

西方经济学评论

- Maria Cristina Marcuzzo A Methodological Agenda for New Economic Thinking
- Bangxi Li Turnpike Paths in a Marx-Sraffa-von Neumann Model with Fixed Capital: A Case Study of China's Economy 1995—2000
- SU Anna What Led China's Structural Changes of Export?
- 邓存维 不确定选择的一些新观点
- 唐绍欣 王小娇 货币与金融地理学研究：文献综述
- 陈 璋 陈大权 试论投入产出分析的若干方法论问题：兼论总量方法与结构方法的基本特征
- 杨 旭 劳动分工取代自给自足的演化分析
- 吴汉洪 孙耀祖 X非效率的实证研究：基于我国钢铁业上市公司数据
- 陈彦斌 霍 震 中国货币政策规则的一种推测：来自于调查数据、马尔可夫机制转换和时变参数的证据

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中国人民大学经济学院 主办
学术顾问 胡代光 吴易风

方福前 主编

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目录

A Methodological Agenda for New Economic Thinking	Maria Cristina Marcuzzo/ 1
Turnpike Paths in a Marx-Sraffa-von Neumann Model with Fixed Capital: A Case Study of China's Economy 1995—2000	Bangxi Li/ 15
What Led China's Structural Changes of Export?	SU Anna/ 25
不确定选择的一些新观点	邓存维/ 55
货币与金融地理学研究：文献综述	唐绍欣 王小娇/ 65
试论投入产出分析的若干方法论问题：兼论总量方法 与结构方法的基本特征	陈璋 陈大权/ 84
劳动分工取代自给自足的演化分析	杨旭/ 97
X 非效率的实证研究：基于我国钢铁业上市公司数据	吴汉洪 孙耀祖/ 113
中国货币政策规则的一种推测：来自于调查数据、 马尔可夫机制转换和时变参数的证据	陈彦斌 霍震/ 128

A Methodological Agenda for New Economic Thinking

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1. The current economic crisis has drawn increased attention to the explanatory failures of modern economics. As market failure came to dominate discussion, idea failure was seen to play no secondary part. De Grauwe (2010) saw in this “an intellectual framework that blinded economists and policy-makers” resulting from the systematic use of erroneous assumptions and hypothesis in current macroeconomics.

Which are the “erroneous assumptions and hypothesis” under scrutiny? There is some consensus that the assumption of full rationality, efficient markets and the macromodel of Dynamic Stochastic General Equilibrium (DSGE) models constitute the main culprit, and in particular the belief that the market adjustment will always tend to equilibrium. This belief is based on four principles:

i) consumers always maximize their individual utility under a budget constraint; ii) producers always maximize their profits under a resource constraint; iii) markets may come up against some bumps here and there but in the end, after a few quarters, they always clear and iv) the representative agent was guided by rational expectations. Hence, a shock could move the economy away from “steady state growth” but after a dynamic adjustment process that could take up to a few quarters it will always bounce back to the steady state. Hence, even assuming some lags due to sticky wages and prices, consumer habits and adjustment investment costs, as long as they assumed “rational” behaviours of consumers and producers, rational expectations and an inherent market ability to clear, shocks will always generate an inter-temporal trend towards equilibrium in DSGE models. DSGE models did not include the financial sector because the predominant macroeconomic thought in the USA when they were created held that the financial market always cleared and no financial disequilibrium was possible—the so called (?) “efficient market hypothesis” (Garcia, 2011: 4).

In the face of the failure of DGSE models to predict, interpret and provide policy indication for the crisis, the profession reacted with a variety of responses which, for the purpose of my talk, I classify in three broad groups: A) The Radicals, who question almost all the presuppositions upon which standard macro and micro economics are built; B) The Reformers, who claim some changes are called for within the existing macro and micro

models; C) The Conservatives, who believe that the crisis has not proved that what has been done in economics in the last decade is flawed, but on the contrary indicates the path to follow.

