sanity, humanity and science

post-autistic economics newsletter

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In this issue:

Why the PAE Movement Needs Feminism

Julie A. Nelson (Global Development and Environment Institute, Tufts University, USA)

What can feminist economics contribute to the Post-Autistic Economics movement? Anyone familiar with both of these will have noticed that the two have much common ground. Both seek to put at the core of analysis the economic and social problems facing women, men and children. Both protest the definition of the economics discipline around a single, narrow set of methodological tools. Both are international and pluralistic movements, incorporating participants from many countries and many schools of economic thought.

I would like, in this essay, to bring to the attention of PAE participants what I believe is one of feminist economics' most unique and fundamentally important contributions to the discussion of the potential transformation of our field. This newsletter has carried articles examining materialist, institutional, geographical, political and intellectual explanations for the current abysmal state of economics research and teaching. Feminist analysis brings to light other important dimensions of the story of how economics got into its current autistic condition, and why it is so resistant to change. I believe that PAE will to some extent misunderstand its own historical dynamics, and be less effective as a force for change, if it neglects the insights that come from a gender-sensitive analysis of the value system underlying contemporary economic study.

I invite you to do a three-part thought exercise with me. First, think about the characteristics held in highest esteem within the contemporary hegemony of mathematized rational-choice modeling. You will probably come up with a list that includes characteristics like rigor, precision, detachment, quantitative analysis, abstraction, self-interest, autonomy, rationality, etc. Next, think about the flip side of each of these terms. You will probably come up with a list something like this: pliability, vagueness, connection, qualitative work, concreteness, generosity, interdependence, emotion. Lastly, consider the gender connotations of each list. Most people raised in Euro-American cultures will immediately recognize that the first list is culturally coded as "masculine" and associated with toughness and power, and the second as "feminine" and associated with softness and powerlessness.

What is at issue, then, for PAE, is not simply changes at the level of methodology, but a sea change in the underlying value system of contemporary economics. A long and intricate history of relations among gender, social organization, science, and conceptions of knowledge formed these values. At the time of the Enlightenment, the world--and the economy--came to be seen as clockwork-like and mechanical. This image of the economy, and an epistemological image of the knower as radically separate from the subject of study, encourages the primacy of mathematical modelling. Feminist scholars have pointed out how this epistemology reflects a fantasy of achieving solid security through the control of nature by our minds, and a denial of all connection, embodiment, vulnerability, or flux. An early Secretary of the British Royal Society, for example, stated that the its scientific purpose was to "raise a masculine Philosophy … whereby the Mind of Man my be ennobled with the knowledge of Solid Truths." (Note the absence of feminine, body, women, and contingency.) The autism of contemporary economics reflects the cultural sexism in which it historically developed--with a vengeance.

What is needed, much feminist theory suggests, is not a flip-flop into an image of humans as totally powerless and fragmented, but rather an overcoming of the whole either/or understanding of the relations of humans to each other and to the world. An authentic recognition of natural and social connection leads to an understanding of the human knower as both part of the reality to be studied, *and* able to reflect on that reality. The fantasy of detached control can be replaced by the knowledge of lived experience.

Participants in the PAE movement should therefore be aware that whenever we call for more connection to social problems, whenever we call for more concreteness, for more flexibility, or for more embodiment, we are asking a lot. We may think we are shaking a disciplinary branch, but in reality we are rattling a very big emotional and socio-cultural tree. We should not be surprised when defenders of the status quo often fail to engage with us at an intellectual level. The fact that we are, in fact, generally much more reasonable than they are (in the broad sense of human wisdom) is almost beside the point. Our calls for change will often be perceived as calls for the emasculation of economics, for making economics soft, for making economics impotent. Our calls for change demand that our listeners “think outside the box” in a radical way that will, at the least, feel unfamiliar and uncomfortable to many, and be perceived as profoundly threatening by some.

That said, it is important to clarify the roles of actual men and women in the perpetuation of sexist gender constructs at the core of economics. Common misperceptions about feminist economists include beliefs that it is concerned only with “women’s issues,” is only done by women, advocates a purely qualitative and emotional alternative to contemporary thinking, or treats men as the enemy. Those who hold these views display their ignorance of contemporary feminist work. A number of men challenge the sexist beliefs at the core of the value system, and many women do not. The reason that women have tended to take the lead in the feminist push within economics, is not because we "bring something different" (via our genes or brain functions), but because the biases are far more obvious to those who start somewhat outside the system. Fish, it is said, do not notice they are swimming in water. Other "outside" groups, characterised as "other" by way of race, sexual preference, age, disability, nationality, or class vis a vis the dominant culture, also bring important perspectives. The PAE movement will be self-deluded if it looks for accomplishments largely within a debate among Euro-American professional men. It will miss its mark if it ignores the problems suffered--and contributions offered--by those who have long been labelled as non-rational and dependent, by a culture that elevates mind and autonomy above all.

