economic behaviours occurring in the real world. Rather, the rational, calculating ideal is retained as the norm towards which people may be steered by policies based on behavioural economic reasoning. Please raise your hand if you want to be 'nudged' into acting more rationally! Next, Jon Mulberg directs our attention to the field of environmental economics and policy. Like Primrose, he draws on ideas and concepts

from Foucault in presenting an analysis of discourse, power and governance, pointing to the role of mainstream economics in a process of domination. Mulberg explores what would be entailed in developing an alternative approach that puts nature at the centre of the discipline and a Green new deal as a policy focus. Then, to complete this cluster of themed articles, Samuel Meng shows fundamental flaws in the way in which econometrics is constructed, challenging the claim of mainstream economists to be able to engage in effective quantitative analysis and forecasting by the use of modelling.

The next set of concerns relate to the judgments embodied in mainstream economics when applied to public policy prescriptions. Miriam Bankovsky and John King point to attempts by earlier generations of mainstream economists to develop a theoretical 'welfare economics' as a basis for moving between economic analysis and policy prescriptions. However, inherent conceptual problems made it a failure, leading to its general disappearance from the curriculum and economists' tool kits. In effect, a major avenue of investigation has turned into a blind alley. But economists still commonly seek to be prescriptive, although they have no sound basis for doing so. At the very least, therefore, they need to be more explicit about their ever-present ethical presuppositions: better blatant than latent. One avenue through which mainstream economists exert influence in public policy is cost-benefit analysis but, as George Argyrous shows in the next article, this is also subject to significant flaws, particularly as practised within the Australian public sector.

Finally there is a substantial cluster of review essays and book reviews. Each of the three major review articles considers political economic alternatives to mainstream economic orthodoxy. Susan Schroeder looks at *Capitalism*, Marxian political economist Anwar Shaikh's recent *magnum opus*, assessing its strengths and weaknesses as an integrated analysis of the economic system. Geoff Dow looks at the four volume set of articles by Geoff Harcourt, Peter Kreisler, Joseph Halevi and John Neville who apply their post-Keynesian analyses to contemporary economic issues. A third review article then considers David Harvey's work with particular reference to two of his recent books that focus on the dynamics and contradictions of capital, situating Harvey's Marxist analysis in relation to other political economic traditions that also reject equilibrium economics. Then comes John Quiggin's review of a book written by a former Morgan Stanley executive, exposing flaws in mainstream economics in the wake of the global financial crash.

Finally, to conclude this special issue of JAPE on what's wrong with economics, there are reviews of eight recent books that are directly relevant to its theme. This cluster of interrelated reviews point to some directions of critique which may not have been fully developed in the earlier articles, including the neglect of ethical considerations in mainstream economics; the severe limits of its central 'narrative' and false claims to scientific method; the failure to provide a pragmatic approach to managing the real world of business; the under-questioned assumption of endless economic growth; the complicity of mainstream economics in the reproduction of global poverty; the neglect of the history of economic thought; and the problems arising from blindness to the history of economic thought and insights from heterodox economics.

How important are these contributed articles and reviews and what impact can this collection be expected to have? Only someone totally unfamiliar with mainstream economics would expect much direct response from within the economics profession, let alone any changed behaviour by the mainstream practitioners. Even generating some defensive response is probably too much to expect. A veritable avalanche of critical books and articles has preceded this special issue of JAPE without making any such impact. Remaining aloof and/or oblivious to external critics has evidently become part of the dominant ethos within the economics profession. To some extent this may be just institutional inertia, but vested interests are also at stake. These are partly the vested interests of professional economists themselves, protecting past intellectual investments while working in universities or selling their services directly in the capitalist marketplace. There are also the ultimately more powerful interests of corporate capital and its supportive ideological superstructure.

Indeed, 'taking the red pill' does require some personal courage in engaging, however indirectly, with these powerful forces. Yet there is a social imperative to do so, if we are concerned with progressing knowledge and using that knowledge to contribute to a more stable, equitable and sustainable future for humankind.

Perhaps the most general lesson is that the changing material conditions in the real world are crucially important for framing the challenge to orthodoxy. Failure to anticipate the global financial crash that began a decade ago was expected to precipitate embarrassment, if not a major crisis, for the economics profession. Ten years on, the storm has

evidently been weathered without fundamental change to mainstream thought and practices. However, as the real world throws up ever greater problems of economic instability, growing economic inequality, and ecological unsustainability there will surely be further big waves, even perhaps a powerful tsunami. Merely sandbagging territory to secure the dominant position of a dysfunctional orthodoxy will not suffice.

Perhaps when this journal turns 100 we will need to revisit the situation to see what progress has been made. In the meanwhile the struggles continue. It is hoped that the contents of this journal will help. Onward...

Frank Stilwell

JAPE SPECIAL ISSUE: CALL FOR PAPERS

Aboriginal and Torres Strait Islander Employment

Australian governments have put higher rates of Aboriginal and Torres Strait Islander employment at the centre of their efforts to 'close the gap, while continuing an emphasis on 'mutual obligation' for recipients of social security payments that has had particular consequences for many Indigenous people. This special issue will critically examine this policy approach. The editors invite submitted papers focussing on Aboriginal and Torres Strait Islander employment, and employment policy. Submissions from Aboriginal and Torres Strait Islander researchers are particularly encouraged.

Submissions should be sent by 28 February 2018. The maximum length is 8,000 words, but shorter contributions would be welcome. Submissions will go through a peer review process to determine whether they are accepted for publication.

The editor for this issue is Dr Kirrily Jordan, Research Fellow, Centre for Aboriginal Economic Policy Research, Australian National University. Submissions can be made directly to her at: kirrily.jordan@anu.edu.au

For more information, see: www.jape.org