

The Econocracy – On the Perils of Leaving Economics to the Experts; by Joe Earle, Cahal Moran, Zach Ward-Perkins; Manchester University Press, 2016

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War is too important to be left to the generals, we are told often. The three young authors of the book under review (economists themselves), passionately argue that the economy is too important to be left to narrowly trained (meaning only in neoclassical economics) economists. To a large extent they succeed in convincing the reader that the mainstream neoclassical economics has huge theoretical weakness and is responsible for framing many of the most distorting economic policies which led to devastating problems like financial instability, unemployment, rise in income inequality and even climate change. The book makes a strong case for “pluralistic” economics to address such issues. In a way, the reader gets a chance to know the defects of the mainstream economics by reading just about 200 pages written in simple language with a powerful style.

Democracy is a familiar word but not ‘econocracy’. In chapter 1 of the book ‘Econocracy’ is defined as “a society in which political goals are defined in terms of their effect on the economy, which is believed to be a distinct system with its own logic that requires experts to manage it.” This may be restated to convey the essential meaning of the term. An econocracy has all the formal institutions of a modern representative democracy (political parties, basic rights of the citizens and regular elections) but the goals of the elite (in politics and business) are narrowly defined (with less concern for people and environment), framed in narrow economic terms (like GDP, BOP, external value of money, etc.), explained in mathematical terms (models in neoclassical economics) and implemented with the help of advanced technology and business management techniques. In a way, econocracy as a political system has spread across much of the world today. Econocracy needs an economics and that is mainstream neoclassical economics. Econocracy needs an economics education and that is provided in universities and especially in elite business schools.

The famous statement of John Maynard Keynes that “the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else” is mentioned in the beginning of chapter 2 of

the book under review. The authors call economics a form of indoctrination. The three major aspects of indoctrination of the mainstream neoclassical economics are individualism, optimisation and equilibrium. Individualism in neoclassical theory focuses on behaviour of individual economic agents such as consumers, producers, sellers, etc. Neoclassical economics builds on atomistic view of the world in which the economy is understood in terms of decisions of individual agents. These agents 'optimize' the use of resources with increasing help provided by advancements in technology, especially in recent years. Equilibrium is another powerful concept. Individual agents make decisions about what to produce, consume, buy, sell etc. based on their judgements, all resulting in a stable equilibrium.

The mainstream neoclassical economics has two pillars to support its theoretical structure. They are 'Marshallian cross' for microeconomics and 'Hicksian cross' for macroeconomics. Individualism, optimization and equilibrium of economic agents in microeconomic decision-making is explained through 'Marshallian cross' given in Figure 1.

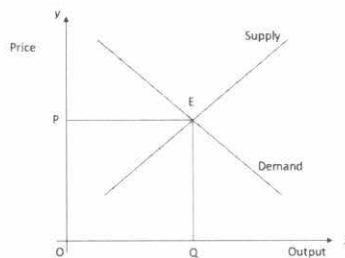


Figure 1 Marshallian Cross

Stable and optimal equilibrium is obtained at point E when the decisions of consumers and producers balance. Macroeconomics is a study of economic aggregates such as national income, price level, employment, etc. This macroeconomic equilibrium is explained through 'Hicksian cross' given in Figure 2.

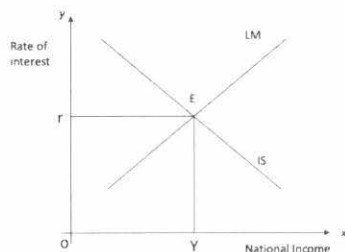


Figure 2 Hicksian Cross

Stable and optimal equilibrium is obtained at point E where the market for goods and services (the IS curve) and the market for money (the LM curve) are in balance at a particular rate of interest and level of national income. These two set of curves play a central role in text books and university lecture halls in order to uphold and spread the ideology and indoctrination that go with the mainstream neoclassical economics. There are models associated with this reasoning built with mathematical abstractions. The authors of the book under review say that neoclassical economics advocates a disruptive ideology hidden inside a mathematical wrapper. In the film 'Modern Times', Charlie Chaplin plays the role of a worker who like a robot does the same task over and over again without much thought about what he is doing. The authors of the book say that modern economics students have become like Chaplin's worker, robotically working on economic models. Students feel let down because of the near total absence of the real world in the economics classroom.

A case for pluralism in economics is presented in chapter 3 of the book under review. Albert Einstein's famous statement that, "Whether you can observe a thing or not depends on the theory which you use. It is the theory which decides what can be observed" is mentioned to show that economics is a contested discipline. Neoclassical economics has shortcomings and blind spots and as a result many important issues are left unaddressed or wrongly explained. The limits of neoclassical economics are reflected in its failing to resolve three important issues namely, global financial crisis of 2008 and slow and uneven recovery from the crisis, environmental degradation and increasing income inequalities. The book mentions a few major alternative paradigms which the reader finds highly useful.

