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The Economists of Tomorrow: the Case for a Pluralist Subject Benchmark Statement for Economics*

Alan Freeman

> 'If you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three.' Winston Churchill

Abstract

This paper, on behalf of the UK-based Association for Heterodox Economists (AHE), argues for a reformulation of the Subject Benchmark Statement for Economics (SBSE) on pluralist principles.

Pluralism – the capacity to examine critically a range of explanations for observed reality – should be the primary required outcome of economics education. Specific provisions should recognise, promote, defend and guarantee this good practice in teaching and assessment alike.

Such a revision, it argues, is the appropriate response to widespread criticism of economics, to which the monotheoretic character of its practice has laid the profession open, following the recession which began early in 2008.

Introduction

This paper outlines the rationale for, and principles behind, a pluralist Subject Benchmark Statement for Economics (SBSE). I first define pluralism, contrasting it with its opposite, monotheoreticism. I show that, as a consequence of this definition, a pluralist SBSE would involve a radical rewrite, rather than an incremental revision, of the existing SBSE. This in turn would rest on a reconceptualisation of the relation between economics and society, bringing the subject closer to its sister social sciences. I establish this by considering the widespread criticism of economics that followed the financial crash and ensuing recession which opened in 2008.

What is pluralism?

Pluralism restores the lost academic principle of controversy to economics. It recognises that both the effective development of theory, and its valid application, depend for optimality on the debate between contrasting and opposed ideas.

Within economics, pluralism has been misrepresented as a synonym for heterodoxy. In fact, the very polarisation of our subject into orthodoxy and heterodoxy – one of many phenomena unique to this subject – arises because of the *monotheoretic*[1] conception that the job of an economist is to pursue a single theory or theoretical paradigm, identified in advance of the evidence, without considering conflicting alternatives. 'Orthodox' economics, at any given time, singles out one such body of theory as meritorious. Heterodoxy arises precisely and only when orthodoxy treats other ideas as undeserving of merit for no valid reason beyond mere disagreement.

The pluralist economist makes explicit the alternative theoretical approaches relevant to any given problem, whether or not she or he agrees with them, presenting the different solutions and policies which might arise from each approach, the presuppositions on which it rests, and the basis – in any given case – for choosing between them.

Pluralism has wider implications for the relation between society and economics, whose close and direct relation to policy-making is also unique to the subject. In the monotheoretic framework, this relation is conceived of, by both client and provider, as one in which the economist provides the single 'right answer' which the decision-maker then adopts. Pluralism, by contrast, presents the decision-makers with choices, thus ensuring they cannot absolve themselves as merely 'acting on advice'.

Pluralism, in summary, rests on two foundations. The first is a different conception of economic theory, closer to our subject's sister social sciences. The second is a different conception of competent economic practice, closer to Dearing's (1997) description of the modern UK approach as a 'compact between higher education and society'.

What pluralism is not

Pluralism, as thus conceived, embeds 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. Only on the basis of these principles can tomorrow's economists hope to confront each juncture with the fresh minds required to understand it. This is the rational basis for pluralism in economics – and hence for pluralism in economics education.

Pluralism is a radical break with the idea that economic knowledge should seek to reduce itself to a canonical set of principles or techniques, which arises from the mistaken attempt to assert a unity where none has been achieved. The outcome is a dissolution of thought into a variety of contesting monisms – the neoclassical approach, the neo-Austrian approach, Keynesianism, Marxism, and so on, each seeking to establish itself as the single unique truth.

This unseemly struggle nurtures the misconception that pluralism is a ploy to replace one orthodoxy by another. Actually, critical pluralist economics aims to replace all orthodoxy with a 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 agree, but why they disagree.

Pluralism thus 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 efficient markets hypothesis, which has figured extensively in recent criticism of the performance of economics. Buiter (2009) argues that:

> 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.

The EMH, he rightly notes, became an implicit assumption in financial theory. Yet it is a hypothesis, not a proven theory. The possibility should have been considered that circumstances might arise in which it was not valid, if only to identify when it might be valid. To be competent to undertake such questioning, practitioners were needed who both recognised that it was not an established fact, and who understood at least some approaches which do not presume perfect coordination. A shortlist includes Keynes's vigorous critique of Say's Law; the Austrians' critique of Walrasian assumptions; Marx's startlingly relevant account of capitalist crisis, Schumpeter's notion of creative destruction, and behavioural accounts such as Shiller's.