As I write this essay, in October of 2001, the events of September 11 are fresh in everyone’s mind. To readers who may still think of feminist concerns as “just” women’s issues, and of no concern to them, I offer one last reflection. The Taliban, and its variety of fundamentalist thinking, has been the most controlling and oppressive regime in regard to women in contemporary times. Contemporary academic economics, and contemporary global economic policies, are gripped by other rigidities of thinking--what George Soros has dubbed “market fundamentalism.” Fantasies of control are operative in both phenomena, and gender is far from irrelevant to understanding their power, and their solution.

Julie A. Nelson is the author of *Feminism, Objectivity, and Economics* (London: Routledge, 1966) and (with Marianne A. Ferber) *Beyond Economic Man: Feminist Theory and Economics* (Chicago: Uni. of Chicago Press, 1993). For more about feminist economics, visit http://www.facstaff.bucknell.edu/jshackel/iaffe/

An International Marshall Plan

Geoff Harcourt (Cambridge University, UK)

It is necessary that those who masterminded the attacks on Tuesday 11th September should be brought to justice; but parallel with the steps needed to achieve this should be international efforts to remove the injustice and poverty that provide the conditions that create such despair in persons that they are moved to take such awful actions in the first place.

In the early post war years, the USA rightly received praise for implementing the Marshall Plan to help Europe recover from its wartime devastation. This was an example of the best of American virtues. What is needed now is an International Marshall Plan to tackle injustice and poverty in the Middle East, Africa, the poorer parts of Asia and Latin America. The funds should come from the USA, Europe, Japan, and the wealthier economies on the Pacific Rim. The administration of their use could be monitored by the World Bank and the IMF. The aid should be immediate, and then a sustained flow of funds over several years. Quid pro quos would be necessary, for example, Israel should again allow Palestinians into Israel to work and should allow the development of social and industrial infrastructure in the Palestinian areas themselves.

The altruism implied by these suggestions would not be without benefit to the altruists. The expansionary forces unleashed by the measures would be a welcome offset to the contractionary forces (probably soon to be reinforced by reactions to last week's horror) at present sending the advanced economies into recession, or in the case of Japan, worsening its recession of the last 10 years. If such a cumulatively virtuous process could be started, it would not only bring economic benefits to the poorest citizens of the world, but it would also serve to lay a base on which democratic institutions could be erected.

People of good will are desperately needed to float ideas, to offset the understandable reaction to the happenings of Tuesday 11th September that war-like actions are the only possible reaction.

The War Economy

James K. Galbraith (University of Texas, Austin, USA)

An economic calamity

In a war economy the public obligation is to do *what is necessary*: to support the military effort, to protect and defend the home territory, and especially to maintain the physical well-being, solidarity, and morale of the people. These may not prove to be easy tasks in the months ahead.

We are facing what is not only a terror attack, but also an economic calamity. The impact of the strikes at the World Trade Center now includes a 14.4 percent drop in stock prices in the first week following the attack, and a collapse in those sectors related to travel and leisure, notably airlines, hotels, and resorts. As these events cascade through the economy, they will shatter fragile household balance sheets and precipitate steep cuts in consumer spending. The ensuing recession could be very deep and very long.

This is not merely a shock to a healthy system, requiring only limited measures to restore confidence and stimulate spending. Household finances have been badly out of balance since 1997, as the household sector financed consumption above income by borrowing, largely against capital gains. But capital gains turned negative after April 2000. Once that happened, large cuts in consumer spending could be delayed but not avoided, absent major policy changes. What has happened since September 11 consolidates, advances in time, and also intensifies a decline that was already well under way.

By way of a rough order of magnitude, my Levy Institute colleagues Wynne Godley and Alex Izurieta estimated last summer that unemployment would have to rise to 7.4 percent just to bring household expenditures into line with income. Unemployment would rise as high as 9.0 percent, they estimated, if households were to try to return to *normal* post-World War II saving levels. And that was on a smooth trajectory involving a gradual but not catastrophic slowdown-namely, before the events of September 11. Now it is possible that households will try even harder to restore depleted reserves, driving unemployment higher still.

There is thus no chance that events will right themselves in a few weeks, or that we will be saved by such underlying factors as technology and productivity growth-as Chairman Greenspan professes to believe-or by lower interest rates or the provisions of the recent tax act. Rather, we are in for an economic crisis; the sooner this is recognized and acted upon, the better.

