

Heterodox Economics

The Alternative to Neoliberal Market-Fundamentalist Economics

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- 1 Mainstream-neoclassical economics is the theoretical foundation of neoliberal, market-fundamentalist economic policy.
- 2 Heterodox economics enables us to think beyond market-fundamentalism and to find/remedy the root causes of socio-economic problems.

Neoclassical Economics

- “Economics is the science which studies **human behavior as a relationship between ends and scarce means** which have alternative uses.” (L. Robbins. 1932. *An Essay on the Nature and Significance of Economic Science*)
- “Economics is the study of how individuals, businesses, and governments make decisions and how the market mediates those decisions across a wide range of domains.” — [Economics at the Ohio State University](#)
- “Economics is the study of how society allocates scarce resources. From principles to advanced topics classes, from preparatory courses in mathematics and statistics to research opportunities, the program strives to convey how economists reason and how they analyze models and compare model implications to observations.” — [Economics at the University of Chicago](#)

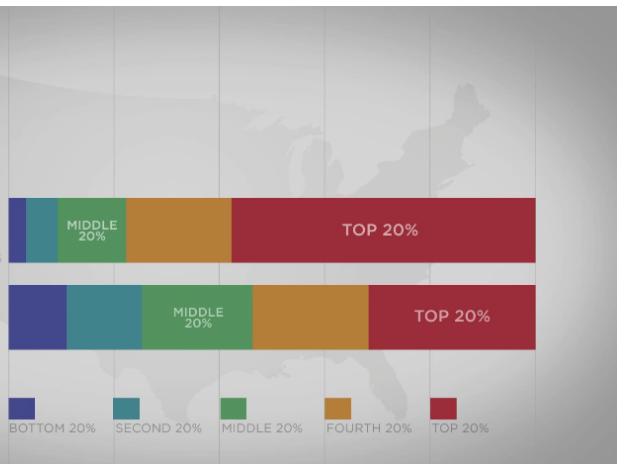
Neoclassical Economics and Neoliberalism: A Perfect Match

- Competitive markets “behave” like a machine that generates what people “want”, and that allocates scarce resources efficiently.
- The **natural** and **universal** law of supply and demand
- Survival of the fittest
- **Make (or take) the money** as opposed to **make goods and services**.
- Both economic and non-economic activities are viewed through the lens of the market principle.
- Unregulated free markets and *laissez-faire* economic policy are legitimized.

WEALTH INEQUALITY IN AMERICA

What Americans
THINK
The Distribution Is

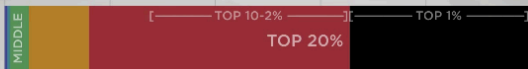
Distribution
92% Choose as
IDEAL



Source: New Economics Institute, neweconomicsinstitute.org

WEALTH INEQUALITY IN AMERICA

ACTUAL
Distribution of
Wealth in the U.S.



What Americans
THINK
The Distribution Is



Distribution
92% Choose as
IDEAL



BOTTOM 20% **SECOND 20%** **MIDDLE 20%** **FOURTH 20%** **TOP 20%**

WEALTH INEQUALITY AMERICA

15.1%

SOVERTY LINE

ACTUAL Distribution of Wealth in the U.S.

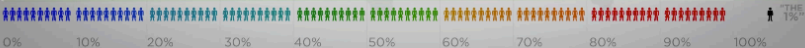
"THE WEALTHY"

40%

"THE RICH"

"THE MIDDLE CLASS"

"THE POOR"



What's Wrong?

“Ill-founded economic theories provide a seemingly scientific rationale for doing the wrong thing.” — Frank Ackerman (2005)

The Law of Supply and Demand?

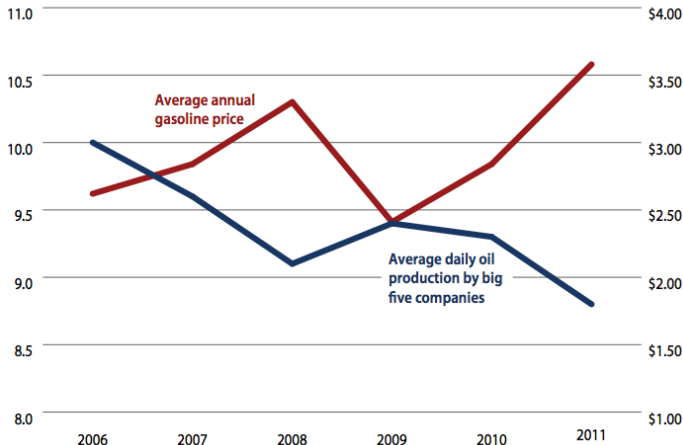
Is the “law of supply and demand” the universal principle that coordinates all economic activities and events under capitalism?