The book mentions alternative economic perspectives such as Keynesian, Post-Keynesian, Austrian, Marxist, Institutional, Evolutionary, Feminist and Ecological. This section of the book is very informative. The sad aspect of economics education today is that students in universities and business schools are introduced to neither of the perspectives mentioned above and are not explained the reasons why they should be considered wrong compared to the mainstream neoclassical economics. These perspectives, needless to say, have valuable insights for the economics student who wishes to understand the functioning of the economy of the real world. In order to illustrate this point, two of the alternative perspectives, namely Marxist and Feminist may be discussed briefly.

Karl Marx was the most powerful of the critics of capitalism. The three constituents of Marxist paradigm are dialectical materialism, economic interpretation of history and the theory of surplus value. Hegel's dialectical idealism was transformed into dialectical materialism by Marx. Apart from ideas, all matter developed in the sequence of thesis, antithesis and

synthesis. Change is inevitable. All history is in fact history of class struggle between the bourgeoisie and the proletariat. Marx said, “The mode of production in material life determines the general character of the social, political and spiritual process of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness.” Bourgeoisie and the proletariat are the products of capitalism. The bourgeoisie produces, above all, its own grave diggers. Its fall, and the victory of the proletariat are inevitable. The basis of Marxian economics is the theory of surplus value. In pre-capitalist societies, the sequence of exchange was C-M-C where C stands for commodity and M stands for amount of money. In this exchange money remains only as money. In capitalism the sequence is M-C-M' (where $M' > M$) and the commodity exchanged is labour power. The only commodity in the world whose use value leads to exchange value is labour. The value of a commodity consists of three parts – constant capital (C), variable capital (V) and surplus value (S). Thus, value is equal to $C+V+S$. It is this surplus value (unpaid labour) which supports all the structure and superstructure of capitalism. Such powerful Marxist insights are necessary for a student of economics to look at the world in a proper perspective. The authors of the book under review go on to explain the power of feminist economics in explaining local, national and global events.

Feminist thinkers take an alternative epistemological position and interrogate social sciences in general and economics in particular. Neoclassical economics is partial in the sense, it presents only an androcentric view of social and economic reality. Feminist economics begins with women's experience of women's social reality. Feminist research explores, “the basis of our (women's) everyday knowledge as women, as feminists, and as social scientists, economists . . . what women spend most of their time doing must obviously be the subject of feminist research.” One major area of feminist economics is the importance of work done in the home (largely by women), in feeding, cooking and raising the children (future workers) who produce the goods and services (including models of mainstream theoretical economics) that the whole society consumes. Neoclassical economics has historically failed to capture the contribution made in home by women. One should remember that economics, in a broad sense, since its inception has been dominated almost entirely by men. Feminist writers say that mainstream economics is androcentric, sexist, racist and elitist. A feminist researcher says, “As women, we see the world in a different way, different experiences happen to us, people relate to us differently.” Feminist discourse is an engaging area of study. The authors say that the framework for theoretical and methodological debates in the mainstream neoclassical economics, in a broad sense, fails to accommodate feminist concerns and to that extent it is an incomplete effort to explain social and economic reality.

Economic thought today is dominated by a single perspective and that is provided by the neoclassical school of economists. Economic policies at national and global level are made under the framework of mainstream neoclassical economics. Most policies fail to bring about promised outcomes. Sometimes they cause harm to the economy and misery to the ordinary people. It is increasingly realised that neoclassical economics is in crisis. There is a struggle to capture the soul of economics as envisaged by Adam Smith, Karl Marx and John Maynard Keynes. Unfortunately, in recent past economics exhibits dangerous trends towards homogenisation and silencing of dissenting perspectives through exclusion. The 4th and the 5th chapters of the book under review elaborate this trend and its outcomes. Economics education does not expose students to alternative perspectives. It does not allow them to be critical. The failure of economics to predict or explain the global financial crisis of 2008, and the failure of economics as a discipline to reduce some of society's most pressing problems like instability, unemployment, poverty and inequality have not gone unnoticed. One can hear dissenting voices coming from different directions. A plea for pluralistic economics is made and a group of activists have the following to say:

We, the underprivileged are concerned with the threat to economic science posed by intellectual monopoly. Economists today enforce a monopoly of method or core assumptions, often defended on no better ground than it constitutes the 'mainstream'. Economists all advocate free competition, but will not practice it in the marketplace of ideas.

These words were a part of an open letter signed by 44 leading economists (including four Nobel Laureates) and published as an advertisement in the *American Economic Review* in May 1992.

The book under review, as already stated, makes a forceful plea for a new spirit of pluralism in economics involving critical conversations between different approaches. The reviewer of this book holds the view that a similar plea can be made in the case of management education also. The rise of econocracy and the narrowing perspective of economics as a discipline support each other. A similar trend is found in the case of management studies. Americanisation of management education is widely reported as well as dissented. As a result, Critical Management Research (CMR) has emerged. American pragmatism is behind the development of modern management studies. There is a view that alternative perspectives such as critical theory, postmodernism, deconstructionism, post structuralist feminism and queer theory should find a place in discussions.

To conclude, the book '*Econocracy*' (2016) will surely give a lot of insights to students of economics and business management.

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