These categories are in fact not hard and fast when it come to allocating individuals to any of these groups, with the exception perhaps of the Radicals and the Conservatives, but they serve the purpose of isolating the nature of the solutions proposed. Just to give a few examples of the positions described above, here are some quotations to illustrate the three positions. The radical stance can be summarized in the following proposition: “Not distinguishing *uncertainty*, which is not calculable, from risk, which is, banks, embracing the assumptions of neoclassical or efficient markets finance with mathematical algorithms, believed that they were able to calculate risk with a ‘high probability of being right’” (Bresser-Pereira, 2009: 12). According to this view, the consequence of embracing the assumption that all risks can be calculated, following the “efficient market economics” has been to increase rather than reduce the frequency of financial crisis.

Blanchard (2008) can be taken as representative of the second group. In an often quoted paper he stated that “the state of macro is good”. He openly admits that in the basic New Keynesian model there is no unemployment, but he believes that the problem can be “fixed” by introducing a more sophisticated explanation of the *real* and *nominal* wage rigidity assumption as prevailing in the labour markets. Blanchard is also adamant that the model “falls short of the mark” in assuming an “arbitrage approach” to the determination of the term structure of interest rates and asset prices, leaving no room to the role that financial institutions play in the economy. He is optimistic about the future of the subject, declaring boldly that “one can be confident that progress will happen rapidly”.

Chris Sims, the newly awarded Nobel prize-winner, has claimed (Sims, 2010) that “It’s not true that DSGE ignored the possibility of global instability. Though they have mostly been used in the form of local linearization around a stable steady state, their global stability properties have been studied by the people who develop and use them” ... [NK DSGE modelers] they are introducing simple forms of heterogeneity, agency problems, and financial intermediation, and coming up with models that promise to be nearly as manageable as existing DSGE’s for fitting to data, yet usable to study the origins of the recent crisis and policy options for emerging from it.

In section 2 I look into the suggestions made to set up the agenda for the development of alternative paradigms, concentrating mainly on the views emerging from the Institute for New Economic Thinking, which held its inaugural Conference at King’s College in Cambridge in April 2010 on the theme *The Economic Crisis and the Crisis in Economics* and the second in Bretton Woods on the theme *Crisis and Renewal: International Political*

Economy at the Crossroads.^① These events brought together economists of various orientations, skills and persuasion, all disillusioned (to varying degrees) with the present state of economics and committed to promoting change in the way economics is practised in research and teaching. The participants were asked to analyse the present situation and to air opinions as to what should and could be done. It is impossible to do justice to all the ideas and suggestions made; my modest purpose here is to look into few of the proposals with a view to assessing their contributions in addressing “the failure of ideas” issue and setting up the agenda for new economic thinking:

In sections 3 and 4, I examine the main lessons to be drawn from the work of Keynes and Sraffa, which seem to me an essential part of the criticism of mainstream economics; in section 5 I raise some issues against the existing career models and system of evaluation of research in economics; finally, in Section 6 a few closing thoughts are offered as conclusions.

2. Those research guidelines which have focused on rejection of the assumptions of extreme individual and markets “rationality” and reliance on Dynamic Stochastic General Equilibrium (DSGE) have stressed various different aspects of the reasons behind this “failure of ideas”. I find it useful to re-group them under four headings. a) Rationality; b) Interactions; c) Equilibrium; d) Formalism. I will briefly examine them in turn.

a) *Rationality*

One of the alternative approaches to replace “rational expectations” in formulating the micro-foundations of models of aggregate outcomes comes from Frydman and Goldberg and their so-called Imperfect Knowledge Economics (IKE). They insist on recognition of the limits to the knowledge commanded by economists, market participants and policy officials alike and, (following Knight and Keynes), on acceptance that the complete set of outcomes of economic decisions and policies and their associated probabilities can neither be inferred from past data nor known in advance. However, since individual decision-making displays some regularity, they claim (unlike Keynes) that it is possible to represent it with a mathematical model which allows for the probabilistic formalism. These regularities—the ways in which market participants make and alter their decisions—are better formalized with *qualitative* conditions than with deterministic models. In formulating these qualitative conditions IKE “incorporates observations concerning the social context within which individuals make decisions, including the historical record and conventions among market participants” (Frydman and Goldberg, 2010). In this respect they attempt to go beyond psychol-

^① The second Conference (2011) was held in Bretton Woods on the theme *Crisis and Renewal: International Political Economy at the Crossroads*; the third Conference (2012) is to be held in Berlin on the theme of *Paradigm Lost: Rethinking Economics and Politics*. See (www.ineteconomics.org).

ogy, which is the area behavioural economists focus on in particular.

