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Submitted by :Toby Chambers MA Social Entrepreneurship candidate (Expected 2016), Goldsmiths University of London

Website Blog : <http://economicsunderground.blogspot.co.uk>

Contact : [ie301tc@gold.ac.uk](mailto:ie301tc@gold.ac.uk)

Twitter @EconomicsUnderG

@Social\_Aims

## #ACE2015Flatearththeory

# “Flat Earth Theory” : A Roadblock in “Rethinking Economics”

## Abstract

Is it time economics taught more than just “Flat Earth Theory?”

Intense rivalry between John Maynard Keynes and Friedrich Hayek juxtaposed “Intellectual animal spirits,” each seeking their own explanation and alternative solutions to the economic malaise of the era. Despite Keynes and Hayek taking centre stage during the Great Depression, future scholars should not simply limit their understanding of economics to a few well published theorists. Each of whom assembled an array of theoretical constructs that have been studied, critiqued, implemented and or morphed by practitioners and policy advisers, as tool kits towards future economic prosperity or not, as some may argue. Japan’s lost decades since the bubble burst in 1990 and the potential for developed countries of Europe, UK and America to follow a similar trajectory since the global financial crisis can’t simply be explained by Neoclassical / Keynesian synthesis. Despite governments spending well beyond their means and Central Bank action on an unprecedented scale, the world economy is no closer to future economic prosperity. Blame for the acute wealth, income and inequality divide has to be largely shouldered by economics. Is it just possible the models, theories and practice of yesterday are no longer appropriate for today and tomorrow’s future world? There is no better time than now to open the roadblock to new economic thinking, new paradigms and new practice of teaching economics. It is new thought, theory and practice that will shape a future prosperous society for all and not the fortunate few. The greatest economic challenge will be creating a new professional culture of “Rethinking Economics,” where ideas, thinking and practice can be challenged, but more importantly nurtured so that they thrive, rather than quickly being destroyed. Dominant discourse of “Flat earth theory,” and practice has hollowed out economics to such an extent the discipline has lost professional respect. Recent economic events can’t be easily explained by current theory nor by the best trained, so isn’t it about time economics taught more than “Flat earth theory?” Dismiss “Rethinking Economics” at your peril!

## **Meaning & Purpose**

It is not the intention to sway discussion of the merits of one school of economic thought over another, but to put forward the case for incorporating pluralist thought, theory and practice into economics. How this might in practice be implemented goes well beyond the scope of this paper. However in drawing end conclusions, recent UK insights will offer practitioner's, teachers, heads of department and students a starting point for further exploration, consideration and open discussion.

History is littered with examples of nascent thinkers, Galileo and Copernicus spring to mind, each challenging established theories, conventional wisdom and normative assumptions. Typically and sadly nascent thinkers have been ostracized and castigated with some notables burnt at the stake, only to eventually be proved right. "Flat earth theory," was once associated with the belief the world was a flat disk, rather than a sphere. It just goes to show if enough people start believing a theory and it goes unchallenged and it therefore seems plausible, even to the point we are all taught the same theory, we all stop questioning and actually believe the truism, despite a few contrarians arguing to the contrary. In the context of this paper, the reference to "Flat earth theory" is used in a provocative manner to scorn dominant economic theory, as it falls woefully short in explaining modern economic phenomena. A fortune teller could probably do a better job in predicting the future direction of the economy in comparison to highly trained economists sitting in ivory towers playing with economic models using "Flat earth theory." The 2<sup>nd</sup> June 2015 speech by Federal Reserve Governor (Brainard, 2015) attempts to rationalize the negative 0.7% first quarter US GDP reading against previous forecasts of strong positive GDP growth, citing unexpected economic events such as bad weather, port disruptions, cyclical economic downswings in winter months and statistical anomalies. But surely in a normal functioning economy expecting disruption should be a given, as the economy in practice rarely chimes as precisely as a Swiss clock. What does the congregation make of recent hallucinations from Central Bank godfathers Ben Bernanke and Alan Greenspan and incumbents Central Bankers, all seemingly perplexed the economy has lost its Mojo and does not now respond as Neoclassical theory suggests. Has the prescribed antidote developed a resistant strain with new unintended consequences? This is not to say elements of current economic theory should now be totally ignored and disregarded, but fundamental assumptions, should not merely be assumed as gospel truths. Natural sciences have learnt to accept knowledge and wisdom is not always set in stone, now celebrating, rather than denigrating new discoveries and new theory. What type of world would it still be if Sir Tim Bernard Lee's contribution in developing the World Wide Web had not been given a reasonable degree of incubation? It is rather ironic, incubation of fledgling business ideas is now well established business startup practice. Yet thought, theory and practice of economics underpinning those same organizations and structures shares little in common with the evolution of firms of tomorrow.