Normally during wartime, large-scale support of the domestic economy is not needed, because of vast increases in military spending. However, what we face so far is not the reality of wartime mobilization, but a veneer of military action over a worldwide diplomatic and police offensive. The $20 billion already appropriated for the military may cover the costs of near-term operations, but neither that nor the $20 billion allocated for relief and reconstruction in New York City is nearly enough to deal with the larger economic problem.

In total at this moment, federal spending measures of $55 billion are being considered, including the airline bailout. A further program of perhaps $100 billion may soon be proposed, including expanded unemployment insurance, extended tax rebates, and payroll tax relief. This movement in Congress to lift the "budget constraint" is a welcome revival of Keynesian instinct, but proposals so far have been based on numerical guesswork and not on the objective of maintaining full employment. As their advocates will usually acknowledge, proposals in the $100-to-200 billion range still involve accepting a severe recession, loss of tax revenue, and, no doubt, falling government spending at state and local levels no matter how much federal spending expands.

In these circumstances, the concept of "stimulus" should be discarded in favor of the larger objective of *economic stabilization*-a sustained effort commensurate with the crisis as it unfolds.

Business tax cuts, whether temporary or permanent, are useless in this situation. Without profits, reduced taxes on profits have no effect; without sales, investment is pointless even if the tax regime favors it. Both the logic and the motives of those proposing such measures are to be suspected. All wars attract profiteers; public morale will be destroyed if they succeed. For this reason, the shocking proposal to reduce capital gains taxes in the crisis was rightly shelved, for a few days at least.

A further dilemma emerges when one considers that personal tax cuts, even if temporary and targeted properly at working households, may not stimulate spending by much in a time of crisis. If households are determined to increase their financial reserves, and as they are flush with durable goods after a long expansion, increases in cash on hand may translate weakly into increased spending; such a situation could last for years. Of the available tax cuts, payroll tax rate reductions are the most likely to prove effective at stabilizing spending, because they would target households that are income-constrained.

Averting collapse

Cautious men are in charge of the economy at the moment, but this attitude can only bring disaster. There no longer is any danger of overdoing fiscal policy; demand-pull inflation is not even a remote threat. The danger, at the moment, is collapse. To avert this, an initial program could be up to three times as large as what has been so far proposed.

Increases in federal spending on public health, education, transport, and other areas are also absolutely needed and should be funded liberally. But the option of revenue sharing is perhaps most readily created and implemented on a large scale, most likely to have early direct and indirect effects, least likely to be dissipated in saving or imports, and also the most nonpartisan in concept. Direct purchases by state and local governments now constitute nearly 10 percent of GDP; they have been rising rapidly in the past few years and could fall rapidly if revenues are curtailed. Preventing this, and creating new capacity for state and local action in many areas, including direct job creation, should be a very high priority at this time.

In activity on a grand scale, the federal government might extend revenue sharing to cover as much as one-fourth of total expenses this fiscal year-$300 billion-with a provisional follow-through of 20 percent in the second year and 10 percent in the third. The numbers can be adjusted as events and more refined calculations dictate, but they should be large enough to stabilize budget and service provisions at all levels of government.

In the realm of financial issues, it is now clear that Federal Reserve policy has completely lost domestic effect. Cuts in interest rates on September 17 had no impact on the largest one-week decline in stock prices since 1933 and none on underlying economic activity.

History and the dollar

Here, the analogy to World War II mobilization is misleading. After World War I, the United States was the world's creditor nation and held a near-monopoly on the gold stock. With the collapse of world trade in the 1930s, global economic interdependencies receded sharply; meanwhile, the United States in the late 1930s was energy self-sufficient and did not run a large trade deficit. None of these conditions now holds. In historical terms, the U.S. position today much more closely resembles that of the Great Powers in Europe in 1914 than that of the United States in 1939. As a result, a high-order Keynesian response will have global financial repercussions. To finance either a major military or a major domestic economic effort, or both, on world capital markets could very well unhinge the dollar and shift the balance of financial power-presumably to Europe.

Lower interest rates worldwide-beginning on September 17-have so far staved off a major fall in the dollar. But that situation could change, particularly if the brutality of actual hostilities or the outbreak of famine in Afghanistan or a similar calamity leads to a global shift of opinion against the United States. Oil and gas prices will follow demand downward in the short run and the recession will cut imports, improving the current account so long as exports do not continue to slump. But uncertainty over the war aims of the administration is likely to curtail activity worldwide and so add falling exports to our miseries; moreover, oil supplies could be disrupted in a wider war, and imports will rise again if large-scale Keynesian policies take hold.