On the contrary, W. Buiter (2009) firmly believes that the future “belongs to behavioural approaches relying on empirical studies on how market participants learn, form views about the future and change these views in response to changes in their environment, peer group effects etc”. A similar view comes from Akerlof in presenting his notion of “animal spirits” (purportedly drawn from Keynes) as alternative to the economic “rationality” in the optimal choice assumed by the orthodoxy. Confidence, fairness, corruption, money illusion and stories are the “real motivations for real people” (Akerlof, 2009) and the true drivers of human actions. According to this view, it is not limited knowledge or lack of information which bound rationality and restrict the set of optimal choices; rather, it is the scope of human behaviour which extends beyond economic calculation.

b) *Interactions*

Can problems be solved by replacing rationality with more realistic behavioural assumptions? Some people have cast doubt on the idea, suggesting that solution lies elsewhere. What seems to be missing in current macro analysis, according to these economists, is the study of interactions and connections between actors. Interestingly enough the main accusation comes from someone like J. Stiglitz, who has been one of the most active players in the history of macroeconomics of the last 20 years. Now he claims that most of the problems posed by the crisis cannot be addressed within the representative agent model, which is at the basis of current macromodels: “It is not that it makes the wrong assumptions about behaviour but that the behaviours under examination are precluded by assumptions” (Stiglitz, 2010). In fact, when there is a single agent those informational asymmetries, externalities and predatory behaviour which have characterized recent events in financial markets by construction cannot be accommodated within the model. So what is the solution? Positive proposals have come from economists, such as Doyne Farmer of Santa Fè, who is committed to rebuilding macroeconomics from “bottom up”, namely collecting data on actual people to calibrate a rich model with millions of interacting agents. He envisages the economy as a complex system which requires the aid of powerful computers to model full complexity and make empirically testable predictions, on the basis of simulation of the decision-making of households, firms, banks, government (Farmer, 2010). The same claim is made by Brian Arthur, who draws the distinction between standard economics and complexity economics on the basis of the question asked: while the former is concerned with what is agents’ behaviour in equilibrium with the pattern it creates, the latter asks how agents will react next and the pattern further unfold (Arthur, 2011).

c) *Equilibrium*

A similar point is made by the economists who firmly believe that the dynamics of a complex system cannot be captured by the standard notion of equilibrium. We have two

eminent economists, such as Axel Leijohnhufvud and Duncan Foley, who insist on this point.

Leijohnhufvud claims that the interesting distinction in macroeconomics is not between short-run and long-run effects, but between market processes that keep departures from equilibrium prices and outputs within more or less stringent bounds and those which do not, giving rise to deviation-amplifying movements. He objects to standard macro theory which attributes short-run problems to “sticky wages” or other “frictions” which by their very nature give way in the medium-to-long run, claiming that this is quite the reverse of what actually happens. He writes: “The really serious short-run problems stem from instabilities and tend to be aggravated rather than helped by very flexible prices. Over the longer run, on the other hand, inflexibilities of one sort or another are at the root of imbalances that eventually will destabilize the system” (Leijohnhufvud, 2010). So the dynamics of a complex system cannot be addressed with the notion that markets converge to stable equilibria. Similarly, Foley claims that the opportunities to introduce constructive new ideas into economics, are “all connected in one way or another to the vision of the economy as a complex, adaptive system far from equilibrium” However-he argues- “if one uses sophisticated mathematical methods to analyze a complex adaptive system far from equilibrium under the prior assumption that it is an equilibrium system, the sophistication of the mathematics is not going to correct the fundamental conceptual error”. Moreover, Foley argues, the mathematics employed by economists is of the wrong type. “Where entropy maximization plays a central role in physicists’ understanding of dynamic complex phenomena, economists are pointed toward stochastic optimization theories. Economics comes to a vision of the economy as an exact optimizing process rather than as a chaotic, self-organizing process that approximates orderliness” (Foley, 2010).