Economics has in the main been the route into investment banking. Teaching of economics has been rather skewed towards this seemingly lucrative body of students. Questioning the efficient market hypothesis and or anything remotely causing the pool of investment bank employers to doubt the quality of teaching of an institution, may partially explain the reluctance to incorporate pluralist teaching of economics. Moving beyond teaching "Flat earth theory" is imperative

## **Dusting off Forgotten Theory**

The period of the Great Depression spawned many notable economists, philosophers, anthropologists, social and political theorists each with their own analysis, theories and application. Other notable scholars therefore ought not to be overlooked, despite living in the shadows. One such economic philosopher seldom mentioned by scholars, although (Keynes, 1936) in his 'General Theory' dedicated a whole chapter to the work of Silvio Gesell, giving him a special mention for his work on velocity of money theory. I postulate if the work of Gesell for example and the reported success in 1932-33 of the Austrian Worgl experiment (Lietaer, 2015), based on Gesell's velocity of money theory had formed part of future economic teaching with a definitive place in economic history and theory, then the course of future economic events may well have been very different. Could we all learn more from studying different approaches to economic thinking and therefore develop new policy tools and practice to combat both periods of euphoria and the inevitable busts that seemingly follow with regularity, as night follows day? After the Great Depression and war, monetarists led by Milton Friedman with the dogged belief in the quantity theory of money, neutrality of money, rational agents, utility maximization, equilibrium and the efficient market hypothesis, perhaps misguidedly gained the upper hand. What if there are fundamental flaws in the theories and assumptions underpinning the Neoclassical school of thought? Surely it is the job of enquiring minds to thoroughly understand, rigorously test the fundamental assumptions and not assume gospel truths, promoted by each school of thought, particularly the assumptions promoted by the dominant school?

## **Contextualizing the Need for Rethinking Economics**

The father figure of capitalism, Adam Smith was in fact a heterodox of his day, arguing against the dominant forces of mercantilism. So why can't heterodox economics be fully incorporated into the main body of economic thought, theory and practice, if the economic system of capitalism was born as a heterodox idea? Economic crisis surely is the ultimate time for reflective critical analysis. This is what we observe during and for many years after the Great Depression with an outpouring of new economic, philosophical, political and social ideas, theory and practice. Keynes and Hayek led the debate, but Marshall, Irving Fischer, Allyn Young, Sir John Hicks, Joseph Schumpeter each earned their place in economic history, just to name but a few. In subsequent years William Phillips, Hyman Minsky, Milton Friedman, John Kenneth Galbraith, Lord Skidelsky plus a host of other economists peppered their own critique and flavoured a number of theories into the economic mixing bowl with Friedman winning the day. Attempting to broaden the mind with works from Karl Polanyi, Marx and Engels, Silvio Gesell and Kondratieff together with re-exploring Adam Smith and many other works sets the stage for a depth of economic, philosophical, theological and political understanding second to none. Introducing literature by authors such as Alexander Solzhenitsyn, Steinbeck and works like "The Ragged Trousered Philanthropists" (Tressell, 2012) further encapsulates the scope for critical thinking and pedagogy. A typical argument put forth by mainstream economics is that confusions between different theories and approaches will result, if all schools of thought are taught! But is this not merely an attempt to simply control the discourse, rather than allowing "Free will and thinking" of a scholar to identify and select a school of thought that tickles their own fancy, exploring and delving deeper, once initiated? After all, do mainstream economists not believe in a free market of intellectual ideas? Perhaps the "Free market" is not so free after all, when scholars are left in the

dark! It also calls into serious question a fundamental assumption of Neoclassical ideology, that of perfect information asymmetry. If economic scholars are not themselves exposed to alternative schools of thought, for example the burgeoning behavioural economic theories or the more obscure feminist, ecological or epidemiology economics, how can practitioners solve real economic problems or select a suitable policy response? Without developing a broader contextual understanding of different economic thoughts, theories and practices, weakness and cracks in an economic system are papered over, but eventually expose themselves again with possibly more profound consequences!

To the uninitiated there are a whole host of largely undiscovered schools of economic thought. Although one would be excused for thinking all that existed was a genre of Shakespearean or Greek tragedy and nothing else. At times it certainly seems as if the world economy is perpetually playing out a well rehearsed and orchestrated tragedy. If I may be as bold to suggest, teaching only a genre of tragedy might give a clue as to why this might appear to be the case to the casual observer! We all owe it to the next generation to pass along knowledge of old and new, so future leaders are well trained, informed and not simply basing decisions on possibly flawed ideology or ideology no longer fit for purpose.

The teaching of economics could only be described as teaching "Flat earth theory" with a glossing over of financial crisis their significance and a negligible attempt at postulating alternative theories and policy responses. In many respects it is as if the economic crisis were simply a dream, a figment of our imagination. However for countless millions of real people around the world, the wounds and indelible scars of job loss, insecurity, debts, stress, poverty, foreclosure, family break downs and loss of personal possessions, particularly the family home are all too difficult to immediately erase and are a poignant daily reminder of the economic crisis unfolding before our very eyes. The rhetoric of the fledgling recovery has been for consumers to borrow and spend, pushing financial institutions to lend again, combined with government belt tightening. But is this not simply setting the stage for the next financial crisis? Borrowing more and pretending it can be paid back when wages have hardly budged, aside from those at the top, is a recipe for future disaster. Debts inevitably have to be paid back at some point in time and or written down, causing colossal capital destruction at a future undetermined date. It is easy to continue kicking the can down the road, rather than upending the can.