Any of these scenarios could destabilize the dollar, causing a decline far greater than the 20 to 25 percent that is probably needed for current account adjustment. There are vast public and private dollar holdings overseas-all substantially contingent on confidence that other actors will hold on to their holdings. In this crisis, they may not stand firm; a run on the dollar cannot be ruled out. This is the classic scourge of war efforts and "populist" expansions. Unless prevented, the natural reaction of the Federal Reserve would be to raise interest rates, thereby deepening the slump. An economy with high unemployment and high inflation is a very possible, even likely, result in this case.

Cars and the global financial architecture

What is to be done about this risk? An old truism in global finance holds that debtors cannot run wars-or economic recovery programs-without the organized assistance of their friends and allies. Such assistance will surely not be forthcoming, on a sustained basis, unless it involves a commitment to a more stable and successful global financial system afterward. The further reality is that the United States needs the sustained support of the world community for diplomatic, intelligence, and military purposes. This support cannot be assumed to be available free of cost, especially from poor countries that have not benefited at all from the modern global order. Therefore, like it or not, a new and more just and stable global financial order will have to emerge from the present crisis, or we will eventually become mired indefinitely in fruitless and unending military struggles, aided by fewer and fewer reliable allies. Comprehensive debt relief for cooperating countries (Pakistan is a key example) would be a good place to begin.

The modern system of floating exchange rates and unregulated international capital markets-just 30 years old-has never been tested on the present scale. It could easily fail now. This being so, planning for a transition in the global financial system toward an effective multilateral regulatory and stabilization system should begin quietly, but soon. It is time to examine a return to a Bretton Woods framework of fixed but adjustable exchange rates among the major currencies, backed by a multilateral reserve. This task is simplified by the creation of the euro; it would be easier now than at any time in decades to fix parities for the industrial world, allowing first for a substantial dollar depreciation. Beyond this, we will need new, perhaps regionally decentralized, exchange stabilization and liquidity facilities for the developing world

Further, the current crisis offers compelling reasons to examine the structural sources of the U.S. trade position. Here, oil is a major factor: cutting imports totally would reduce the deficit by a quarter. Cars are a larger factor still. In the medium run, reconstruction of our transportation networks and housing patterns in a way that would rely far less on oil and automobiles (and airlines) may be the necessary domestic adjunct of real security abroad.

The issues of global financial architecture and our national monoculture of oil and cars lie behind the present emergency; they have helped to translate a terror attack into an economic crisis. In the end, our ability to address these issues effectively will prove central to ultimate success in the quest for both physical and economic security. The immediate response should include a planning process in which these issues can be discussed freely by competent experts and without domination by partisan views or special interests.

If mass unemployment or inflation cannot be avoided by preemptive means, then the entire experience of the New Deal and the War Economy will have to be called upon in due course. But there is no point in going into all that now.

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The Globalized Economy

Jeff Gates (Shared Capitalism Institute, USA)

Finance Driven Phenomenon

Globalization is a finance-driven phenomenon. Its operations are geared to a key assumption advanced by neoliberal economists: "maximize financial returns and – trust us -- everything will turn out fine." As I will show, that naively mechanistic model is dangerously dysfunctional. Its unbridled operations are a key reason wealth is being redistributed worldwide - from poor to rich, from poor country to rich country, from the future to the present -- with the unflinching support of rule-making crafted by the World Trade Organization (WTO).

The problem with globalization is *not* the corporate entity, as some insist. Nor is globalization a problem *per se*. The malady lies in the combination of: (a) the narrow bandwidth of values to which the corporate entity mechanistically attunes its operations (i.e., financial values), and (b) the current state of corporate ownership – abstract, remote and concentrated. The result is a globalizing economy that is experienced by most as disconnected, speeded-up and dumbed-down. The solution lies in evoking a policy mix insistent that business methods mature so that ownership patterns quickly become more personalized, localized and human-sized. In a private property system, that is the only sensible way globalized private enterprise can attune its operations to the legitimate concerns of those influenced by its operations.

Globalization has the potential to be a positive force. However, under neoliberal-informed rule-making, globalization instead has emerged as a capital markets-led, government-backed process that radically redistributes wealth (from *weal* or "well being"), as I chronicle below.

Rather than integrating the world economy, today's dominant economic model divides people (both within and between nations), plunders natural resources, and imperils posterity. Instead of fostering free enterprise democracies, today's globalization attunes its operations to such a cramped range of values that the "financially fit" are viewed as sufficient unto themselves while the rest are not worth the bother.