d) *Formalism*

Questioning the excess of mathematics in the economists’ training and practice has always been high in the agenda of the heterodoxy. The point has been made by several Post-Keynesian, Neo-Ricardian and Institutional economists alike before and after the recent “failure of ideas”. In particular, Tony Lawson draws attention to the mismatch between the nature of social material and the conditions required for mathematical methods to have utility, which accounts for the failures of the formalist project in modern economics. The direction of new economic thinking must be not “to a form of mathematical modelling identified as Keynesian, but to a form of analysis that takes its leave from Keynes’ critique of such modelling, certainly from a critique of any insistence that modelling of a mathematical deductive type is the only way to proceed” (Lawson, 2010). Most of the suggestions made at the INET, however, fail to challenge the core of mainstream theory on this ground; indeed, the exceptions are very few (Dow, 2010; Lawson, 2010; Davidson, 2011; Sec-

careccia, 2011). I personally believe that the search for an alternative to orthodoxy should take stock of the radical rejection of the standard mode of thinking as accomplished in the methodological critique proposed by Keynes and Sraffa.

3. In many aspects is it Keynes (mostly revisited by Minsky) who has been invoked in the aftermath of the crisis. However this “Return to Keynes” euphoria (Bateman-Hirai-Marcuzzo, 2010) has been short-lived. Indeed, the concept of uncertainty as opposed to risk, the argument that aggregate outcome is not just the sum of individual behaviour, the crucial role of aggregate demand as determinant of employment and output, have come back to life in the popular and academic press, but there are signs of a reversal going on. The cycle is aptly described by Seccareccia:

“For a short period during 2009 and 2010, there was a ‘Keynes moment’ when all governments internationally implemented fiscal stimulus packages largely on the basis of Keynesian demand-side ideas regarding the merits of running budget deficits in times of recession. These ideas defended by policy makers tended to be in strong conflict with the views of most academic economists who had been trained for decades to believe that budget deficits are destabilizing because they would ultimately lead to higher interest rates accompanying higher rates of inflation. Since early 2010, this new policy framework seems slowly to have been abandoned. On the one side, there has been significant pressure coming from conservative politicians who are alarmed at the large size of the public sector deficits because of fears of non sustainability of the public finances. At the same time, there has been pressure from mainstream neoclassical economists who fear that long-term deficits would be destabilizing for the economy, because ultimately, it is argued, governments face an inter-temporal budget constraint, whereby current fiscal expansion must be followed ineluctably by future fiscal contraction. Although this view has been severely criticized by heterodox economists, policy makers seem to have reverted back to the pre-2008 policy position on the need for an ‘exit strategy’ and a return to balanced budgets” (Seccareccia, 2011).

Discussion of the trade-off between the need to reduce government debt and to sustain aggregate demand in Europe and USA has proved that Keynes’s lessons are difficult to learn and to be accepted. The dividing issue between Keynesian and anti-Keynesian positions appears to be the relationship which is established between the size of the deficit and the level of income and unemployment. Since there is no theory to justify the “right” size of deficit nor the amount of government spending, the issue at stake is the scale of priorities; in times of recession and high unemployment the priority is to sustain the level of aggregate demand, to increase the level of income and employment. Only recently, with the tragedy of Southern Europe countries risking default, has there been a shift towards concern for measures of growth and not just reduction of public debt. Paul Krugman and Jo-

seph Stiglitz have increasingly become the most strenuous propagators of this view.

Indeed the revival of Keynes has proved to be limited in breadth and scope, and many interesting features have remained wrapped in oblivion. There are issues which have not come to the forefront, such as Keynes's opposition to the economists' attempts to imitate the standard of scientific inquiry set by physics. It may therefore worthwhile to rekindle his argument.

In the *General Theory*, after explaining that the level of employment oscillates around "an intermediate position" below full employment and above the minimum subsistence employment (CWK VII: 254), Keynes adds:

"But we must not conclude that the mean position [of employment] thus determined by 'natural' tendencies, namely, by those tendencies which are likely to persist, failing measures expressly designated to correct them, is, therefore, established by laws of necessity. The unimpeded rule of the above conditions is a fact of observation concerning the world as it is or has been, and *not a necessary principle* which cannot be changed" (CWK VII: 254, my italics).

The point made here is that in economics "we cannot hope to make completely accurate generalisations" (ibid.) because the economic system is not ruled by 'natural forces' that economists can discover and order in a neat pattern of causes and effects. The task of economics, according to Keynes, is rather to "select those variables which can be deliberately controlled and managed by central authority in the kind of system in which we actually live" (ibid.).