Despite the misery caused by financial crisis, scholars must ask why we have not yet witnessed such great economic debates and clashes between opposing view points and theories, as surely this is a prerequisite for a sound and solid economic foundation, rather than return to business as usual? An essay to *The New Yorker* by George Packer (Kirsch, 2013), suggests in literary terms there has been little outpouring of literature capturing the mood of the times, as was the case during the Great Depression. We had a short glimpse of the potential for literary and cultural debate (*Econ Stories*, 2010) with the release of the highly entertaining "Fear the Boom and Bust" a Hayek vs. Keynes Rap Anthem, but sadly this seems short lived. Although from casual observation, I suggest 2015 might in fact be a turning point, where we may start witnessing a future outpouring of creative and cultural expression of the economic struggles of our time, as years of more austerity brings society to breaking point. At the very least I would hope this paper in itself acts as a catalyst for future discussion and cultural expression of new economic thought. It is all too easy for those in a position of knowledge, power and respect with their jobs, income, security, home and family still holding together to simply think the financial crisis was a freak accident unlikely to repeat, quickly erasing it from the internal memory bank and that of those they may seek to influence. As many of the more fortunate in society possibly coming up to retirement in the coming years may start to realize, their

own pension pot with prolonged zero interest rate policy may not return what was originally promised - then what? Their own offspring also face bleak prospects, even with the benefits of a university degree. It is all very easy to think with stock markets hitting all time highs 7 years after the financial crisis, the good times have returned, but is it all an illusion, a veneer attempting to shield us all from the real truth? The sticking plaster is all that is holding the global economy together, until the next accident, just waiting to happen.

### **Emotional Intelligence and Moral Compass.**

Economics would be irrelevant, but for several billion real people, living, labouring both paid and unpaid and interacting as social creatures on a daily basis in the world. While it might be reasonable to conclude people are generally creatures of habit, it would be remiss not to consider the unpredictable nature of human emotions exhibited by fear, anger, greed, jealousy, animosity, frustration, despair, sadness, grief and depression on the one hand, courage, forgiveness, kindness, trust, friendship, excitement, generosity, sympathy, love, affection, happiness and euphoria on the other. Such emotions can't simply be brushed aside as Neoclassical theory may suggest. The advent of social media has introduced a profoundly new dynamic to (Smith, 1792) Moral Sentiments, well beyond the traditional price market mechanism. Social media now allows individuals to easily pass moral judgments by way of consumer reviews, ratings, likes and dislikes influencing future decision preferences and final choice. Price market mechanism may therefore be no longer the ultimate factor influencing and determining economic preference and ultimate decisions. It is this belief in the price market mechanism, acting as the glue to Neoclassical theory, holding it all together that is starting to be called into question. High Frequency Trading (HFT) is at the heart of (Lewis, 2014) critique of financial markets in "Flash Boys," claiming financial markets are rigged with high frequency traders front running the market. Libor and countless other financial manipulations of price market mechanisms, add further fuel to an objective observer's distrust of the current financial system. Its heart now only beats by periodic transfusions of copious quantities of Central Bank blood. Perhaps price market mechanisms are subject to greater manipulation than we all care to accept and they do not truly signal an optimal outcome for all?

(Sandel, 2012) posits in "What Money can't Buy," there are moral limits to markets. Moral hazard to the lay person personifies the reckless and unscrupulous behaviour of financial traders seeking a personal gain while others typically lose. Is privatizing the profits and socializing the losses, the type of society we all want for future generations? Morals can't simply be divorced from economics, as mainstream discourse may wish it to be. Re-discovering our own moral compass may awaken our own internal "Intellectual animal spirits." We all may then not be so accepting of the narrative, "The market is always right and knows best," if morals were reclaimed and were integral to economic thought, theory and practice.

## Re-Exploration

Perhaps the process of creative destruction (Schumpeter, 1942) is a natural and essential part of the economic system, rather than the narrative that booms and busts do not exist or ought not to exist.

*"The opening up of new markets, foreign or domestic, and the organizational development from the craft shop to such concerns as U. S. Steel illustrate the same process of industrial mutation—if I may use that biological term—that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism." (Schumpeter, 1942, p. 83.)*

If we turn to nature, as Schumpeter did, the process of creative destruction is alive and well with systems continually morphing and transforming, never standing still. Bushfires rage, destroying habitats, tsunamis devastating coastal towns and villages and droughts parching the land. Despite these natural phenomena, new life is created from these seemingly terrible periods of crisis. The yearly cycle of spring, summer, autumn and winter ushers in new life, but it is just a fleeting moment of life until further re-birth. Rather than obsessing in economics with achieving equilibrium, perhaps there is no such thing as equilibrium, but more to the point - dynamic disequilibrium, with the economic system characterized by periods of relative stability before the onset of a process of natural change or even unnatural change forced by insipid industrialization and mass consumerism?

