

Economics: dead or alive?

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If you didn't read the Peak this summer you missed a dandy head-butting contest about the state of economics.

Muhammad Amir, a business administration student, wrote an article for the July 11 issue titled "Economics is Dead." He confessed to being an "anti-economist" and called the discipline "dehumanising, unfounded, naive, and most of all, irrelevant."

The following week, economics student Keerthik Sasidharan replied with an indignant rebuttal titled "Economics is alive and well (thank you very much)." He characterized Amir's article as "shrill and banal" and suggested that both the writer and the Peak are full of an unspecified but clearly unpleasant substance.

In the same issue another economics student, Adam McKechnie, provided a more measured response, titled "Long live economics." The article defended his chosen field by pointing to its broad scope and its capacity to evolve with changing circumstances.

These three articles have been posted on the Economics Student Society bulletin board outside the Economics Department. You can also find them on the Internet by Googling the titles in quotes, followed by "Peak". Note that Sasidharan's article was truncated - the missing words are "... often found in the Peak."

Although this scuffle was fun to watch, it was too polarized to enlighten anyone about economics. It did, however, raise an interesting question: how can one person conclude that the subject is completely irrelevant while others warble its praises? The answer to this may provide useful insights into the discipline and how it is taught at SFU.

Before starting, let me say that economics is a highly ideological field. Unlike the physical sciences and many other social disciplines, its subject matter involves questions of wealth, power, and class. Although many in the field try to skirt these factors, they are inexorably present. That said, the first step is to place economics in its historical context.

The economics we study today was developed during a unique period of human history which began with the advent of capitalism around 1500. At that time, the planet had abundant natural resources, a relatively clean environment, and continents ripe for colonization.

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Capitalism radically transformed this world through a prolonged burst of economic growth and "creative destruction." This period is now coming to an end. A wealth of scientific evidence indicates that our pollution and wastes have begun to breach ecological thresholds. While many resources are still abundant, the most critical of these - oil and natural gas - are starting their inevitable declines. The colonies have been plucked clean and left to their fates.

Economics thus co-evolved with the temporary historical phase of expansion and exploitation. As a result, it reflects the main factors associated with this phase: the growth burst itself, the realities of the capitalist system that made this burst possible, and the interests of the system's dominant force - the capitalist class.

This broad claim can be substantiated by noting how economics today defines - or avoids - its most fundamental original concepts: use-value, exchange-value, and cost.

Use-value is based on the realities of capitalism. A commodity's use-value, or utility, is measured by the strength of personal wants, insofar as these are backed by money. This definition is non-ideological: Karl Marx said essentially the same thing in the opening pages of *Capital*. Use-value is also an important element of the historical growth burst. The subjective desires of consumers, as manipulated by producers, is a key driver of economic expansion.

Exchange-value refers to the factors that underlie, or regulate, the market prices of commodities. Adam Smith stated in *Wealth of Nations* that the "exchangeable value" of a commodity depends on the labour required to produce it. Marx sharpened and deepened this concept, and then used it to explore capitalism's class relations and internal dynamics. The economics profession responded to this politically dangerous development by abolishing exchange-value as a legitimate concept and by diverting attention to price. The absence of exchange-value in today's economics is thus an unambiguous expression of capitalist class interests.

Cost is currently interpreted as opportunity cost - the value of the best alternative action. Opportunity cost adequately captures the sacrifice of potential benefits associated with a production choice, but suppresses the damage to humankind and nature incurred during production itself. The concept thus has two faces: it faithfully reflects the realities of capitalism with respect to allocation, but it bows to capitalist class interests with respect to production.

This history, and these treatments of the key concepts, constitute the essence of what I will call mainstream economics. With the exception of Marxist economics, all major economic theories today flow from this source.

The second step in addressing the polarization of views on economics is to note that multiple theoretical branches have arisen from the mainstream source. This has occurred because of differences in the worldviews and political orientations of economic analysts.

Some analysts embrace the capitalist perspective and therefore interpret mainstream concepts conservatively. This major branch can be called standard economics.

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Other analysts question the logic of capitalism or the motives of its supporters, and therefore interpret the same concepts progressively. The numerous minor branches in this category (post-Keynesian, agent-based, social, evolutionary, etc.), are referred to collectively as heterodox economics.

A third group bases its views not on its attitude to capitalism, but on the system's ecological consequences. This has given rise to ecological economics, which is unique because of its emphasis on optimal economic scale and its rejection of irrational growth.

In brief, almost all economic theories today can be classified as mainstream or Marxist. Mainstream theories accept the core concepts specified, and can be subdivided into three branches: standard, heterodox, and ecological. Marxist economics largely rejects the mainstream concepts and bases its analysis on exchange-value rooted in labour-time.

So: how is it possible for one person to pronounce economics dead while others insist that it's very much alive? The short answer is that they're looking at the subject from different sides of the fence.

Although Muhammad Amir dismisses economics entirely, his sympathies clearly lie with the discipline's progressive interpretation. He emphasizes a code of ethics for economics (see sidebar article), rejects abstract free trade theory, and loathes the trickle-down effect. If he ever does adopt an economic theory, it will likely be of the heterodox variety, with perhaps a dash of Marxism thrown in.

Sasidharan and McKechnie, on the other hand, view the economic landscape through capitalist eyes and are firmly planted in the soil of standard economics. This is especially true for Sasidharan, who professes ignorance about a code of ethics but shares the standard preoccupations with revealed preferences, incentives, and behaviour.

Beyond these generalities lies the specific situation of economics instruction at SFU. My primary source of insight here is the eight economics courses I took at SFU in the early 1990s. To understand how things have evolved, I recently visited the department and grabbed a syllabus for each course being offered - about 50 for the fall semester.

You can't tell a book by its cover, and you can't fully judge a course by reading its syllabus. Nevertheless, it's clear that the preponderance of economics courses offered at SFU are in the standard category. Let me sharpen this statement: I am unable to identify a single course that is unequivocally in the heterodox category.

Ecological economics is also not taught at SFU. Its closest relation, environmental economics, is offered as Economics 260, but this is also part of standard economics. As stated in the syllabus, the course builds on "economic concepts from introductory economics courses." These assuredly do not include optimal scale or the distinction between rational and irrational growth.

Based on these indications, economics at SFU ignores two of the three branches of mainstream thought. What about Marxist economics? Until recently the economics department boasted a

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world-class Marxist, Michael Lebowitz. But Lebowitz recently retired, and it appears extremely unlikely that he will be replaced with another Marxist economist.

Considering the current realities of SFU's economics environment, Amir's rejection of economics as a whole could be misplaced. What really sticks in his craw, I suspect, is the monopoly position of standard economics at SFU and the department's dismissal of alternative approaches. The tragedy is that there may well be many progressive, compassionate students who want to study economics in order to create a better world, but who find this entrenched conservatism to be an insuperable barrier to their participation.

The Toronto Globe and Mail recently printed an article that summarized SFU's 40-year history, including its radical early years. Reflecting on this past, president Michael Stevenson suggested that the time has again come for the university to challenge some conservative trends.

The student upheavals at SFU almost four decades ago centered on the department of political science, sociology, and anthropology (PSA). If a new wave of reform does arise, it should consider targeting the narrow focus of SFU's economics department. The aim: to drastically expand its course offerings beyond the standard sphere to include heterodox, ecological, and Marxist modes of thought.