Keynes strenuously opposed the economists' attempts to imitate the standard of scientific inquiry set by physics, asserting as the object of economic theory that of developing a logical way of thinking about factors which are "transitory and fluctuating" (CWK XIV: 297). Economic theory is not required to discover absolute, general laws which the economic system obeys but rather to explain decisions taken under different conditions of knowledge by different agents and the social context in which they operate.

In the *General Theory* Keynes accepted many assumptions of the neo-classical theory—supply and demand analysis, profit maximisation, rising marginal costs, a given degree of competition—but he radically opposed the methodological implications that economic theory (even his own, for that matter) could claim universal validity and generality, regardless of the particular circumstances in which it might be applied.

This "relativist" stance, in Keynes's epistemology, can be illustrated by reference to the independent variables of the *General Theory*. In fact, while the liquidity preference, the propensity to consume, the marginal efficiency of investment, the wage unit and the quantity of money are presented as the "ultimate independent variables", there is no suggestion that this distinction could ever be general; on the contrary, the division is said to

be “quite” arbitrary from any *absolute* standpoint (CWK VII: 247).

Keynes is thus challenging economics to abandon the “modernist claim” to be a scientific study of society and become an investigation “into problems which seek to bring about defined or desired end states (or solutions) and clarify values” (Parsons 1997, xiv). In fact, once the fallacy of the analogy of economic laws with physical laws is exposed, the possibility of promoting values and attitudes to change society as a whole becomes apparent. Keynes’s struggle to promote reasonable collective behaviour is grounded on confidence in progress: “it is many generations since men as individuals began to substitute moral and rational motive as their spring of action in place of blind instinct. They must now do the same thing collectively” (CWK XXVII: 453).

In conclusion, the most significant implication of Keynes’s rejection of the mechanical view of economics as a discipline aiming to discover “scientific” laws and be *wertfrei*, is the claim that “moral thinking” and “moral values” (CWK XXVII: 387) are embedded in any social philosophy and the economist’s quest is to find out how ends are better implemented and which institutions are more apt to the purpose of the social goal.

4. I will now turn to Sraffa’s criticism of the use made of the marginal method, which is used throughout in neoclassical theory to determine the optimal choice of the economic agent. It is on this method that demand and supply functions of goods and factors are constructed, whereby prices and distribution are determined.^① Serious objections to the generalized use of supply and demand analysis and marginal method have not become part of the box of tools to tackle the failure of ideas of standard economics. Unlike the practice with Keynes, there has been no “Return to Sraffa” in academia nor in the media, for the simple reason that with the exception of a short span of time, when the capital controversy raged in the 1960s and 1970s, the profession at large failed to acknowledge his importance. There is also another reason which accounts for the oblivion: Sraffa wrote a great deal, but published very little. Now that his papers have become available,^② we are in a better position to appreciate the scope and the breadth of his contributions.

In order to elucidate his criticism of neoclassical economics, Sraffa made a distinction between three types of magnitudes in economics:

i) those that are directly measurable in production and consumption processes (acres of land, tons of grain, etc.); ii) the purely subjective magnitudes (such as sacrifice or utility), which are not observable and cannot be measured; iii) magnitudes – such as marginal productivity – which can be brought about by experiment only. Unlike counterfactu-

① This section of the paper draws on Marcuzzo-Rosselli 2011.

② Sraffa papers (SP) are kept in Trinity College, Cambridge. They number 115 archival entities consisting of notebooks, folders of notes, typescripts and proofs.

als, marginal magnitudes are propositions regarding happenings that can be subjected to experimentation. I do not agree with Sen's interpretation (Sen, 2003) that Sraffa rejected them as counterfactuals of the type "what would have happened to European history if Napoleon had won at Waterloo". This proposition cannot be made object of an *actual* experiment; on the contrary the experiment of measuring production upon adding the $n+1$ th factor can be carried out, but it cannot be claimed that, thanks to the experiment, variation in production observed measures the marginal productivity. In fact, all marginal magnitudes share the nature of being a sequence of mutually exclusive alternatives (i. e. we cannot observe n and $n+1$ units of factors at the same time) and therefore we have no certainty that the *ceteris paribus* clause holds.