Are we witnessing a generational shift in the motivations underpinning the entrepreneur and the "aspirational want to be entrepreneurs," who are waking up to the reality, the odds of becoming the next Zuckerberg are about a billion to one? While entrepreneurship may have been a road to prosperity, particularly for young people who may have failed their education, solving social problems as a social entrepreneur may in fact be a more attainable future pathway and achieve goals for many beyond simply the accumulation of new-found wealth. Could altruism in the name of the greater good eventually trump having your name engraved as a gazillionaire? No stockmarket valuation now typically held by only 1% of the population is likely to ever match the priceless intrinsic social value of a social enterprise delivering social impact across the stakeholder base for the many, rather than the few. The gatekeeper bastions of capital allocation are being replaced with a plethora of FinTech startups, offering a wide array of innovations from crowdfunding to digital currencies. Are these innovations the beginnings a new monetary system? New micro and macro economic theory and practice across the organizational startup phase, supporting these radical changes needs to catch up quickly. It is still too early to draw any definitive conclusions, but is a new social class of social entrepreneurs beginning to emerge with very different aspirations to the bourgeoisie of yesterday? If so, it has profound longer term implications in respect to the structure of society and how society invests, employs, produces, consumes and is ultimately ruled and governed.

Marx, arguably the most controversial revolutionist for what he said about the capitalist system may actually have insights that should not automatically be dismissed. Scholars should at least take the time of day to read and understand the works of Marx. Even if minds purely on ideological grounds do not fully appreciate or accept a Marxist perspective, reviewing the methodology of Marx (Sayer, 1979) may allow wider appreciation of economic phenomena, that the mathematical models simply can't explain on their own. Mainstream economics that is arguably biased towards formulaic physics-like methodology built on fundamental assumptions that could have inherent fatal flaws

simply can't explain economic phenomena. Drawing on different methodological analysis could therefore improve the knowledge and understanding of economic events.

Re-exploring old ideas through a new lens should be a given. This is in stark contrast to the current financial crisis. Publications have pored over what went wrong, together with watered down regulation (Frank (DM-A), 2010), half-hearted attempts at prosecuting financial wrongs and publications sensationalizing and stopping just short of glorifying financial traders eg. "The Big Short" (Lewis, 2010). The priority after the crisis has been for the economy to return to, "Business as usual," as quickly as possible, rather than a comprehensive rethink of economics and critique of assumptions, theories and practice underpinning the modern economic framework. It should be acknowledged there are quarters (Piketty, 2013), for one, Paul Krugman, Joseph Stiglitz and Lord Skidelsky who have voiced their concerns over the direction of the economic recovery, since the onset of the financial crisis and questioned the impacts of policies implemented. Piketty's lengthy analysis is easily summed up well by the simple fact, the weak recovery has been personified by, "The rich are getting richer and the poor are getting poorer." Robert Shiller, 2013 Nobel Prize laureate has made some impression on financial markets, at least with behavioural economics. However with lofty stock markets observed in America, Europe and UK, hitting all time highs in the first quarter of 2015, despite a background of possible black swans as described by (Taleb, 2007), with Greece still unresolved, global growth slowing rapidly and a recent 50% collapse in oil prices, one could argue irrational exuberance (Shiller, 2000) is now in plentiful supply. If a new financial crisis is indeed brewing, why have lessons not been learnt from the previous crisis and why have we not been able to fix the real economy? Share prices ultimately rely on the health of the real economy and can't simply remain divorced, despite the prolonged divergence between the real and financial economy. Did economic, financial and agency actors not learn anything from the financial crisis? It is for this very reason "Rethinking economics" must now take centre stage, so the next crisis, rather than rebooting the economy to a known default position, healthy debate can begin to reshape the economic thought theory and practice, setting the world on a better future pathway.

## **Social Movements & Class Struggle**

To truly understand economics with a repertoire of assumptions, theories, models and practice, it would not be complete without both a review of the social fabric of society and the political structures giving rise to a voice each citizen can exercise in a democracy. Just as Marx had observed with proletarian struggles, against the capital owning class, the "Precarait's" are the modern equivalent (Standing, 2011). In contrast to the proletariats, many Precarait's are well educated and can quickly mobilize via social media. Their potential therefore should not be under-estimated to disrupt the status quo in the next financial crisis. The recent Greek, Spanish local elections and the Scottish SNP victory attest to the distinct change in political economy ideology. The political economy is virtually non-existent in Neoclassical theory and yet intense political lobbying is a given, a fait accompli. It would be naïve at best to brush aside the economic implications of both the voting public and powerful interest and lobby groups, swaying arguments to the benefit of some and the detriment of others. The installation of European technocrats against the will of sovereign nations is hardly the solution to a future prosperous society. History documents the fact the populous

eventually rebel against systems favouring the few as empires fall, replaced by a new system of organizing society.

Outside of economics, social movements like “Occupy” galvanized global attention, drumming the fact home that the global economy should be run for the benefit of the 99% rather than the 1%. A new publication “Communal Luxury,” (Ross, 2015) reviews the 72 day Paris Commune in 1871 through the lens of the communards rather than the state. There are a number of parallels with modernities “Occupy.” While “Occupy” might be viewed as a failure and may have lost the battle, but in unison with the Paris Commune “Occupy” possibly has triggered profound changes and the movement may still win the war! At the very least “Occupy” has more than likely ignited “Intellectual animal spirits” and helped spark “Social animal spirits” of social entrepreneurs, but we do not yet realize it.

