

001

00:00:58,570 --> 00:01:02,230

Good afternoon, everybody.

002

00:01:02,560 --> 00:01:08,470

When I was preparing this talk, I did not exactly know what the

003

00:01:08,470 --> 00:01:14,380

previous presenters would talk about so there's a little bit of

004

00:01:14,380 --> 00:01:19,420

overlapping. I'm gonna skip that part and to make this short.

005

00:01:20,110 --> 00:01:28,610

So 2 main things that I'm going to talk about today. First is the link between

006

00:01:28,610 --> 00:01:32,960

the neoliberalism and the neoclassical economics and the neoclassical

007

00:01:32,960 --> 00:01:40,490

economics is the theoretical foundation of neoliberalism and the second is the

008

00:01:40,490 --> 00:01:45,020

heterodox economics. I believe most of you guys are familiar with this term.

009

00:01:45,020 --> 00:01:53,229

heterodox economics and I will highlight that this is the alternative to

010

00:01:53,229 --> 00:01:59,780

neoliberal and market fundamentalist economics, or economic policy. That's what I'm going to talk about

011

00:01:59,780 --> 00:02:10,850

and also, I will - from - as heterodox economist,
I see that the importance of heterodox

012

00:02:10,850 --> 00:02:18,800

economics is its capability of finding
and remedying the root causes of socio

013

00:02:18,800 --> 00:02:28,610

economic problems. Now, so, curiously
Robbins, that Professor Harry talked about,

014

00:02:28,610 --> 00:02:37,610

right, 1932, this is the definition of
economics, that most economists take for

015

00:02:37,610 --> 00:02:42,620

granted, "economics is the science which
studies human behavior as a

016

00:02:42,620 --> 00:02:50,540

relationship between ends and scarce means
which have alternative uses." So, everybody

017

00:02:50,540 --> 00:02:56,660

knows that if you have taken principles
of economics, right. Then, I looked at

018

00:02:56,660 --> 00:03:02,420

the economics department at the Ohio
State University and their website. I

019

00:03:02,420 --> 00:03:09,080

found that economics, they define it,
"economics is the study of how

020

00:03:09,080 --> 00:03:16,310

individuals, businesses, and governments
make decisions and how the market

021

00:03:16,310 --> 00:03:24,320

mediate those decisions across a wide
range of domains." Quite consistent, right?

022

00:03:24,320 --> 00:03:34,790

Let me show other example, the University
of Chicago - Economics, "economics is the study

023

00:03:34,790 --> 00:03:42,290

of how society allocate scarce resources,"
very clear, and "from principles to

024

00:03:42,290 --> 00:03:49,900

advanced topics classes, from preparatory
courses in mathematics and statistics to

025

00:03:49,900 --> 00:03:56,570

research opportunities, the program
strives to convey how economists reason

026

00:03:56,570 --> 00:04:04,190

how they analyze models and compare
model implications to observations." So

027

00:04:04,190 --> 00:04:12,530

it's basically the model, they set of a
model, to explain the real world, but what

028

00:04:12,530 --> 00:04:18,290

they actually do is quite different. They're
trying to separate economics from the

029

00:04:18,290 --> 00:04:23,440

reality and I will talk more about it later.

030

00:04:23,650 --> 00:04:31,490

So, one fundamental link between the neoliberalism and neoclassical economics,

031

00:04:31,490 --> 00:04:43,490

they have both, whether they are policy makers or economists, and neoliberal kind, they always have a firm

032

00:04:43,490 --> 00:04:49,490

belief in the competitive market, it's not just a market, it's competitive

033

00:04:49,490 --> 00:04:57,200

market. Some of you guys have learned the first welfare theorem.

034

00:04:57,200 --> 00:05:04,490

Welfare, does anybody remember? At about the end of the market economic

035

00:05:04,490 --> 00:05:13,400

textbook. The competitive market will lead to the Pareto optimally, which is the most

036

00:05:13,400 --> 00:05:21,130

efficient allocation of resources at the society level, right. You need a comp-

037

00:05:21,130 --> 00:05:28,030

competitive market to achieve the maximum level of the welfare. This is how

038

00:05:28,030 --> 00:05:35,220

the neoclassical economics tell us and also this competitive market, could

039

00:05:35,220 --> 00:05:42,460

behave, its market, they behave like a machine that generates what people want

040

00:05:42,460 --> 00:05:49,030

and that allocate scarce resources efficiently.