Wealth Redistribution Trends

This finance-obsessive rendition of globalization guarantees results that are inequitable and unsustainable. Left unreformed, WTO rule-making is destined to evoke hostility and instability as its operations are often associated with oppression, exploitation, domination, corruption and disrespect. To become sensible and sustainable, globalization requires a counter-force to today's wealth-redistribution trends:

1. From the bottom to the top. As the US is the leading advocate for the neoliberal model of globalization, the trends emerging there are instructive. The wealth of the *Forbes 400* richest Americans grew an average $1.44 billion each from 1997-2000,

for an average daily increase in wealth of $1,920,000 per person ($240,000 per hour or 46,602 times the minimum wage). The financial wealth of the top 1 percent of US households now exceeds the combined household financial wealth of the bottom 95 percent. The share of the nation's after-tax income received by the top 1 percent nearly doubled from 1979-1997. By 1998, the top-earning 1 percent had as much combined income as the 100 million Americans with the lowest earnings. The top fifth of US households now claim 49.2 percent of national income while the bottom fifth gets by on 3.6 percent. Between 1979 and 1997, the average income of the richest fifth jumped from nine times the income of the poorest fifth to roughly 15 times. The average hourly earnings for white-collar males was $19.24 in 1997, up from $19.18 in 1973.

2. From democracies to plutocracies. Today's capital markets-led "emerging markets" development model is poised to replicate US wealth patterns worldwide. For instance, 61.7 percent of Indonesia's stock market value is held by that nation's 15 richest families. The comparable figure for the Philippines is 55.1 percent and 53.3 percent for Thailand. Worldwide, there's now roughly $60 trillion in securitized assets (stocks, bonds, etc.), with an estimated $90 trillion in additional assets that will become securitizable as this model spreads.

3. From the future to the present. Unsustainable production methods are now standard practice worldwide, due largely to globalization's embrace of a neoliberal-inspired financial model that insists on maximizing net *present* value (that's largely what stock values represent). That stance routinely and richly rewards those who internalize gains and externalize costs (such as paying a living wage or cleaning up environmental toxins).

4. From poor nations to rich. Today's version of globalization assumes that unrestricted economic flows will benefit the 80 percent of humanity living in developing countries as well as those 20 percent living in developed countries. Yet the UN Development Programme (UNDP) reports that 80 countries have per capita incomes lower than a decade ago. Sixty countries have grown steadily poorer since 1980.

5. From families to financial markets. How is globalization affecting OECD countries? The work-year for the typical American has expanded 184 hours since 1970. That's an additional 4-1/2 weeks on the job for about the same pay.

6. From free-traders to protectionists. OECD nations channel $326 billion a year in subsidies to their own farmers while (a) restricting agricultural imports from developing countries, and (b) insisting that debtor nations repay their foreign loans in foreign currency, which they can earn only by exporting.

7. From law-abiders to law-evaders. Roughly $8 trillion is held in tax havens worldwide, ensuring that the most well-to-do can harvest the benefits of globalization without incurring any of the costs.

8. From personal freedom to financial freedom. The free enterprise component of democracy is founded on the notion that free markets provide an opportunity for free people to freely express their free choices and thereby enjoy the dignity of self-determination, democracy's most treasured freedom. Though terrific in theory, the map fails to match the territory. To equate markets with expression of the common will is misleading, even deceptive. Markets don't respond to people, but to people *with money*. Embrace a policy mix, like today's, that concentrates income, and that mix is destined to undermine both self determination and markets, the moral foundations of free enterprise democracies.

9. <u>From education to incarceration</u>. Since 1980, US prison budgets have increased at a pace six times that for higher education. Florida now spends more on corrections than on colleges.

10. <u>From the real to the abstract</u>. Today's neoliberal-dominated perspective on progress insists that globalization has helped the US achieve two decades of unprecedented *financial* prosperity. Yet social, fiscal, cultural, political and ecological indicators confirm that the world's "richest" nation is experiencing a steady 20-year decline across a broad array of quality-of-life indicators, and in numerous living systems.

Conclusion

Globalization's "guidance system" is designed to scour the globe for shareholder value, with financial value a proxy for shareholder value. If that value "shows up," the neoliberal model signals success, and this self-reflective process repeats itself *ad infinitum.* Only with a component of personalized "up-close capitalism" will privately owned enterprises become "re-wired" so that their operations adapt to the more complex, diverse and multidimensional concerns of people, place and pace. Tyranny becomes structural when a model enforces behavior attuned to too narrow a bandwidth of values

In "systems-eze," the challenge lies in how best to smarten-up free enterprise by re-wiring its signaling systems into more robust patterns so that it learns ongoingly and, ideally, trans-generationally. At present, the corporate entity has no designed-in means for taking into account the values of those whose lives it effects. Though envisioned as a self-organizing model, it's missing a key component: locale-imbedded ownership, the essential feedback-generating relationship required for locale-sensitive self-correction. Regulation becomes the alternative when those affected have no property-empowered right to have their voice heard. Yet the WTO routinely rejects regulation as a restraint of trade. If the maladies that accompany globalization are re-framed in terms of property relationships, it is clear that components of localized ownership offer a hopeful way to rationalize today's dysfunctional, finance-myopic paradigm.