Other movements “Conscious Capitalism,” “Positive Money” and “Jubilee Debt Campaign,” are playing their part in the process of questioning the dominant economic paradigm. Tech geeks are probably doing a better job than trained economists in theorizing a new utopian economy with a multitude of “FinTech” platforms comprising crowdfunding, crowdsharing and new and novel digital currencies. “Bitcoin” has come under attack from incumbent institutions, regulators and government. These novel solutions might not be the ultimate solution, but a healthy debate on the merits of such innovative solutions may result in financial transformation for the common good, rather than for the benefit of the financial elite.

## **Crisis a Time for Change**

In the lead up to the financial crisis complacency set in. Lending standards were relaxed, everyone apart from a few dissenting voices thought the boom would never end. Sadly the party ended and the effervescent spilt drinks and stains on the carpet are still being mopped up, together with a never ending hang-over. As the haze and blur of the party recedes, the thought of “never again” permeates our temporal minds with the eternal hope of a future without such a great crashing end.

Early attempts in 2008, as the global financial crisis unfolded and private aggregate demand collapsed, governments implemented Keynesian style fiscal spending as a remedy. Increases in fiscal spending combined with significant declines in tax receipts, particularly pronounced in the once lucrative and tax generative area of banking has left governments around the world teetering on the brink of collapse with unfathomable amounts of debt, now stretching into the trillions globally. As governments continue to grapple with their budget deficits and implement harsh austerity measures, debts continue to balloon out of control. Subsequent attempts to kick start the global economy with loose monetary policy, as prescribed by monetarists, is now the only game in town. The fate of global economies now resides with a handful of Central Bankers. Do they really have magical powers? Should the world economy even be so reliant on a few Central Bankers to pull the correct economic lever? Bagehot’s notion of Central Banks as “Lenders of last resort,” is being put to the extreme test. Perhaps unimaginable and unthinkable, but could even the resilience of Central Banks be called into question, if collateral they are now buying and holding in copious quantities becomes capital impaired? In reality printing money at virtually nil cost in a debt based fiat money creation system, in an attempt to fix all ills is like believing in the “Tooth fairy.” Eventually the bill falls due and the illusion “The emperor has no clothes,” becomes all too obvious. Perhaps the global economy is simply delaying the inevitable fate of a collapse of even greater magnitude. Allowing

rather than delaying the process of capital destruction to run its course, re-allocating resources away from those relying on cheap high leverage, towards those prudent enough to wait until the excesses have been purged from the system, might actually be part of the medicine and a more suitable remedy. The use of fiscal and monetary policy may have temporarily stabilized the global economy after cardiac arrest, but certainly has not cured the contagious cancerous disease. Perhaps if teaching economics covered alternative schools of thought, rather than “Flat earth theory” of a flawed economic paradigm, now floundering on its last legs and not yet ready to peacefully pass away, the economic disease could be cured.

Will economic historians compare the past 100 years, captured by events of two World Wars and two of the greatest economic collapses, birth of the anthropocene combined with perpetual conflicts, culminating in the war on terror and mass epidemics, to the period of the Black Death? If history rhymes then I postulate the future we can all look forward to, if only we can open the roadblock to new economic thinking and practice is the new Renaissance. Replacing mass consumerism with the spread of mass culture to even rival the many great masters of the Renaissance period is surely a future we all aspire to achieve!

How does economics play its part in steering the global ship away and out from the eye of the storm, sailing it towards the shimmering rainbow with the elusive pot of gold over the horizon, as the sun sets behind and a new dawn beckons?

## **“Rethinking Economics”**

In “Rethinking Economics,” we need to firstly return to what do we mean by the discipline of economics? Is it enough to simply split economics into micro and macro economics without initially allowing young minds to explore, understand and appreciate different economic systems that have evolved throughout the ages and the schools of thought underpinning each system? To really understand economics young scholars need to be masters of many disciplines including history, politics, philosophy, psychology, theology and not merely be outstanding mathematicians. Selecting undergraduate students only from the top maths set exacerbates the bias of economics as purely a mathematical science with finance now dominating the discipline. Economics has become so intertwined with maths, the discipline has until the financial crisis, failed to realize those complex mathematical equations are rendered useless when theory and assumptions underpinning the mathematical equations are seriously flawed.

I wonder if Adam Smith were still alive would he be able to recognize the economic system that now prevails? Would he concur, the capitalist system as he theorized has evolved into an economic system more akin to what could be described as “financialism,” dominated by a small elite class of private financial rentiers who are the ultimate owners of the means of production, acting as secured creditors over virtually all of the world’s resources and assets? If Adam Smith could displace mercantilism with capitalism, could financialism be displaced and sidelined for a better economic system? The “Uber” economy if you will.