041

00:05:49,030 --> 00:05:55,960

This is well known. Then, now we have to market principle represented by the law

042

00:05:55,960 --> 00:06:05,710

of supply and demand and it is not like natural and universal law, right. If you

043

00:06:05,710 --> 00:06:11,710

believe this is the law and you have to win the competition in the marketplace

044

00:06:11,710 --> 00:06:23,260

to survive and then likely you will make money and, especially for those producers

045

00:06:23,260 --> 00:06:29,290

and bidders firms. They are concerned about making money, not necessarily

046

00:06:29,290 --> 00:06:39,100

concerned about making goods or services by different things. Also, if we believe

047

00:06:39,100 --> 00:06:45,070

that this is the law, then everything should be look through the lens of

048

00:06:45,070 --> 00:06:53,230

market mechanism, market principles, even education, health care, everything through

049

00:06:53,230 --> 00:07:00,670

the market mechanism, supply and demand,

right. And also if this kind of market from the

050

00:07:00,670 --> 00:07:06,210

fundamentalist economics is accepted by the public, then

051

00:07:06,210 --> 00:07:16,870

unregulated free market and laissez faire economic policy or legitimized. Now, there

052

00:07:16,870 --> 00:07:25,900

is a mashup of video created by New Economics Institute. If you go to this link you can

053

00:07:25,969 --> 00:07:38,839

find full the video. Now, look at that this bottom part. The 92% of Americans think that this

054

00:07:38,839 --> 00:07:52,000

is the ideal wealth distribution in the United States. So, about 20%, top 20%, and 20%, right,

055

00:07:52,000 --> 00:08:01,699

and we have really strong middle class, and poor class, as well, but is the ideal, now. Then most Americans

056

00:08:01,699 --> 00:08:10,200

think that this is the current state in terms of the wealth distribution.

057

00:08:10,200 --> 00:08:24,589

Top 20% is only half and then the other half is the 80%.

058

00:08:24,589 --> 00:08:29,349

Is this the actual distribution of wealth in the United State? I don't think so, alright.

059

00:08:29,349 --> 00:08:41,657

Look at this, the top one now. This is actual, right,

real. 20% own more than 80% of the entire wealth

060

00:08:41,657 --> 00:08:53,000

of the nation. That's the reality. Now another way of looking at this is one consequence of market

061

00:08:53,000 --> 00:08:57,200

fundamentalist, the restriction of the entire economy.

062

00:08:57,200 --> 00:09:00,509

This is the state of [inaudible]. Look at this one little guy, monster. [laughter] This has a name,

063

00:09:12,240 --> 00:09:25,300

the 1%. This 1% owns 40%. 1% owns 40% and 20% owns more than 80% of the entire of wealth.

064

00:09:25,300 --> 00:09:32,320

Now, so what I think that something is

065

00:09:32,320 --> 00:09:42,000

terribly wrong with the US economy, it's that, then what's wrong?

066

00:09:42,000 --> 00:09:54,840

First of all, the economic policy, regardless of the political regimes for the past 4 years, that's wrong. Something

067

00:09:54,840 --> 00:10:02,080

serious wrong and more fundamentally, the theoretical foundation of neoliberal

068

00:10:02,080 --> 00:10:09,241

policies, wrong and misleading. So yet here is a quote from Frank Ackerman,

069

00:10:09,241 --> 00:10:14,110

his article appeared in the Post-Autistic Economics

070

00:10:14,110 --> 00:10:24,340

Review, "Ill-founded economic theories provide a seemingly scientific rationale for doing the wrong thing."

071

00:10:24,340 --> 00:10:38,710

Let's take the law of supply demand as an example of ill-founded theory. Here

072

00:10:38,710 --> 00:10:44,020

is the question. Is the law of supply demand the universal principle that

073

00:10:44,020 --> 00:10:50,890

coordinates all the economic activities and events in the capitalism? That's my

074

00:10:50,890 --> 00:10:54,540

question to you. Think about it.

075

00:10:56,140 --> 00:11:09,000

Now, look at this chart that I have found. The Center for America Progress, 2012.

076

00:11:09,000 --> 00:11:19,240

The top, this red line, is the average annual gasoline price, starting from 2006 until 2011.

077

00:11:19,240 --> 00:11:28,000

And the bottom blue line is the supply of gasoline by big five oil companies in the United States.

078

00:11:28,000 --> 00:11:45,000

BP- British Petroleum and ExxonMobil and Chevron and ConocoPhillips and, what's the last one, Shell, right.

079

00:11:45,000 --> 00:11:47,231

Law of supply, what I said.

