

Post-Crash Economics:
**What are the implications of the 2007
crisis for the teaching of economics?**

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Economic crisis of 2007-08:

- has highlighted the inability of mainstream economic theory to explain the real world
- has given rise to extensive criticisms of orthodox economics
- has generated demand for alternative economic approaches both in research and teaching

Economic crisis of 2007-08

- Robert Lucas (2003): the “central problem of depression-prevention has been solved”
- Olivier Blanchard (2008): “the state of macro is good”
- Robert Lucas (19 Sep. 2007): “If we have learned anything from the past 20 years it is that there is a lot of stability built into the real economy.”

Prakash Loungani & Hites Ahir (2014):

- look at record of professional forecasters in predicting recessions over period 2008-2012
- recession: a year in which real GDP falls on a year-over-year basis in a given country
- 2008-09: 62 recessions and none was predicted
- 2010: eight recessions were predicted, which turned out to be right in three cases
- 2011–12: 19 recessions, which came largely as a surprise to forecasters

Paul Krugman, “How Did Economists Get It So Wrong?” (2009)

- Economists have an idealised and romanticised vision of the economy
- Economics neglect:
 - imperfections of markets (especially financial markets) causing sudden and unpredictable crashes
 - dangers created when regulators do not believe in regulation

Mainstream or 'orthodox' economic theories:

- based on neoclassical economics
- assume perfect competition, full information and homogeneity within production factors
- produces neoliberal policies associated with the Washington Consensus
- are central to failures of these policies but continue to be taught largely without criticism in universities across the world

Neoliberalism: Oversold? (IMF, 2016)

- Strong and widespread global trend toward neoliberalism since the 1980s
- Some aspects of the neoliberal agenda have not delivered as expected: increased inequality
- Negative impacts on the level and sustainability of growth
- Even if growth is the main objective of the neoliberal agenda, advocates of that agenda should pay attention to distributional effects

Heterodox:

- not in accordance with established doctrine
- heteros “other” + doxa “belief/opinion”

⇒ Heterodox economics: refers to economic theories and groups of economists that are an alternative to mainstream (orthodox) economics

- University of Manchester Post-Crash Economics Society (founded 2012):
 - Inadequacies of the discipline to address contemporary needs of economics students
 - Need to change significantly teaching methods and contents of syllabus
- Rethinking Economics (2012):
 - International network of students and academics which promotes pluralism in economics

- New Economics Foundation (1986):
 - A new model of wealth creation, based on equality, diversity and economic stability
 - Working with people igniting change from below and carrying out rigorous research to fight for change at the top
- Institute for New Economic Thinking (2009):
 - Economists who challenge conventional wisdom and advance ideas to better serve society

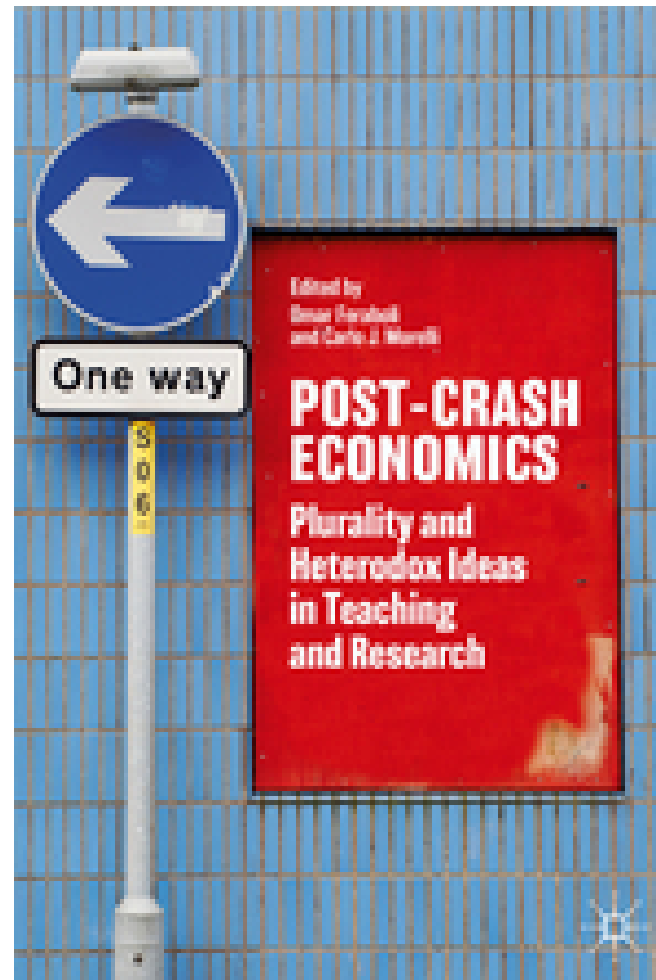
- International Student Initiative for Pluralist Economics (2014):
 - Network of 82 associations of economics students from 31 countries around the world
 - Standing for a more open, diverse and pluralist economics
- CORE Project (2012):
 - Changing economics education to a focus on the most important problems in our societies

- Scottish Economics Conference 2020 held at the University of Dundee

New economists:

- have “responsibility” to question Adam Smith
- have a duty to make global trade more ethical
- should question traditional business practices

Post-Crash Economics
Plurality and Heterodox
Ideas in Teaching and
Research (2017)



Students contribution

- Questionnaire for students: the aim was to provide 'food for thought' to produce a set of experiences, critiques, proposals and ideas
- UG and PG students taking part in 2016 and 2018 Conferences on Teaching Economics at the University of Dundee
- 3rd-year Macroeconomics students (academic year 2016-17 onwards)

Students Responses on Post-Crash Economics

- Lack of realism of economic models
- Lack of pluralism in economics teaching
- Criticism of mainstream and neoclassical approach
- Inadequacies in mainstream economic theories to address contemporary needs of economics students
- Need of engaging to discuss limitations of economic theory

- Recognition of the need for alternative and novel approaches
- Need to rethink teaching methods and contents of syllabus
- Lack of engagement with the historical evolution of the subject
- Some students think they are being “indoctrinated” into believing that the neoclassical school is sufficient

- Unwillingness to admit the past failures of policy built on orthodox models can be interpreted as belief in its infallibility and a rejection of the complexity of human actions
- Need for innovative and heterodox ideas in curricula which go beyond the traditional neoclassical approaches
- Lack of intellectual diversity which limits ability to deal with challenges (such as financial stability, food security and climate change)

- Mainstream economics has limitations in addressing policy issues
- Many models are over-simplified and therefore unrealistic
- Studying multiple approaches is crucial to deepening knowledge
- Neoclassical economics neglects the historical dimension (as argued by Hodgson “Economics forgot history”)

- When what is historically specific is ignored, then claims to universal and eternal truth are frequently false
- Economists have “mistook beauty, clad in impressive-looking mathematics, for truth.” (Krugman, 2009)
- The concept of marginal utility has severe limitations which makes it useless in the real world

Conclusions

- Recognition that neoclassical economics is only one approach
- Economic curricula need reformation
- If we do not change economics teaching now, then when?
- Scope per future work: coronavirus crisis is forcing further rethink in macroeconomics and may lead to a new way of economic thinking
- The end of Neoclassical Economics?