Economics has for many years become a meal ticket into lucrative investment banking. It feeds the system of financialism like a conveyor belt on the factory assembly line, churning out young graduates in uniformed smart little packages, but with little ability to critically think beyond narrow teaching. In times of crisis narrow thinking manifests in periods of blinkered blind panic attacks, a

“Minsky moment,” for want of a better metaphor. As investment banking factories close up shop, retrenching workers from this once prized job title, the question should be asked, will there be a future need for this type of economics graduate? The death knell of financialism is fast approaching. The coffin bearers of these hubris hyped up delusional grand financial masters form a guard of honour around the altar, as the high priest washes away their sins and redeems us from all evil. Rethinking the discipline of economics, if it offers greater scope for exploration, may begin attracting a new breed of scholar, seeking to make a positive social change to the world, rather than following self interest of lining a pocket with ill-gotten financial rewards.

There is a need to understand why future young scholars might be drawn into studying economics. Observations of recent student bodies in the UK, led by the student movement “Rethinking Economics” (Rethinking Economics, 2013) and the “International Student Initiative for Pluralism in Economics” (ISIPE, 2014) provides a body of evidence for the need to “Rethink economics.” There are now over 65 student bodies across 30 countries calling for a change in the way economics is taught. A definite shift is occurring with a new breed of socially conscious young minds wanting greater diversity in economics, so they are equipped with the tools to confront the future challenges of financial stability, food, water and energy security, and climate change just to name but a few. The ambitions of the G7 Communiqué (Thinking Ahead Acting Together, 2015) establishes a future vision for the world many would hope is achievable, but in order to do so requires radical shifts in economic thinking. Young students are already seeking to challenge the dominant economic discourse of Neoclassical economics and are the future leaders of tomorrow. They deserve to be taught something different than “Flat earth theory,” in order to play their future part in reconfiguring the global economy. Is economics about to suffer its own “Minsky Moment,” with a sudden collapse in the market for investment bankers in any event? If this is the case, “Rethinking Economics,” is imperative! As investment banking retreats there is little need to continue underpinning economics with Neoclassical theory exclusively, as other nascent industries such as “FinTech” will no doubt eventually welcome students with a broader knowledge and skill set.

Despite student calls for new modules covering financial crisis, Manchester University decided to scrap in 2014 a new economics module called “Bubbles, Panics and Crashes.” This was in complete defiance of the student body (Inman, 2014). The (Carlin and Coyle, 2015) co-authored and promoted “Core Project,” has been met with a lukewarm reception. Although welcome, “Core,” is basically a reframing of Neoclassical theory without first broadening the horizons with a pluralist approach. Core starts with the same set of Neoclassical assumptions, rather than assuming the assumptions themselves could be fundamentally flawed. The Association for Heterodox Economics (AHE), and World Economics Association (WEA) have also voiced their concerns about “Core.”

The university student movement, “Rethinking Economics,” is now applying pressure for radical reform of economics teaching. Above all else it is the teaching of economics, replacing “Flat earth theory” with pluralist teaching that will have a transformative impact on the future direction of society. Greenwich University is hosting the 2015 “Rethinking Economics” weekend conference being held on 27-28 June 2015 and will gather many UK economists together with students all questioning economics. As I draw final conclusions my sense economics is at a distinct crossroads is confirmed with the publication (Desai, 2015) “Hubris : Why Economists Failed to Predict the Crisis and How to Avoid the Next One”

## UK Insights

Rather than attempt to thrust a new curriculum upon students promoting the perceived benefits of introducing scholars to heterodox economics, a subtle and more engaging approach would simply be to allow the flourishing at grassroots level. Encouraging the formation of a “Rethinking Economics,” chapter, empowering students to lead on discussion groups, regular book readings covering areas not generally taught, guest speaker series, together with links to other institutions and signposting to relevant materials easily accessible online is likely to foster a positive attitude towards pluralist teaching with limited disruption.

London has been at the epicentre of the financial crisis and this has spawned small underground collectives of highly educated young people from across Europe seeking answers and solutions to the economic crisis. Just as Edinburgh was a hot bed of intellectual thought and ideas in Adam Smith’s day, London is developing similar undercurrents of regular meeting places for intellectual debate. Rather than selection limited to the few, attendance is inclusive and open to all. Regular thought provoking debates are held around London at the RSA, Impact Hubs, NESTA, Google campus and across the many University campuses. A relatively new organization (Debating London, 2009) has recently raised £2,000 in crowdfunding to hold regular debates on a variety of contemporary issues with a strong appetite from across the London community. Karl Marx found solace in London and rather than the global metropolis repelling new ideas, as you may expect, when those same ideas are in stark contrast to the City of London’s beating heart, it acts like a magnet, attracting intellectuals from all walks of life from around the globe seeking answers to global problems.