Students trained to appreciate these alternative hypotheses would also have understood historical context. Having absorbed the lessons of a past stage of history, they could have dusted off their History of Economic 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.

Pluralistic education would thus have equipped today's economists with an understanding of the alternatives to EMH-based models even if the latter furnished their method of choice. As the crisis approached, they could have recognised the relevance of Keynes's 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's and Hayek's theories 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.

Two initial benefits of pluralism can now be summarised: it equips the economist to check, regularly and critically, the assumptions that inform any judgement and refrain from employing them in the absence of solid evidence. And it equips the economist to respond to new or unanticipated phenomena.

A second, prevalent misconception is to see pluralism as an 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, 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.

There is no evidence that pluralism constitutes a relaxation of professional standards. 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.

Ginger Rogers once remarked she had to do everything Fred Astaire did, but backwards and in high heels. Pluralist economists pursue not only their own preferred line of thought but also that of their own main opponents. During the consultation process which gave rise to this paper, the commonest objection 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.

Two further benefits of pluralism are thus clarified: it constrains the economist to react creatively to unsolved problems, and it inculcates a spirit of theoretical enquiry. In both cases it denies the practitioner the luxury of retreating to mechanical formulae which, while they may well have been tried, cannot legitimately be described as tested.

The myth of synthesis and the case for assertive benchmarking

Having defined pluralism and established its advantages, I next consider the benchmark statement itself, putting the case for what I term 'assertive'[2] pluralism – the introduction of pluralism as a requirement, rather than an option. In doing so I address the most common response to the AHE's case: that the benchmark is already pluralist, since it already includes the whole range of economic ideas. This argument rests on two assertions: first, that, by synthesising the whole of economic theory, the SBSE is already pluralist since nothing has been left out; second, that it contains permission to explore alternatives.

Any statement that the benchmark explicitly specifies a range of ideas is demonstrably false. One searches it in vain for behaviouralism, evolutionary economics, feminism, Keynesianism, Marxism, or any identifiable body of theory. The defence rests, therefore, on the idea that such ideas are already *implicit* in the SBSE. However, one need only compare economics with its siblings to see how far its benchmark is from standard practice in the social sciences (Freeman 2007).[3] The benchmark statement for politics makes no attempt to present a prescriptive synthesis; indeed, it explicitly guards against it and names the alternatives to be considered:

> 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.

Our colleagues in geography are yet more explicit that plurality is a positive virtue:

> any attempts at prescription must be discarded; institutions offering degree programmes in geography must be free to decide upon the details of content and organisation. A valued characteristic of the discipline is its plurality of ways of knowing and understanding the world.

It is both disconcerting and revealing to discover that economics is more committed to the unity of its doctrines than theology, whose benchmark simply states that

> Much of the excitement of the discipline lies in its contested nature.

The idea of a single, prescriptive statement of content is unique to economics, and also appears to be a late addition, formalised in the neoclassical synthesis. Yet both this, and the benchmark statement, constitute not a true synthesis but a syncretism. Syncretism is defined by the *Oxford English Dictionary* as the

> [A]ttempted union or reconciliation of diverse or opposite tenets or practices, esp. in philosophy or religion; *spec*. the system or principles of a school founded in the 17th century by George Calixtus, who aimed at harmonizing the sects of Protestants and ultimately all Christian bodies (*The Oxford English Dictionary*, 1989)

True synthesis is not an amalgam of fragments from views that utterly conflict with each other but, as any student of Hegel can testify, rests on the contradictions it

transcends. Even a synthesis that has been achieved – let alone a field of knowledge in the fractured state of modern economics – systematically deploys controversy as the founding principle of theory, understanding, and action. Understanding controversy is not an optional extra.

It is for this reason that the SBSE falls short in proposing that the student should 'display familiarity with the possibility that many economic problems may admit of more than one approach and may have more than one solution' (Quality Assurance Agency for Higher Education, 2007: 8) or in requiring that a possible attainment of an economics student might be 'Appreciation of the history and development of economic ideas and the differing methods of analysis that have been and are used by economists'.

At first sight, this is so bland that it appears that no theory could possibly be excluded. But neither statement *requires* the competent student to understand a variety of theories or the reason for their differences. The latter, for example, comes in a list of possible attainments immediately after a disclaimer stating that which elements on the list were actually selected is a matter of individual institutional choice. The student's education, so defined, cannot but omit the great majority of theories the student should be required to know – the omissions, moreover, being selected by the institution and not the student.