By means of the experiment measurement is made of the product obtained with $n+1$ units as compared with that obtained in different circumstances in the preceding instance with n units. We measure only the difference between two average products, obtained in circumstances other than those obtaining before. There are no grounds to conclude that the marginal variation is the contribution of the marginal unit. Here is a relevant passage from Sraffa's unpublished writings, dated [October 1929]:

" [demand and supply curves, marginal productivities, which form the basis of Marshall's theory, (or, rather, Pareto's)] do not exist at any one moment, nor during any period of the recurrent steady process of production and consumption. They are alternatives, only one of which can exist in any one position of equilibrium, all the others being thereby excluded [...] Therefore they cannot be found by merely observing the process or state of things, and measuring the quantities seen. They can only be found by experiments ... But the experiments have an entirely different significance: they actually produce facts which would otherwise not happen at all; if the experimenter did not step in first to produce them, and then to ascertain them, they would remain in the state of 'unknown possibilities', which amount to the deepest inexistence" (SP D3/12/13/3) (quoted in Marcuzzo-Rosselli, 2011).

The question may arise whether Sraffa's objections to the demand and supply function are tantamount to rejection of the hypothetical-deductive reasoning, the "what-if" thought experiment, which is the accepted scientific method of analysis in social and natural sciences. Clearly this is not the case. The objections are raised against the claim of generality and universality of the relationship between prices and quantities, or of the functional forms of demand and supply equations required for the existence and stability of equilibrium in neoclassical theory. These objections do not apply to reasoning based on observed magnitudes and measurable entities involved in the exchange and production processes where the resting positions of the variables involved can be ascertained without invoking alternative ? neither observable nor measurable? configurations.

Sraffa's lessons seem to be even more remote from the questions posed by the crisis, in the realms of both policy and theory. And yet we have recently seen renewed efforts which offer a positive contribution to understanding the roots of the crisis, combining Sraffa's and Keynes's teaching. For instance it has been claimed that in the US the crisis originated from a distribution of income problem, i. e. a private debt which increased to offset the fall in wages and salaries. So the remedy is to substitute public for private debt, increasing expenditure on health, education and housing, so as to restore an adequate and sustainable level of aggregate demand (Barba-Pivetti, 2009).

In conclusion, I think that Sraffa's methodological criticisms of neoclassical theory of price and distribution still hold water and that ? dropping? the pervasive "individual maximization" paradigm together with the reasoning at the margin method would greatly advance our understanding of economics; this is Sraffa's main lesson to be drawn against ? mainstream economic theory.

5. If a new way of thinking is to be generated in economics, it must be born from minds trained not only to mathematical or statistical skills, but refined through an understanding achieved also by drawing upon the social sciences.

For this to come about, however, there must be the right sort of incentives to stimulate the production of innovative tools and rigorous reappraisal of the existing teaching and career models. Change is needed in the systems for evaluating the quality of research in economics, departing from the present approaches in new directions.

Reasonable as the publish or perish system for progress in the academic career evidently is, it has nevertheless turned into a perverse sort of beauty contest, where the point is to hit on what the majority of economists (in the journals that count) think should be written. From exercises in evaluation carried out with various methods, it emerges that the journals' rankings are constructed on the basis of criteria in part debatable (for example, quality measured by the quantity of citations) and in some cases arbitrary. Comparison with the evaluation processes for research in physics or biology, where the quality of scientific research is in any case subject to discussion, may result in something closer to parody than virtuous imitation. The idea of a universally valid criterion to measure the "quality" of an article is, of course, a mere pipe dream, and examples are not hard to find of cases of *path dependence*, or "return" of popularity for a certain article or contribution. Insistence on the objectivity of evaluation, beyond the limits of a reasonable peer review consensus, inevitably brings us up against a whole series of difficulties. The literature on comparison of rankings in economics journals shows, with the possible exception of the top and bottom levels, just how great the margins of the variability prove. ^①

① For an overview of the different ranking see www3.eeg.uminho.pt/.../nipe/centpre+nipe-rank/.