Given the nature of the threats that sovereign nations now face -- global, systemic, multidimensional, interdependent, transgenerational -- the best risk-management strategy lies in a multilateral commitment to prove the truth of an age-old axiom: "If you want peace, work for justice." Today's immature and mechanistic model generates results that alternate between disappointing and appalling. The solution lies in a paradigm that evokes property relationships able to reflect a broader spectrum of values – social, economic, cultural, political and ecological. At a minimum, **globalization requires a model that stops today's radical redistribution of wealth**. In that direction also lies the only sensible strategy for long-term national security.

As presently practiced, globalization urges that nations ally to make the world secure, not for the forces of democracy, but for the forces of finance. That fanciful stance is founded on the neoliberal assumption that the free flow of global capital will evoke free enterprise democracies that are robust, just and sustainable. Instead, insistence on that naïve prescription has ravaged the natural world, ignored the legitimate needs of the poor, and fed the greed of a privileged few. Any economist not actively crafting a paradigm to reverse these trends is lending support to a globalized form of finance fundamentalism.

This article is based on Jeff Gates' testimony to the United Kingdom Parliament's Select Committee on Economic Affairs on 8 October 2001. His full testimony, including documentation of his statistics, is available at http://www.btinternet.com/~pae_news/Gates-testimony.htm

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The PAE movement began in June 2000 when economics students in France, under the banner autisme-économie, launched a protest that captured French media attention and started a public debate on the future of economics and economics teaching. Jack Lang, the French Minister of Education, commissioned Jean-Paul Fitoussi, head of the French Economics Observatory, to investigate the students' charges. Fitoussi's book-length report was released last month. Lang says he will implement it. Below, Gilles Raveaud, one of the student founders and leading spokespersons of the movement in France explains why Fitoussi's report is an important victory for the reformists' side.

Support the Report

Gilles Raveaud (ENS Cachan, France)

The Fitoussi Report may fail to satisfy some people, especially because it does not acknowledge the existence of a “global alternative” to mainstream economics. Indeed the Report seems to say that nothing really valuable exists outside the “neoclassical-keynesian consensus”, a statement with which we of course deeply disagree. But worse, Jean-Paul Fitoussi, being an “old-fashioned” keynesian, has apparently not realised that what he believes in is, regrettably, now largely forgotten in most universities. What is taught today in France is not his kind of economics, but “general equilibrium with rational expectations” – a somewhat different approach, to say the least. There seems to be here a sort of “generation gap”. Some members of Fitoussi’s generation have a culture and an approach to economics which they find hard to believe has disappeared. But it has. And this is why we stress the importance of teaching the history of economic thought and economic history.

Nonetheless, the Report contains strong statements regarding the use and misuse of mathematics and regarding neoclassical economics’ oppressive domination. For example:

> “One must acknowledge that concerning mathematics and formalisation, some excesses have taken place. We sometimes (often?) see an excess of modelisation and very little concern for its empirical relevance.”

> “We must avoid using the teaching of mathematics and statistics (and sometimes microeconomics) in undergraduate courses purely as a tool of selection.”

The Fitoussi Report does not, it is true, deal directly with the questions we raised. In particular, it fails to deal directly with the lack of pluralism and the intolerant domination of neoclassical economics. But by proposing a “bottom-up” approach, Fitoussi offers a politically adroit answer to these problems. The report’s method is not to dictate what is to be taught, a method neither feasible nor desirable. Instead, Fitoussi’s idea is merely to **take teaching seriously**, something which in economics too few people do. He proposes three ways – these are the teeth of his report -- in which this should be done. They entail reforms in the teaching of economics which if implemented (and the Minister of Education suggests that he will see to it that they are) will have the effect of going a long way toward realizing the demands for reform which our movement in France has been seeking. Fitoussi’s three primary means of reforming economics teaching are as follows.

1. The organisation of a **multidisciplinary curriculum** for at least the first three years. Within this curriculum students will be allowed to choose between disciplines as they progress, and to intellectually confront them with one another. Economics will then find itself in **competition** with other subjects: either it turns to sensible courses or remains as it is and loses students. Furthermore, even if it does not reform, the economics students that remain will, because of their exposure to other disciplines and to real debate in their first three years, be in a much stronger intellectual position than they are today.