Adding to the quest for greater knowledge, pioneering institutions such as Goldsmiths, University of London have recently introduced a heterodox PPE degree in the Politics Department and launched the Political Economy Research Centre. (PERC, 2015) “Seeks to refresh ‘political economy’, in the original sense of the term, as a pluralist and critical approach to the study of capitalism.” Goldsmiths is one of the first institutions in the world to recognize the shift- in organizational firm structure with the rise of social enterprise, now offering an MA in Social Entrepreneurship and MA in Creative and Cultural Entrepreneurship. University of Greenwich’s faculty of Education and Health launched in February 2015 a “Network for Social Enterprise in Education & Health,” (SEEH Network) responding to the need for incorporating the teaching of social enterprise as a distinct organizational form. The economic reality of austerity, as the public sector retrenches and social enterprises assume more responsibility for public service delivery in the UK is creating the need for students to be equipped with new knowledge and skills. It is observed in the UK departments outside of the realm of economics are pioneering the delivery of heterodox economics. Sociology and anthropology departments in particular you may find acceptance of new economic schools of thought with open arms. The fostering of alternative theory outside of economics can be evidenced at institutions like UCL where the economics department follows a traditional Neoclassical framework, in contrast to more innovative departments at UCL, such as the Built Environment challenging orthodox development agendas and offering scope for critical thinking and pedagogy. Kingston University headed by Steve Keen is offering students a pluralist economics education combined with regular events and discussion groups. Over the years the internationally prestigious London institution, LSE has moved away from their historical Fabian Society roots with finance now dominating and have been slower to include alternative economic theory. There are however signs LSE is beginning to respond with the recent launch of the International Inequalities Institute. Thomas Piketty has been appointed as the Centennial Professor of this new institute (Lse.ac.uk, 2015).

Around the UK, Manchester University has a vocal (Post-Crash Economics Society, 2013) critically challenging mainstream economics teaching. Their student group is developing a crash course in economics. University of Northampton has become an Ashoka “Changemaker Campus,” (Northampton.ac.uk, 2013) achieving leadership in the UK and Europe as the premier social enterprise University. In furtherance of social entrepreneurship, the Skoll Centre Oxford University (Sbs.ox.ac.uk, 2003) is a world centre of excellence and hosts annually the Skoll World Forum and Emerge conference. (Cumbria University, 2015) are offering an excellent freely accessible online “Money and Society” MOOC, incorporated as part of a new course in the evolving field of digital currencies. A recent award of £6 million has been granted to University of Surrey to develop an International Centre for the Understanding of Sustainable Prosperity (CUSP, 2015), led by Tim Jackson. UK Universities with economic departments highly sceptical of introducing heterodox economics into the curriculum have found establishing standalone research units and seminar series combined with encouraging student discussion and reading groups overcomes those barriers. Nottingham Trent University in collaboration with Open University have secured funding for a series of seminars commencing June 2015 on “Factor Income Distribution, Work and Employment: Social and Economic Perspectives.” (Gtr.rcuk.ac.uk, 2015) Their seminar series will explore pluralist economic reasons for income inequality.

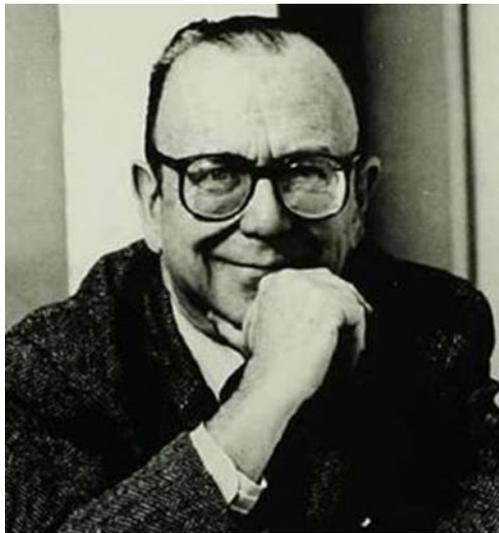
The School for Social Entrepreneurs (The-sse.org, 1997) is equipping social entrepreneurs with practical skills in this growing discipline. The UK is leading the world in developing social enterprise businesses, social innovation and social impact finance. Initial findings from Social Enterprise UK’s, State of Social Enterprise Survey (Socialenterprise.org.uk, 2015) to be published later in 2015, reports 5% of all UK businesses are now social enterprises, 50% are less than 5 years old and more sustainable growth rates are achieved in comparison to profit maximizing organizations. (UnLtd, 2013) in collaboration with Higher Education Funding Council for England (HEFCE) have developed a programme of support “See Change” for Higher Education Institutions (HEIs) in order to encourage and build a sustainable ecosystem of social entrepreneurs and social ventures. Longer term implications with the growth of social enterprise will undoubtedly and profoundly change the micro-economy as new organizations with radically different organizational aims and objectives to the Neoclassical assumption of the firm are not at all currently reflected in mainstream teaching of economics. Appendix A. offers academics, practitioners and students a selection of reading materials in order to begin the process of introducing heterodox ideas and develop thought provoking discussion groups on campus.

On a practical level in the UK, changes led by a growing band of social innovators and social entrepreneurs are rapidly changing the discourse. Examples of these economic and financial transformations can be seen in the “FinTech” sector challenging the established financial intermediaries and offering disruptive solutions. Underpinning many of these new innovations are social entrepreneurs forging organizations with a collaborative culture rather than being intensely competitive. At the moment a novel innovation, but local and alternative currencies are gaining traction in the UK with the Brixton, Bristol and Lewes Pound. A 4 year research project (Communitycurrenciesinaction.eu, 2015) has just completed aiming to “lay the ground for cross-sectorial currency innovations designed for the common good.” In response to digital currency innovations there has been a rapid growth in the UK of digital currency startups in the past year. Many of these fledgling organizations may quickly grow and begin recruiting graduates with a preference towards those attending institutions with a pluralist economics course offer. As the “FinTech” sector evolves and matures, further understanding of the longer term skill needs of economics graduates entering this growth sector should be mapped, in order for institutions to adapt their curriculum.

