

**ECONOMY: LET US LEARN IT BY OTHER METHODS
- TO THE PRESENT: POOR RESULTS IN A STILL COMPLICATED
WORLD –**

Dan POPESCU¹

¹*Lucian Blaga University of Sibiu, Romania*

Abstract

Slowly, from the economic study, a series of important elements of history and economic evolution were neglected. And so, the economic perspective. They have been and are often replaced by abstract mathematical models and schemes with a weak link to reality. What should be done to remove such a situation? Here's a question we're looking to answer.

Keywords: models, abstractions, realities, economic history, world crisis, perspectives.

“Man believes an atom and doubts an ocean”

Mihai Eminescu

One of the most serious economic publications is the British "The Financial Times", generally sharing most relevant views. Similarly, the magazine "Courrier International", which I relatively regularly follow takes the most competent economic studies and articles released in the international press, the publication revealing itself as being of high and real interest. Thus, some time ago I got to read - and then reread and analyzed carefully - in "Courrier ..." No. 1359/17 to 23 November 2016 – the study "L'économie de Papy, c'est fini", written by David Pilling and issued on October 1, 2016 in "The Financial Times". An article - study - investigation I particularly enjoyed, numerous viewpoints highlighted in this context being fully coincident with mine, supported by me for the last 10-15 years. And in the nearly two years that have passed since the publication of the study in C.I.,

¹*Ph.D., Dr. H.C. of University of Rennes 1, France and Dr.H.C. of Academy of Economic Studies of Moldova*

things did not move too much, unfortunately. Thus, the considerations are still in full actuality.

This is, in fact, the express request of performing some extensive changes in learning "economy," the "micro" and especially the "macroeconomics", namely Political Economy, the "Economics". Who makes this request? Among others, many students and not few teachers from one of the most important universities in the world, "*The University of Cambridge*", the UK institution ranked as the 4th in the latest Shanghai ranking of the best 1000 universities in the world. The protest began in November 2012. In time it amplified and it was joined by other students and professors from British, American, European universities etc. Moreover, Romania by some of its researchers, was a "pioneer" in this regard. It is, by no means, a matter of conjecture, but one of substance, targeting a process of utmost importance to those living today and those living tomorrow, the students in today's economy being, as shown in "*The Financial Times*" and not only there, the company decision-makers of tomorrow, in institutions and large companies, in boards of research institutes, in universities etc.

Basically, two opinions are in battle. One, of the "dinosaurs", who, beginning with 1990s have exceedingly made use of mathematics and model economy, prevailing, almost entirely, abstract rationality but which often breaks the economy from reality. And the second, of teachers and specialists of broad openness to the business world as it has evolved, of specialists and young people who "wish to understand", demanding that the university curriculum of the discipline should give a prominent place to the history of economics and to the development of major schools of economic thought along the centuries, thus envisaging the prospect, asking to give a more important place to philosophy and psychology, politics, ethics and morals beyond a series of details that, within the limited space of an article I have to disregard, to see how and with what arguments the opening to the world, to scientific universality, to political economy are supported....and since they are not received by followers of exclusivity on mathematics and modeling in the study of "Economy", which, of course, has not left room for further investigation of "pluralistic" type. Moreover, neither I nor those who think like me have a thing against mathematics and modeling in economics, but these should not be exclusive, rather they must also leave gaps to be filled in order to be occupied by a series of examinations in various directions.

... It all started from a text sent by economic courier to students at the end of the first decade of the year 2000: "Call to all economy sceptics. Amid the

global recession after eighty years, students in economics worldwide question the very foundations of our discipline ... We wonder, does the economy we learn, dominated by mathematical formulas and abstract patterns, have any relations with the real world?" And further on: "To what extent can we say that economics is a real science?", making direct reference to trends of university economists to present mathematical equations and functions more as immutable laws rather than imperfect attempts to shape unpredictable human interactions. Does the economy more have to do with politics than with physics? In other words, in the mentioned text, it was asked to amend the manner of learning economy in the sense shown above, framework in which, I say, classical alignments should reaffirm, according to which, in-between wars and shortly after 1950, but even afterwards, "economy" was learned at the Academy for Advanced Economic, Industrial and Commercial Studies in Bucharest, later become ASE Bucharest, (for example, Economic History, with emphasis not only on the history of national economy but also on the history of universal economics: two semesters; Economic Geography: one semester; Philosophy: one semester etc., everything being completed by most demanding exams).