2. Fitoussi wants debate on economic issues to be “integrated” into the structure and content of **economics** courses, not only through theory and statistics, but also through institutional and historical facts. There should be no “naked tools” (for Fitoussi these include, alas, the history of economic thought). The Report is categorical on this point. For example, it says:

> “The debates [in economics] are to be taught, not only for the sake of pluralism, *but because their understanding allows the students to better grasp the concepts*. Economics has always been and will remain the place of debates. It surprises me that people are surprised by this. Can one imagine that problems like unemployment, inequality and poverty could *be treated as physical phenomena* ?” (emphasis added)

3. The shift from silly exercises to the production of essays, oral presentations and student debates, things which are very rare in France. Teachers are to be required to give time to helping their students prepare these projects.

Fitoussi also proposes an **evaluation of teachers**, something that does not exist in the French system. We think that this could be useful for making economics teachers listen to students’ complains, which now, as we know, they usually do not. But we would prefer a system in which students and their representatives would be associated in some way with the evaluation of the curriculum itself, at least as far as teaching methods are concerned.

Apart from this last point, we support the Fitoussi Report, imperfect as it is. We think that if it is implemented, it would make economics in French universities look like VERY different than it does today. The Report’s approach could be summed up as an attempt to squeeze mainstream economics from two directions: one from the top with the introduction of multidisciplinarity, and one from the bottom with the stress on debates and “integrated” courses. If implemented, this strategy could be quite effective as a force for the reform of economics both in and out of the classroom.

These are the reasons why we are currently trying to convince economics teachers to join us in support of the Report. (At present we are working on an article for *Le Monde*.) In fact, it is only the teachers who can now change things. If they will try to do it and succeed, then our revolt will turn into a peaceful and quiet revolution, but a revolution nonetheless, where economics teachers will teach and students will learn **economics** at last.
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PAE in the media

Foreign Policy, The magazine of Global Politics, Economics, and Ideas
September–October 2001, excerpts from
"Economistes Sans Frontières" by *Carlos Lozada*.

. . . In June 2000, a small group of French economics students published a petition on the World Wide Web, declaring war not simply on the impact of globalization, but rather on what some consider its root cause: neoclassical economics.

The petition sparked what is now known as the "post-autistic economics" (PAE) movement, an academic backlash against traditional economics that is rapidly gaining adherents among disaffected practitioners of the dismal science in developing and advanced economies. In their initial petition, PAE proponents lament the use of mathematics "as an end in itself" in the economics profession, decry the discipline's dogmatic teaching style that "leaves no place for critical and reflective thought," and insist that their discipline become engaged with the "empirical and concrete economic realities" of the day. They advocate new approaches—including deeper study of the history of economic thought, as opposed to merely economic theory—and call on their colleagues to rescue economics from its "autistic and socially irresponsible state."

The PAE movement is drawing praise from antiglobalization activists and thinkers. Writing in *The Independent*, Andrew Simms of the United Kingdom-based New Economics Foundation hails the PAE movement as part of an effort to make "the mandarins of the global economy experience a reality check" and protect the environment. The movement's Web site and its e-journal, the *Post-Autistic Economics Newsletter* (published every one or two months), showcase PAE's specific critiques of mainstream economics as well as the movement's growing influence.

In the July 10, 2001, issue of the newsletter, Professor of Applied Economics Grazia Ietto-Gillies of South Bank University in London deplores the inability of the economics profession to incorporate the unique role of transnational corporations (TNCs) into traditional economic theory **. . . .**

Ietto-Gillies maintains that the blinders of traditional economics result in too little systematic thinking by economic theorists on how multinational firms exploit regulatory differences in labor laws, play investment-hungry governments off one another, and manipulate prices across countries. "So far, transnational companies are the only economic actors who can truly plan, organise, [and] control activities internationally," she concludes. "Other actors such as labour, national governments, uninational companies, and consumers are as yet unable to do so. This puts TNCs in a very special and privileged position."

Of course, Ietto-Gillies fails to mention another group that is managing to organize across borders—the PAE movement itself. A different article in the same issue reprints an anonymous letter from 27 Ph.D. candidates in economics at Cambridge University, written after a meeting with PAE representatives. The Cambridge students called for the "opening up" of the economics profession, proposing that the foundations of mainstream economics be widely debated and that competing approaches receive the same degree of critical scrutiny. "Economics is a social science with enormous potential for making a difference through its impact on policy debates …. [P]rogress towards a deeper understanding of many aspects of economic life is being held back."