In the mid-1980s the American Economic Association (AEA) launched discussion on the topic of educating and training new generations of economists, setting up a Commission on Graduate Education in Economics (COGEE) to study the matter. The Commission's Report was published in the *American Economic Review* in, 1991 (Krueger, 1991), but the findings it presented were so controversial that it was never accepted as an official document of the AEA. In fact, it brought into focus "a number of problems in the profession such as a lack of focus on the inculcation of applied research skills, untoward emphasis on mathematics and axiomatic reasoning instead of analyzing institutions and historical change, inadequate attention to the training with respect to communication and writing skills, an absence of creativity, and excessive emphasis on conformity and homogeneity in professional discourse" (Bernstein, 2008).

The Commission was given no further mandate. It would be an interesting counterfactual exercise to conjecture what the profession would have been like today if the analyses and recommendations of the AEA Commission had been acted upon. If research funding had been channeled into other areas and approaches, the state of the profession and, indeed, of the economy might have been rather more comforting. Discontent with current practices in training and research in economics has been voiced by many quarters. In his written evidence to the U. S. House Science and Technology Committee, David Colander explained why things are the way they are, with the following account:

"During that time [the last 30 years] the NSF and other research funding institutions strongly supported DSGE research, and were far less likely to fund alternative macroeconomic research. The process became self-fulfilling, and ultimately, all macro researchers knew that to get funding you needed to accept the DSGE modelling approach, and draw policy conclusions from that DSGE model in your research. Ultimately, successful researchers follow the money and provide what funders want, even if those funders want the impossible. If you told funders it is impossible, you did not stay in the research game." (Colander, 2010).

In a similar vein, Judge Richard Posner, one of the most influential figures in the law and economics movement in the US, declared in a recent interview in the *New York Times* that: "market correctives work very slowly in dealing with academic markets. Professors have tenure. They have a lot of graduate students in the pipeline who need to get their Ph. Ds. They have techniques that they know and? are comfortable with. It takes a great deal to drive them out of their accustomed way of doing business". ^①

Among the unfavourable conditions which may thwart the development of a new economic thinking, a commentator of the inaugural INET conference mentions the "pressures

① www.newyorker.com/online/blogs/johncassidy/2010/01.

to conform with the prevailing orthodoxy in economics [...] which in recent years have been given a new structure and force by formal systems for the assessment of research funding that place the primary emphasis on publication in a limited number of prestigious journals" (Conford, 2010).

I believe that this a serious concern which should rise to the top of any agenda for new economic thinking.

6. Mirowski (2010) argues-to my mind convincingly-that the "remedies" generally proposed to overhaul the mainstream approach (behavioural economics, rejection of the efficient market hypothesis and extirpation of the Dynamic Stochastic General Equilibrium (DSGE) macroeconomic model will not fix the problems with orthodox theory, which ultimately rest with the method and substance of neoclassical economics. I entirely agree that it would be more promising? to consider ??? those approaches which question more radically the presuppositions upon which standard economics is built. As the reader will have guessed, I side with the Radicals and with those at INET who question practically the whole lot of presuppositions upon which standard macro and micro economics are built. While I appreciate efforts to? reappraise? existing methods and practice by proposing more sophistication in the tools of analysis, I am doubtful that much progress can be made along this path.

My conclusion rests on three points. Firstly, agreement about the pitfalls of orthodox teaching and research does not entail agreement on how to avoid erroneous representation and which alternative routes are open to us; there are conflicting views as to what is to be done, with the consequence that the search for an alternative is all the slower and harder. Secondly, recognition that there is indeed an identifiable "neoclassical" core of mainstream thinking to which methodological and substantive objections can be made, following in the footsteps of Keynes and Sraffa, is a necessary step in building the agenda for new economic thinking. While some recognition of the importance of Keynes is under way in orthodox camp, Sraffa's powerful critique is completely and to my mind wrongly neglected by the profession. My third point is the way economists are trained and what is required ? to ascend the academic ladder matter as much as producing innovative and alternative ideas?; to transform economics we need to find incentives to break through the guild system of the economic profession and make room for a change in practices.

Economists are required not to discover absolute, general laws which the economic system obeys but rather to explain decisions taken under different conditions of knowledge by different agents in the different social contexts in which they operate. The economists' box of tools contains some items that should be discarded, for no new economic thinking can come from pouring new wine into old bottles.

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