Otherwise, the question of a distinguished Cambridge professor would remain "suspended", question asked in 2010-2011, according to which "we cross the worst economic and financial crisis after 1929 and many professors continue to carry on their teaching as if nothing has happened". It is in this sense that the study institution named "Post-Crash Economic Society" at the University of Manchester, was joined, in 2012, by "The Cambridge Society for Economic Pluralism" addressing "all those studying economics in order to make the world better and not just to improve, simply, the private sector job filling". Such companies have begun to appear in many other campuses.

There are several elements to take into consideration: it is not surprising that as a result of the most severe economic crisis since the Great Depression and along a period of weakness, even longer, which caused political upheavals in Europe as well as in the United States, the economist's community faced such "intense pressure", wrote David Pilling in "The Financial Times". In fact, the "experts" are shown in their real face suddenly and cruelly, deficient in their ability to present forecasts and solutions, they, assuring us that problems with the expansion-recession cycles and ignoring huge inequalities, in-growth in most advanced countries - not to mention the poor economies - were resolved once and for all. And this despite many members of the economic establishment which defends them ... however, to return...

The aftermath of student and teacher protests, protests regarding the obsolete and too abstract manner of learning the economy, were quick to be shown. For example, in Cambridge, the second-year students are currently attending 30 conferences on economic history and economic philosophy. It is, however, the first program of its kind conducted by a large English-speaking university for one generation. In an effort to bring the economy more to reality, to break little by little the pattern of rational behavior that, in reality, is often not "rational", other British universities - for example the University of Manchester - have designed courses with "a pluralistic content", referring especially to economic theories and doctrines, have represented, by comparison, more than those which have been in fashion. Students trained in this way, surely, – for decision-making - will have a profound impact on all policies of the future, from taxes and public expenses, with minimum interest and minimum wages, to trading or greenhouse gas emissions.

However, taking into account the current prognosis that reveals the possibility of new and serious economic and financial crises, we have to do with a failure factor, the brightest of the "mainstream economics", with the failure of those economists who have evinced "a cult" as compared to the set of hypotheses more widely discredited, a set of hypotheses that "invented" practically "a parallel universe" composed of mechanical "relations" specifically defined, relations between the different moving parts connected by metaphorical pipes, tubes, gears and levers: when interest falls, bank loans increase; when taxes (especially on profit) lower, investments amplify. The worst unfulfillment of this "mainstream economics" showed itself, according to most opinions - unable to explain – and even more - unable to predict the global economic and financial crisis that started the financial crash in the United States in 2008 and what happened afterwards. Or, a student would say, at the University of Manchester, during the very time when the world economy was crumbling, teachers here, on the contrary, left the impression of the unshakeable faith in a rational system able to self-correct, to self-adjust, a system that eventually will regain its balance naturally, matters far from a totally undisciplined reality, astounding and confusing, a reality that should consider the individual as such, everywhere, and not just the privileged of a certain period. A student from Manchester wondered how, throughout the first year of study, in 2011, not a single reference was made to the global economic crisis, everything being flooded with schemes, tables, formulas and certainties? And he was right ...

However, one more time I underline, neither I nor many other professors of economics, of development, that I know, with whom I have correspondence, whom I see and meet again at large international events in the country and abroad, who stand next to me in important book and magazine summaries, have anything against mathematics in economics, against modeling, against the disclosure and examination of rational behavior etc. The problem is that, many a long time, both in our case and the world, the European Union, the United States, the Asian countries, business has not only been conducted from the perspective of rational behavior, of determinants and mathematical algorithms but it has involved many subjective elements, generated by corruption, the underground world, the greed and cupidity in relation to money, the insatiable thirst of institutional and managerial power at all costs etc. What does the rational behavior thesis have to do with big targets and intentions to dominate the world? What do matrixes and algorithms have to do with corruption, with affairs "under the table" or alcove ones, with the behavior with consequences so serious regarding politicians who consider population their servant and they do not regard themselves – as it should be normal – as people's servants? What does marginal theory have to do with great power domination perverting the entire economic gesture and action? What does economic ethics have to do with crass immorality of not few businesses? Or, in this sense, one must understand the requirement to learn about economy from a different perspective, to learn from economic history, to study the big business typology and financial scams that have assaulted the world destiny etc. And you may not understand such problems, I think, unless you do not want to or if you are totally ignorant.