The newsletter editors encourage concerned economists to e-mail their names and academic affiliations in a show of support. As of July 19, 2001, more than 250 economists from at least 26 countries had written in—a testimony to the PAE movement's effective public-relations efforts. Indeed, the stated purpose of the group's Web site is to "facilitate the spread of the post-autistic economics movement to other countries and its eventual globalization." No small irony that a movement linked to antiglobalist thought would be so eager to disseminate its message across national borders.

Carlos Lozada's article can be read in full at
http://www.foreignpolicy.com/issue_SeptOct_2001/gnsseptoct2001.html

Carlos Lozada is the associate editor of Foreign Policy *magazine.*

Over 500 people have now signed the Cambridge Proposal . You may sign it and the "Kansas City Proposal" by clicking here.

Science & Society, Fall 2001, excerpts from
"Of People, Curves and Autism" by David Laibman (City University of New York, USA)

Strolling across the new campus of Complutense University on the outskirts of Madrid, in March 1999, I was struck upon seeing this slogan, painted on a wall: "La econom!a es de gente, no de curvas!" ("Economics is about people, not curves!"). Anyone who has not had the pleasure of instruction in contemporary academic economics may not fully appreciate the students' sense of being tormented by "curves": diagrammatic representations of relationships among variables. (Think of intersecting supply and demand curves.) The slogan rejects abstract and quantitative theory in economics -- and by extension in the human disciplines generally -- in favor of study of concrete, historical social reality.

I had no idea at the time that the "people vs. curves" slogan I witnessed would turn out to be prophetic. In June 2000 a group of French students assembled a petition, published on the web, complaining about the current state of economics: its indiscriminate use of mathematics; the "repressive domination" by neoclassical theory; and the exclusion of alternative, critical approaches. The students called upon the economics profession to engage with the empirical and the concrete, to avoid "scientism," to embrace "a pluralism of approaches adapted to the complexity of economic objects and to the uncertainty surrounding most of the big economic questions," and to pursue reforms "to rescue economics from its autistic and socially irresponsible state." The petition resulted in the launching of the Post-Autistic Economics Movement, which has spread like wildfire among students in France and Spain, with growing numbers of correspondents in other countries as well. On June 21, Le Monde reported on the movement and solicited statements from leading economists worldwide. A conference to produce more detailed proposals was held in December 2000. Since then the movement has continued to grow and develop.

The economics establishment, for the most part, has been waiting to see if the storm will pass. One noteworthy response came from Professor Robert Solow of MIT, Noble Laureate and progenitor of the "neoclassical" growth model that has recently become a staple of courses in macroeconomic theory. Writing in Le Monde, January 3, 2001, Solow called the students' position "an exaggerated reaction to this minority group (of highly mathematical theorists), or a disguised attack upon something else." Concerning the dominance of neoclassical theory, Solow characterized that theory as follows: households and firms are rational; prices and wages are flexible, so that goods and labor markets "find their equilibrium"; and competition is "almost perfect." All of this, however, Solow noted, has been called into question by neoclassical economists themselves, who now study incomplete markets, imperfect competition, rigid prices, asymmetric information, and other complexities. We can all agree, the argument goes, that the simple model is not adequate; the challenge is to find ways to go beyond it without becoming immersed in undue complexity **. . . .**

Now the students' movement, with its call for pluralism and for "critical and reflective thought," is a remarkably positive development, and it is a sign of their potential that top guns like Solow have emerged to engage with them. I find, however, that an attempt to come to grips with Solow's argument also raises some questions concerning the students' position. or perhaps concerning ambiguities in the statement of that position reflecting the coalition character of the movement.

The hallmark of the Solow response, after all, is its reasonableness. We all want the same thing, he says: good applied economics, relevant to real-life problems and issues. In his subtle deprecation of "ideology," however, Solow fails to note the ideological role of his own neoclassical consensus. The religion of the "free market" is closely connected to the abstractions of rationality, competition and equilibrium as summarized by Solow.

But when these abstractions are questioned, their proponents say that of course no one believes in them any more! We are concerned, they insist, with the messy world of limited information, limited competition, non-equilibrium behavior, etc. Trying to pin this down is, as one of my colleagues once put it, like "boxing with jello." Or, to cite a phrase from the philosopher Hilary Putnam, neoclassical economics "keeps a double set of books" (quoted in Vivian Walsh, Rationality, Allocation, and Reproduction, p. 6). One set is for undergraduate students, politicians and journalists: it promotes the social optimality of "perfect" competition and the "free" market. The other set is brought out whenever critics, such as the students organized in the post-autistic economics movement, try to get to the bottom of this pervasive pro-capitalist ideology.

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David Laibman's article can be read in full at
http://www.btinternet.com/~pae_news/Laibman1.htm

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Proposals and suggestions for articles should be sent to the editor at pae_news@btinternet.com

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