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FINANCIAL CRISES, POST AUTISTIC MOVEMENT- RETHINKING ECONOMICS



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Abs tract:- 'Economists' have been targeted for their unrealistic models which failed to predict the arrival of crisis and also which failed to reduce the aftermath of such crises, since early 20th century, be it the Great Depression of 1930s or the recent Global Financial Crisis of 2008. Research being undertaken in Economics, plus the way in which the subject is taught in Universities and put into to practice by the professional 'Economists' are being severely criticised from all possible corners of the civic society. One such major criticism movement was initiated by students from Universities of France, which was famously known as Post –Autistic Movement, in June 2000 by broadcasting an Open Letter addressing the Professors and those responsible for teaching. The sources of their discontentment were the uncontrolled use of mathematics, unrealistic assumptions and the imaginary world in the discourse of Economics. So in this background, an attempt has been made in this paper to document these recent developments in the field of Economics. The paper is structured in three sections. The first section will cover the introduction, financial crisis and evolution of consequent economic thoughts, followed by a brief note on the important issues aroused in Post Autistic Movement in the second section; further in the third and last section article will be concluded stating the need for re-thinking economics through a multidisciplinary approach in studying economics. This paper is one of the amateur documents and maiden attempt in Indian economic literature which is believed to be 'Food for Thought' for researchers and academicians.

Keyw ords: financial Crisis, Post Autistic Movement, Neo-classical Economics, Multidisciplinary Approach.

HIGHLIGHTS

Economics as an academic discipline highly criticised for failing in both forecasting the crises and reducing its severe effects.

Curriculum, teaching and research of universities which is dominant by Unrealistic Neo-classical Economics, need to be revised.

SECTION I INTRODUCTION

Large volumes of literature [see], a series of conferences and discussions have taken place soon after the Global Financial Crisis 2008 regarding the role of Economics and Economists in inducing the crisis as well as their failure to predict the crisis. This enormous amount of intellectual exercises can be broadly grouped under two set of arguments: first stating a crisis in Economics discipline and profession and the second denying this allegation. The former deals with the issues like lacuna in the approach of research, changes to be incorporated in curriculum taught at universities where Neo-Classical Economics is mainstream, and where and why Economics went wrong, whereas the latter set of arguments state the reasons as to why Economists must not be held responsible, why economic theory must not be neglected, defending that Economics is not in crisis but there is a need for rethinking the path of research and teaching in Economics. If a close look is taken on these contrasting arguments it is to be observed that there is a similarity that both urge for bringing changes in the

discipline. But before attempting for such a discussion it becomes appropriate to deal with the financial crisis and evolution of economic approaches so as to build a strong foundation.

FINANCIAL CRISES AND EVOLUTION OF ECONOMICS

The twin philosophies of Socialism and Capitalism have influenced the Economic thinkers since time immemorial. The two popular institutional arrangements – State and Market are off springs of these philosophies. Further the assumptions on which the traditional economic theories are built upon are highly influenced by these philosophies. If the evolution of economic thought as well as economics are reconsidered, then the role of Crises in Economic activity cannot be undermined, be it the result of State failure or Market failure. Starting from the Great Depression of 1930s till the recent Global Financial crisis of 2008, there have been a series of crises especially Post 1990s and debates on causes, consequences and probable remedies have followed consequently, re-stating the role of either State or Market. But what is to be observed here is that economists do not have a uniform set of explanations for these phenomenons. For instance Keynesians and Monetarists have their own versions of narration of events and their own ways of tackling the crises. However the solution provided by Keynes suited apt for the situation and it became popular when the classical economists failed to provide any feasible solution. Thus there was dominance of