From such a complex perspective, currently I think that several things impose. Behold, the "sabbatical year" for teachers! Like any man, and especially as teachers, they need to constantly learn. They need to "see", to hold more courses, on a reciprocal basis, if not otherwise, to other than their universities. To acquire, if they have not already, a broad spirit, a broader conception, a pluralistic one, based on numerous experiences and readings. The quality of a teacher is not just a position, but rather a passion, an enduring commitment, continuous combustion; it happens similarly with the students, not to go into details. But their placement, evinced now, relatively inappropriate, in a "tunnel" full of abstractions, had it not been also deliberate, eliminating them, mainly, from a debate, not in the least political, so necessary for men who consciously build their future and are able to judge wisely politicians' "recitals"? Often "recitals", devoid of deeper meaning,

subordinated to interests of immortalization of, as much as possible, the political functions, bringing, easily in some elliptical situations and circumstances, individual benefits as "fat" as possible? I think it is a hypothesis worth consideration ...

Let us not forget that Stuart Mill was a great moralist of his time, a man not too rich but having a culture and intelligence to the extent required by his time. Adam Smith was the first professor of ethics and English literature and then, on such a solid basis, he endeavored to become an economist. How about Keynes, with very solid youth studies and literary products? Should we really refer to the Mercantilist School, the Physiocrat School, to the "pessimists" of economic liberalism – D. Ricardo and Th. R. Malthus – or only to its "optimists" - Adam Smith and J.B. Say? Should we refer to the Marginalist School revealing the requirement that, in an exchange of activities, all partners should win, to the Institutional School, to Environmentalists and to the advocates of sustainability, to the major questions raised by post-industrialism when, on a large part of the globe, industrialism is not exhausted? To the careful study of the genesis and conduct of industrial revolutions that disprove of classic precepts and approve of new ones? What a huge source of economic lessons and experiences they trigger so ... And the examples could continue, emphasizing a broader perspective and not only stylish models with vulnerable content, which also, of course require study.

Only in such a comprehensive way, we could come to a better understanding of the real-world problems and of dramatic inequalities or financial (in)stability, the grave and wrong steps backward of production in front of speculation etc. We must, therefore, reinstate, much more, economic history, politics, philosophy, psychology, ethics, even literature in the study of economics. As stated by Professor Joe Earle, we need "a pluralist education program in order to address schools of thought, focusing on class relations or human psychology. Only neoclassical extrapolations and of "new economists" focusing on a rational agent that optimizes are not sufficient. As it has been stated, we are very far from reality. We were taken and led to a social model developing the Planet with doubtful results without apparent perspective.

Returning now to our economy and education, I believe that only by pursuing several ideas such as those from Cambridge taken up, let us say, on a much larger area by universities in the United States, Canada, Italy, France notably, China, Japan, will we have generations of active people, a fact proven also by major themes of economics and economic history Congresses which I

have attended, by major Eurasian and American publications I contribute to in writing. These generations are not to be impassive to theft from the State, to the development relationship with Romanian capital and foreign capital, capital often with positive results, but sometimes, often even "beneficial" for the plunder of resources, for enriching scammers, for solutions on foot and without any perspective. We may continue by saying all wanted and unwanted... Certainly, still many things need to be done.... Certainly, in the fight against ignorance and illiteracy, with tricks and scammers, the antidote is always easy to see and harder to apply.

References

- Dan Popescu, *Istoria gândirii economice de la începuturi până la sfârșitul secolului XX*, Editura "Continent", Sibiu-București, 2001.
- Dan Popescu, *Amanintari pentru secolul XXI*, Editura "Continent", Sibiu-București, 2014.
- David Pilling, "L'Economie de Papy c'est fini", *Courrier International*, nr. 1359/17to23 november 2016.