A second defence of the SBSE is that, by stating some kind of common denominator in all economic theory, it leaves nothing out but creates a space for everything. This is not true either. The end effect of an Ibsenesque urge to conceal unresolved differences is both suppressive and repressive.

This is clearest in the SBSE's apparently innocent attempt to define the subject as the 'study of the factors that influence income, wealth and well-being', aiming at the 'allocation, distribution and utilization of scarce resources'. The attempt at inclusiveness is welcome, but fails. It presents a single, deeply contested view as a common denominator. Marxism for example, could never sign up to it and it is decreasingly likely that ecological economics could do so – both having converged on the alternative consensus that scarcity is a socially created phenomenon, not an external 'given' of economic analysis.

The problem is, then, what happens if an institution assents to such a benchmark. If it takes the SBSE seriously, it should exclude all those alternative approaches that conceive of scarcity as socially constructed, on elementary Aristotelian grounds, since a contingent feature of the field of study cannot possibly be a part of its founding basis.

This suppression is self-inflicted: a prescriptive definition is *unnecessary*; no other social science has done it, the Quality Assurance Agency for Higher Education (QAA, 2004: para 5)[4] counsels against it, and it is perfectly legitimate to define a subject by its differences.

Critical pluralism as the foundation of a subject benchmark

Competence, in a pluralist economics thus envisaged, is the capacity to think originally and independently. This in turn requires what I term 'critical pluralism'. Students should be required to understand what theories presuppose and to subject these presuppositions – not just their immediate predictions – to the empirical test of evidence. They should also demonstrate the capacity to make independent judgements between theories on this basis.

This is not some kind of 'soft' alternative to producing valid and excellent theory but *is* the way to produce it. Competence thus defined is not the ability to reproduce and conform to a canon but the capacity to think outside it. It thus tests not just the students' knowledge of what the experts and teachers have to say but their understanding of what their opponents also say.

An example should clarify this point. The SBSE asserts that 'analysis is both static … and dynamic'. This statement is plain wrong. It is not possible to be static *and* dynamic any more than to stand up whilst falling down: a theory may be static *or* dynamic. It is a well-established mathematical truth that the solution to a differential or difference equation system bears no necessary relation to the fixed point of the system, will not converge on it, average to it, have it as its centre of gravity, or even in general possess it as a strange attractor. Not surprisingly, therefore, the static and dynamic approaches in all but the most trivial cases simply yield *different* results.

Not surprisingly, also, the history of theory is riven with conflict between those who favour one such result over another. Between non-equilibrium approaches associated with Keynes, Marx and the Austrians, on the one hand, and the comparative static approach of Walras and his successors, on the other, lies a century of dispute; this is a *choice*, not a bygone family spat.

How, then, should we determine, in any given situation, whether a dynamic or static approach is superior? By confronting both theories with the evidence: by considering their presuppositions and predictions, and asking which conforms to the known facts. The SBSE should have specified 'analysis will explore the reasons for the conflict between static and dynamic approaches'. Beneath these two opposed specifications lies a conceptual and paradigmatic abyss.

A third example: 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 the behaviouralists and the institutionalists; from studies of particular markets that do not comply with the theory of perfect competition, such as labour markets as analysed by Manning (2003) and by Card and Krueger (2001); from Kaleckian theories of price formation; from feminist economics; from the literature on imperfect information and bounded rationality; and so on. These are subjects of vigorous dispute. 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.

A fourth example comes from the theory of trade. A competent pluralist practitioner should clearly understand Ricardo's theory of comparative advantage; however, this is insufficient. Why? From the standpoint of much modern teaching, this theory has been 'extended and built on' – for example, by Heckscher-Ohlin theory. A pluralist standpoint, in contrast, requires familiarity with the theory's theoretical *challengers* – from Mercantilism through the Listian corpus to modern-day developmental nationalism, within development theory from Arthur Lewis to Prebisch and Singer, the arguments of the Dependency School and the critiques of the modern anti-globalisation theory, through to the New Trade Theory of Fujita, Krugman and Venables (1999). Not least, he or she would 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 exposed to these ideas 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 his defenders.

The systemic failure of economics

Thus far, I have outlined the positive reasons for a revision of the SBSE, in explaining why its results would be superior. However, the argument is incomplete without considering the other side of the coin, namely, the negative consequences of the existing benchmark. The primary rationale for a rapid and thorough reconsideration is the widespread public criticism of the profession which followed the financial crash and recession that opened in 2007.