## Summary

Is economics just a matter of turning millions of daily interactions into numbers or do we have to go beyond the veil of numbers? If we open the roadblock, unleash "Intellectually animal spirits," will this lead to a race to find a cure for the economic disease that has brought misery to many and riches to the few? Will rethinking of economic thought, study and discipline ultimately result in the creation of a utopian society? A society one would hope we would all want to leave for the betterment of our future children and not simply destroy in just a few short generations? We must not be under the illusion global shifts taking place are merely transitory. The reality of rapid innovations and constant disruption including the growth of social enterprise and social entrepreneurship are reshaping the economic landscape. The challenge for economics is how to create a new professional culture encompassing more than simply "Flat earth theory."

(Heilbroner, 1979, p192-198.) was ahead of his time when he wrote, "Modern Economics As a Chapter in the History of Economic Thought" over 35 years ago. Yet economics has now moved even further towards useless mathematical models when core assumptions are obviously flawed and do not resemble the workings of the real economy.



**"Economics is not a scientific discipline like the natural sciences, and that no cumulative advance describes its changeful form over the years... The chapter we call modern economics, compared with earlier chapters of our discipline, is shallow and poor rather than deep and rich, and that the intellectual puzzle of some future time will be to account for the failure rather than the success of the period in which we have lived... The prestige accorded to mathematics in economics has given it rigor, but, alas, also mortis." (Robert Heilbroner)**

### *Economic Sociology and Political Economy community*

Will economic historians compare the past 100 years, captured by events of two World Wars and two of the greatest economic collapses, birth of the anthropocene combined with perpetual conflicts, culminating in the war on terror and mass epidemics, to the period of the Black Death? If history rhymes, then I postulate the future we can all look forward to, if only we can open the roadblock to new economic thinking and practice is the new Renaissance. Replacing mass consumerism with the spread of mass culture to even rival the many great masters of the Renaissance period is surely a future we all aspire to achieve?

My paper concludes with more questions than answers, as the fate of economics is not in my hands, but the hands of our future generations. If I can spark the necessary debate, then my words of wisdom have done their job.

I will end with two questions.

1. Is it not about time economics taught more than “Flat Earth Theory”?
2. How does economics play its part in steering the global ship away and out from the eye of the storm, sailing it towards the shimmering rainbow with the elusive pot of gold over the horizon, as the sun sets behind and a new dawn beckons?

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## **APPENDIX A : Suggested Readings**

A suggested range of recent publications worthy of regular book reading groups, not a fully comprehensive list, but might include :

<b>Author</b>	<b>Title</b>
(Blyth, 2015)	Austerity: The History of a Dangerous Idea
(Eichengreen, 2015)	Hall of Mirrors: The Great Depression, The Great Recession, and the Uses-and Misuses-of History
(David Graeber, 2015)	The utopia of rules
(Davenport-Hines, 2015)	Universal Man: The Seven Lives of John Maynard Keynes
(Desai, 2015)	Hubris : Why Economists Failed to Predict the Crisis and How to Avoid the Next One
(Ross, 2015)	Communal Luxury
(Mazzucato and Penna, 2015)	Mission-Oriented Finance for Innovation
(Wooldridge, 2015)	The Great Disruption
(Dodd, 2014)	The social life of money
(Lewis, 2014)	Flash Boys
(Dorling, 2014)	Inequality and the 1%
(Picketty, 2013)	Capital in the Twenty-First Century
(Mazzucato, 2013)	The Entrepreneurial State: Debunking Public vs. Private Sector Myths
(STEIL, 2013)	The battle of Bretton Woods
(Scott, 2013)	The heretic's guide to global finance
(Acemoglu and Robinson, 2012)	Why Nations Fail
(Sandel, 2012)	What money can't buy : The Moral Limits of Markets
(Skidelsky and Skidelsky, 2012)	How much is enough?
(Tressell, 2012)	The Ragged Trousered Philanthropists (Wordsworth Classics)
(Mehrling, 2011)	The New Lombard Street
(Chang, 2011)	23 things they don't tell you about capitalism
(David Graeber, 2011)	Debt: The First 5,000 Years
(Standing, 2011)	The precariat
(Lewis, 2010)	The Big Short
(Wilkinson and Pickett, 2010)	The Spirit Level : Why greater equality makes societies stronger
(Taleb, 2007)	The black swan
(Shiller, 2000)	Irrational exuberance

Readers can keep abreast of heterodox economics by connecting to Economics Underground <http://economicsunderground.blogspot.co.uk> or follow on Twitter handles @EconomicsUnderG @Social\_Aims

Following the Hashtag #ACE2015Flatearththeory for online conference discussion.