Keynesian waves and to the fortune or misfortune of Economics, majority of Keynesian ideas could be quantified with a high rigour of mathematics. Added to this the contributions of Walras, Jevons, Veblen, Samuelson, Hicks, Arrow, Debreu and others carried Economics onto the palanquin of mathematics with crown of "Scientificity", resulting in highly mathematized mainstream Neo-Classical Economics. Although Keynes was prominent critic of the approach of neo-classical school, his works were also highly mathematized with the passage of time by the modern economists who are trained in Neo-Classical framework and were fascinated with the excessive use of mathematics, in fact many of the Econometric texts use Keynesian consumption theory to be a classic example to explain the regression. The 'Keynesian wave' had resulted in the emergence of 'Macro Economics' as a subject in itself and the development of technology proved a conducive environment for creation of statistical packages to build econometric models especially Post 1990s; the years which were accompanied by several set of reforms in the name of liberalisation to integrate world economy in many countries. These developments allowed for a free flow of capital across countries and resulted in a well-developed capital markets and global currencies. Thus a new branch of Economics took birth called 'financial Economics'. This evolution would have been appropriate in the modern sophisticated world if a series of financial crises had not been taken place. The Mexican Peso Crisis, East Asian Crisis, Subprime Mortgage Crisis which ended up in Global Financial Crisis to name a few.

Crises are integral part of any economic system be it in a capitalist or socialist or mixed setup. Naturally as a new Economic thought like Keynesian wave was accepted, in the similar way new thoughts would have been welcomed in the contemporary Economics field but it has not materialised but instead a serious of doubts, discontentment, questions and allegations were raised on the path which Modern Economics was heading to. This was for the strong reason that before crisis, 'Economists' regarded the mathematical modelling and predictions with high esteem and treated this technical approach to be an end in itself with a confidence of quantifying anything and everything under the sun. As a result reputation of Economics as a profession, as an academic discipline is at stake and in struggle to reform, several movements have taken place to rethink and revive the path of Economics.

SECTION II THE POST AUTISTIC MOVEMENT AND ECONOMICS

J.M Keynes was one of the prominent critic of Neo-classical school but if the critics of last fifty years are considered, Seers (1963) stands as one of the intellects who raised serious doubts in Neo-Classical approach to address the problems of Economic development, further a set of other scholars have also attempted to question the dominance of Neo-Classical School and relevance of such a dominance. But unfortunately despite these efforts still Neo-Classical framework is mainstream and is at the heart of academic circles. Student communities have also fought to leave no

stone unturned. Students from University of Sydney are part of a success story in such an endeavour. Because, a separate and autonomous Department was established in the year 2008 under the banner of Department of Political Economy as a response to a series of vigorous protests and agitations by them. (Butler, Jones and Stilwell 2009).

But a most widespread and unique critique which was and is supported worldwide is the discontentment shared openly by French Students in the world wide web in the form of a open petition entitled "An open letter from Economics students of the Universities of France addressed to Professors and those responsible for teaching the discipline", published in *Le Monde* – Reputed daily on June 17 2000. Their major discontentments were:

The dominance of unrealistic Neo-classical framework and sheer absence of alternative frameworks in Economics
Excessive use of mathematics under the notion of providing a pure science tag to Economics
Conventional teaching method which limited the scope of critical thought process

This effort by French students was popularised as Post Autistic Movement for the reason that they have addressed Neo-Classical Economics as "Autistic Science". "Autism" is an informal word which stands for the reflexion of the abstractness and unrealism approach of Neo-classical Economics. Further even though as the initial response Professors were convinced with students allegations and were willing to incorporate changes to suit students needs, a sequence of debates and counter views presented by famous Economists resulted in the publication of counter –appeal by the Professors to "Preserve the Scientificity of Economics" on 31st October 2000 in *Le Monde*.

Students made systematic comments as a reply and this sequence of events attracted the interest of French Government to such an extent that it constituted a Commission to investigate the matter. The report presented by the Commission made recommendations to follow a "multidisciplinary" curriculum at least in the initial years of undergraduate economics programmes plus an integrated approach comprising not only of theory, mathematics and statistics but also institutional and historical approaches. But the tragic note is that, in spite of all these efforts even at Ministry levels no change has been incorporated and Neo-classical Economics is still deep rooted in curriculum of French Universities. But the importance of these efforts lies in the fact that many other students in different Universities across globe have followed the footsteps of French students - June 2001 Cambridge University Letter, the August 2001 Kanas City Proposal (both in Fullbrook 2003) to name a few. Also the fact that French students who are well versed in Mathematics have initiated such a movement which boosts the arguments' strength owing to the general notion that those who are unable to comprehend, construct and solve mathematical axioms often are averse to excessive mathematical approach.