This reconsideration cannot be avoided for two reasons: first, the response is *prima facie* evidence of the considerable flaws in the existing practice of economics arising from its abandonment of pluralism. Second, however, it corresponds to a public duty. The QAA's own criteria (2004: para 3) state that benchmark statements are intended provide 'a foundation for employers, public and others to have confidence in the academic awards of higher education institutions'. As I will now show, this confidence has manifestly eroded: pluralism is the only valid response.

Recent criticism of economics is unprecedented in living memory. While there is a moment in every recession when moral panic sets in (see Freeman, 1999), it would be very unwise to dismiss the criticism this time. It covers the spectrum of views in the profession ranging from Krugman (2009) or Stiglitz (2008) to Buiter (2009), extends to its authoritative heights, and questions its most cherished beliefs.[5] 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.

This is shared by such eminent practitioners as Alan Greenspan (cited in Norris, 2008):

> In recent decades, a vast risk management and pricing system has evolved … A Nobel Prize was awarded for the discovery of the pricing model that underpins much of the advance in derivatives markets. This modern risk management paradigm held sway for decades. The whole intellectual edifice, however, collapsed in the summer of last year

Gillian Tett (2009) reports yet stronger charges from Financial Services Authority (FSA) chairman, Adair, Lord Turner, which he made after his widely-reported lecture on financial regulation (Turner, 2009):

> 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).

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 dissence existed but how it affected the advice normally given, the theories normally used, and the qualifications normally awarded.

Economics and the treatment of dissent

The distinguishing feature of Buiter's list of dissenters, given earlier, is that, had they been considered, different economic judgements would have been offered to decision-makers. The 'select club of the seers who saw it all coming' as the *Times* describes it (Pettifor 2008) extends, but is by no means limited, to Roubini (Mihm 2008), Brenner (2002), Shiller (2006), Turner (2008), Pettifor (2006), Stiglitz (2008) and Wade (2008).

The approach among the profession's orthodox, 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 perhaps unintentionally, made by Portes (2008), outgoing Secretary-General of the Royal Economics Society, in his valedictory address to the Society. Questioning

> administrators, 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 Nobel 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 economist's job is to acquire, from his peers, a single theory around which consensus exists, and to 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 do these affect 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 Turner (2008) 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 externally to a profession, conformity could conceivably 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 criterion of relevance or tested mechanism to verify economic theories externally. Economics has many outputs but few inputs. It bows to no authority. It has no regulatory structure worth speaking of, nor a code of either conduct or ethics.[6] 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.[7]

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 system possesses no mechanism for eliminating a wrong theory. Still more alarming, over time it will eliminate, in the names of both efficiency and quality, the intellectual capacity to generate correct theory. This, the evidence suggests, is what has happened.

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 an inverse correlation between rating and the hiring of heterodox economists. The RAE itself made it difficult, if not impossible, for dissenting economists to be hired in high-performing, well-funded, research-oriented economics departments.

In the lowest ranked departments (RAE 2) 14 out of 63 – 26 per cent – of hirings were heterodox. In departments ranked 3, the proportion was 9.7 per cent; in those ranked 5 or 4, one economist hired in every 70 (1.4 per cent) was heterodox.

Lee's research (2007) 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.

It must be stressed that this case does not depend on whether the theories selected by this process are wrong or right. It arises from the *risk* they are wrong – to which the profession should respond by maintaining the capacity to correct its mistakes. This it has not done. If Wolf (2008) is to be 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?

Conformity necrotises the capacity for change. A minimum response to the critics would be an urgent stock-take of heterodox resources, to find out now whether Britain's premier institutions still possess the means to teach students anything other than a discredited orthodoxy and, if not, to redirect funds to those who can.

Who regulates economics?

I 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 I 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 (2008) note, economics is uniquely close to policy – notably, policy on which large fortunes depend.

Economics is itself a regulatory system. True, it does not directly intervene in decision-making processes, or does so infrequently. 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 30 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 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 the chair of the FSA. Regulatory capture occurs when private interests which stand to be affected by policy decisions intervene in the regulatory system to ensure it decides in their favour.[8]

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, with the possible exception of health.[9] Yet, as we have seen, economics offers its practitioners almost no defence against the pressures that may arise.

This is the final point: whether or not the reader accepts that regulatory capture has occurred, the risks cannot be ignored. What *guarantees* can be offered against them? The corrective, I argue, begins with the economists of tomorrow: namely, the students of today.