Gasoline prices go up while big five oil production drops

Gasoline prices vs. big five oil production, 2006–2011

Annual big five oil company production
in millions of barrels per day

Average annual gasoline prices per gallon



Source: Center for American Progress, 2012

What Drives and Who Controls Gas Prices?

- Every 1 cent increase in gasoline price yields \$200 million in profit (on a quarterly basis) for the largest oil companies.
- Oil companies are holding thousands of unexplored or undeveloped leases in federal lands and waters.
- Oil companies are also closing refineries, threatening to slash fuel supplies.
- Big Oil companies will receive \$40 billion in tax breaks over the next decade.
- Wall Street speculators are trading twice as many oil futures as commercial end users—this drives up gasoline prices up to \$1 per gallon.

Neoclassical economics is an Illusion

- The dominant ideas that are produced and disseminated all promote the view that what exists is not only “meek, right, and salutary,” but normal. Thus, ideas that develop in a particular social context are inculcated as universal truths....
Neoclassical economics is the “illusion of the epoch.”
— John Henry (2009). “The Illusion of the Epoch: Neoclassical Economics as a Case Study” .
- “To preserve their illusions, neoclassical economists have found it increasingly necessary to isolate themselves from non-believers [by way of using mathematics and econometrics]. ” — *Post-Autistic Economics Network*

Effects of Neoliberalism on Academia

- Attack on pluralism in economics: Rutgers (1980s), Notre Dame (2011); most academic journals publish only neoclassical economics.
- **What is taught?** Neoclassical economics; self-interested, individual, rational choice; the law of supply and demand; Mathematics and Econometrics
- **What is dismissed?** Marx, Veblen, and even Keynes; Heterodox Economics; History, Methodology and Philosophy

As a result, economics students are ...

- Economics students are more likely to free ride than others.
- Students are less likely to return found money after studying economics but not after studying another subject like astronomy.
- Economists are less generous than other academics in charitable giving.
- Are they selfish bastards?

R.H. Frank, T. Gilovich, & D.T. Regan, 1993. "Does Studying Economics Inhibit Cooperation?", *Journal of Economic Perspective*, 1993

Heterodox Economics: The Alternative to Market-Fundamentalism

- Economics is the study of the on-going, evolving, and instituted social provisioning process.
- “Economics is the study of how resources are used and how to make the best use of available resources. Economics students learn to make decisions that are vital to the success of businesses, nonprofits, government agencies, households, and for society as a whole.” — Economics at Wright State University

Heterodox Economics is Alive and Well

- 38 active heterodox economics associations around the world — AHE, SHE, URPE, AFEE, ASE, AFIT, etc
- 61 graduate and 60 undergraduate programs
- 159 heterodox economics journals
- Over 4,800 subscribers of the *Heterodox Economics Newsletter*

Source: *Heterodox Economics Directory* (2013), heterodoxnews.com/hed

Student Movements are ongoing globally

- In 2000, Paris, students' petition calling for the reform of their economics curriculum: “[Neoclassical economics] is supposed to explain everything by means of a purely axiomatic process, as if this were THE economic truth. We do not accept this dogmatism. We want a pluralism of approaches.”
- In 2001, UK, Cambridge doctoral students: “Opening Up Economics” – Economics' power to change the status quo became limited by the uncritical application of mainstream methods.
- In 2001, Kansas City: “International Open Letter” to all economics departments calling on them to reform economics education and research by adopting the broadband approach.
- In 2003, Harvard students' petition: “better balance and coverage of a broader spectrum of views” and “not only teach students the accepted modes of thinking, but also challenge students to think critically and deeply about conventional truths.”

- In 2010, “Kick It Over” Movement, Berkeley: “You, the teachers of neoclassical economics and the students that you graduate, have perpetuated a gigantic fraud upon the world. You claim to work in a pure science of formula and law, but yours is a social science, with all the fragility and uncertainty that this entails. We accuse you of pretending to be what you are not.”
- In 2011, Harvard students walking out of Mankiw’s EC 10: “We are walking out of your class, Economics 10, in order to express our discontent with the bias inherent in this introductory economics course. We are deeply concerned about the way that this bias affects students, the University, and our greater society.”

Advices for economics students

- Read broadly, think critically, and challenge conventional wisdoms.
- “Knowing about ‘wrong’ theories helps knowing ‘right’ theories.” — Frederic S. Lee
- “The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.” — Joan V. Robinson
- “Remember, your heart is on the left side of your chest.” – a Korean heterodox economist