Further is the other important development in Post –Autistic Movement is considered mainly, "Teaching Economics through controversies" becomes relevant in the

context. Their major argument is that Economics should be taught in terms of controversies instead of as an agreed body of thought. This means dynamism in teaching which will involve understanding the sequential development in economic thought process or in simple words the history of economics. This approach will enable the students to get exposed to a range of plausible ways of theorizing Economic Developments. Because no methodology is complete in itself and Neo-classical framework is not an exception. Here this set of arguments raised by French students has its own importance for the reason that, teaching is an exercise of igniting minds through moderation, monitoring and exposing students to the various options before them to choose than to force upon them a single dimension of a subject. Further Regression the most powerful tool used in Econometrics is based on the conditional probability theory which means given the occurrence of an event, the other event will follow- prediction based on past. So this implies that when such a mathematical tool has a historical background why this logic of prediction based on past is not relevant for studying Economics which has evolved over centuries.

Thus this argument leads the discussion into the third section of paper which highlights the need for multidisciplinary approach to study economics.

SECTION III TOWARDS A MULTIDISCIPLINARY APPROACH TO STUDY ECONOMICS

The inspiration for a multidisciplinary approach to study Economics has stemmed out from J.M Keynes declaration (1939):

..... the master Economist.....must be mathematician, historian, statesman, philosopher..... he must understand the symbols and speak in words...he must study the present in the light of the past for the purposes of the future. No part of a man's nature or his institutions must lie entirely outside his regard...

Further Gunnar Myrdal in his *Asian Drama* (1968) argued very strongly in favour of multi-disciplinary approach in Economics. His popular concepts like value judgements in Economics, Theory of Circular Cumulative Causation; Swedish Welfare State, Rigid Social Matrix etc reflect a broad based approach to economic issues. The book deals exclusively with the Third World Countries and his approach to break the vicious circle of poverty invariably demanded a multidisciplinary approach and not just a pure economic approach. In fact this kind of contention put forward by Gunnar Myrdal has prompted his critics to State that "Myrdal has reduced the prestige of Economic Science to a social science".

Further a major element to be focused here is that, this article just provides a snapshot of recent developments in the discipline of Economics and readers must not come to the conclusion that, the article is in favour of barring mathematics from Economics but they must note that mathematical framework is only a necessary and not a

sufficient condition to establish proficiency in economic thinking. But here aim of this article is only to highlight that solutions to economic problems are dynamic and problem specific.

These excerpts provide a strong base to put forward an argument that there is a need for re-thinking the curriculum in Universities of whole world including Indian universities, which are still in the wave of extensive mathematical approach without a solid base which will fail to meet the complexity of real world. Also the trend among young researchers to take up financial topics for research on account of readily available data and lucrative opportunities as financial analysts in MNCs is discouraging trend in terms of academic developments in the field of Economics especially in India. But it is also true in the Indian context, that the introduction of an Inter Disciplinary Boards of Research ,Open Elective System, Choice Based Credit systems, tutorials etc at the higher education levels are a welcome sign in this direction and thus one may hope that these developments will provide a base for construction of a multidisciplinary curriculum which is the need of the hour to provide a broader perception of what Economics is about and a better comprehension of Economic events as they unfold in the society. Also this will provide a broader outlook and a larger array of approaches which will aid the researchers and students to tackle the Economic problems of the contemporary world at large.

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¹See Damodhar Gujrati and Sangeetha "Basic Econometrics" Penguin Books Ltd (2007)

²See articles and books written by Leontiff (1971), Phelps Brown (1972), Myrdal (1972), Kristol (1981), Kanth (1996), Lawson (1997,2003) and Hodgson (2001).

³See Post-Autistic Economics Newsletter, Number 1, pp.1-3.

⁴Namely Amartya Sen, Robert Solow, Oliver Blanchard

⁵See <http://www.autisme-economie.org/article3.html?lang=en>.

⁶See <http://www.paecon.net/Petitions.html> for more examples of petitions

⁷Views expressed by Prof. Omkarnath at a conference "Crisis in Economics as a discipline" organised by Young Economists School University of Hyderabad on 12th May 2013.

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