Conclusion: a new compact with society

At the heart of the choices before us lies a contradiction. We could return to the pre-Dearing system, amounting to a kind of unregulated competition between homogeneous theories, which still prevails in the USA. But this would not eliminate the monotheoreticism of each individual theory, nor reduce the risks that one particular 'orthodox' theory will be captured. Another choice is enhanced external regulation – a kind of 'FSA for economists'. It may come to this, but if economics is regulated by those it regulates, it is not clear how capture may be avoided.

Thus, a systematic rethink of the relation between the economist and society is required. The problem is not just the consensus which economics has produced, but the very fact that it strives to produce one. Both our profession, and society, need to organise consciously to combat monotheoreticism wherever and however it manifests itself. This is the foundation of assertive pluralism as a strategy.

In closing, I can illustrate this by scrutinising Anatole Kaletsky's (2009) claim 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.'

This judgement is open to question: bankers, politicians, accountants and regulators are surely culpable if they have let themselves be deluded by such scoundrels. Yet they, and opinion-formers such as Kaletsky, can only blame their delusions on us for as long as we present ourselves as sole custodians of unequivocal economic truth – and for as long as they demand it of us. If a new SBSE can express this simple idea, a solid foundation for progress will be established.

Notes

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1 This term was introduced in Freeman and Kliman (2008).

2 I thank Andy Denis for this term. In Elsner (2009) 'active pluralism' means something very similar.

3 All subject benchmark excerpts reproduced in Freeman (2007).

4 Point 6 in the section entitled 'Purpose of benchmarking' QAA (2004: 2 para 5) states that one of the needs to be borne in mind in drafting benchmark statements is 'to avoid producing a specification of a detailed curriculum or programme and to avoid prescribing approaches to teaching, learning and assessment'.

5 The succession of letters to the Queen, after she famously asked Professor Garicano of the LSE why 'nobody saw the crisis coming' (Pierce, 2008) is worthy of special note. Early contributors included Nick Macpherson, permanent secretary at the Treasury, and Goldman Sachs chief economist Jim O'Neill, who jointly and severally apologised for 'a failure of the collective imagination'. See also Hodgson (2009). Our reference website www.emperorstailors.com contains a wider selection.

6 DeMartino (2008) proposes an economists' oath based on the Hippocratic Principle 'First do no harm'. Many Harvard MBA Students (http://mbaoath.org/) now swear an informal oath; Garvin claims to be the first management school (http://www.highbeam.com/doc/1G1-151558443.html), with a formal oath of honour.

7 Gans and Shepherd's (1994) collection of peer-rejected classics of economics is justly celebrated. Chubin and Hackett (1990: 12) record widespread scepticism that peer review selects for merit in the natural sciences. See also Ietto-Gilles (2008).

8 Thus Briody and Prenzler (1998) directly apply the term 'systemic capture' to account for regulatory capture which they define as the 'procuration of an entire regulatory system by the regulated industry'.

9 See for example Desai (1994) for a detailed analysis of the conduct of the think tanks on which the Thatcher government drew, in motivating its economic policies.

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History of Thought and Methodology in Pluralist Economics Education*

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Abstract

The purpose of the paper is to develop the argument that history of thought and methodology should form part of the content of pluralist teaching in economics, where the aim of this teaching is to equip students to exercise their own judgement as economists. Discussion of the nature and scope of economics, with examples from history, helps students understand what is involved in considering a range of approaches and methods (rather than uncritically accepting one general approach, but without resorting to 'anything goes'). A way of teaching about the current crisis is used as an exemplar.

Introduction

In teaching economics, it is important to give students a sense of the discipline. This includes a feeling for current debate (see eg Dow, 2003). Analysing the different arguments within a debate itself requires some pluralism, ie considering different approaches to a question. Indeed the pluralist pleas from the French students which led to the setting up of the Post-Autistic Economics Network and what became the *Real-World Economics Review* explicitly called for teaching economics through teaching about debates in economics (Anonymous, 2000).

Discussion of pluralist teaching in economics therefore addresses concerns that only one general approach is currently emphasised in economics teaching, and that instead students should be exposed to a range of approaches. Already we are touching on controversial questions about the nature of our discipline: how far are economics, and economics teaching, in fact dominated by one approach? What do we mean by approach? What is the justification for considering a range of approaches? If students are exposed to different approaches, how are they then to proceed as practising economists?