080

00:11:47,231 --> 00:11:54,800

There should be the structural and positive relationship between the price and company supply.

081

00:11:54,800 --> 00:12:04,000

Do you see that relationship here? Because it's the exact opposite way. Price goes up and supply goes down.

082

00:12:04,000 --> 00:12:13,420

And price goes up; supply goes down. It's the exact opposite, right? Isn't it? Then,

083

00:12:13,420 --> 00:12:19,800

what's happening in the oil industry or what gasoline industry, or whatever you call it,

084

00:12:19,800 --> 00:12:25,700

some fact, every 1 cent increase in gasoline price yields

085

00:12:25,700 --> 00:12:31,970

\$200 million in profit on a quarterly basis for the largest oil

086

00:12:31,970 --> 00:12:39,500

companies. And, let's go back,

087

00:12:39,589 --> 00:12:45,449

so you can see that those big five oil companies are controlling the quantity

088

00:12:45,449 --> 00:12:51,449

at the same time that control the price of the oil and there's an additional

089

00:12:51,449 --> 00:12:59,600

player here in the oil industry. These guys. They're the Wall Street speculators

090

00:12:59,600 --> 00:13:06,149

and they're speculating on gasoline and, bring to an

091

00:13:06,149 --> 00:13:13,079

empirical study, the speculation drives up
the gasoline prices up to \$1 per gallon,

092

00:13:13,079 --> 00:13:21,179

so you're paying about \$3.51 at the
pump now. That's what I saw this morning,

093

00:13:21,179 --> 00:13:30,049

right. About \$1 just because of speculations and so
you pay tax, and the remaining goes to the oil companies.

094

00:13:31,309 --> 00:13:37,200

The point here is that, well, the role of
supplying demand does not explain

095

00:13:37,200 --> 00:13:42,919

what's happening in the oil market, right.

096

00:13:42,919 --> 00:13:49,800

Do not blame China or India for the
increase in the oil global product.

097

00:13:49,800 --> 00:13:55,000

That's what you're hearing every day,
through the newspaper and media.

098

00:13:55,000 --> 00:14:02,009

It's because of those companies, oil companies.
They are controlling, they're controlling the

099

00:14:02,009 --> 00:14:08,039

price, right. It's not just because of the
the increasing demand in somewhere in China.

100

00:14:08,039 --> 00:14:19,889

Now, so... so, I'm not going to go over the neopolitical, the falacies of the neoclassical economics, but let me

101

00:14:19,889 --> 00:14:27,229

just say that it's just an "illusion of epoch" using John Henry's work. He's not here now

102

00:14:30,540 --> 00:14:35,070

and he wrote a very interesting article, "The Illusion of the Epoch: Neo-

103

00:14:35,070 --> 00:14:39,090

classical Economics as Case Study." If you have time, take a look at it. Very interesting.

104

00:14:39,090 --> 00:14:50,040

And then, "to preserve their illusions, neoclassical economists have found it increasingly necessary

105

00:14:50,040 --> 00:15:03,260

to isolate themselves from non-believers." One way to do so is "using mathematics and econometrics." Right.

106

00:15:03,260 --> 00:15:12,210

Now, another aspect of the rise to dominance of neoliberalism is its

107

00:15:12,210 --> 00:15:20,370

impact on academia, especially the teaching of economics. There have been

108

00:15:20,370 --> 00:15:34,890

lots of attacks on pluralism in economics. Rutgers, like 1980s, at that time the Rutgers

109

00:15:34,890 --> 00:15:40,200

University was famous for the

post-Keynesian economics. General

110

00:15:40,200 --> 00:15:44,220

post-Keynesian economics was established
by those people at Rutgers University

111

00:15:44,220 --> 00:15:51,830

and they're gone. Now recently, the
University of Notre Dame, the heterodox

112

00:15:51,830 --> 00:15:59,310

economics department was shut down and
only neoclassical economics department

113

00:15:59,310 --> 00:16:05,940

remains. And also, if you look at most
economic journals, you always see the

114

00:16:05,940 --> 00:16:15,740

neoclassical economics, nothing else. Then,
what is taught - only neoclassical economics and

115

00:16:15,740 --> 00:16:21,420

self-interested, individual, rational
choices. All models are based on that kind

116

00:16:21,420 --> 00:16:29,700

of ideas. The law of supply and demand;
mathematics and econometrics. And what is

117

00:16:29,700 --> 00:16:36,019

dismissed? Marx, we don't want Marx in principle

118

00:16:36,019 --> 00:16:43,759

of economics class, right. We don't want Veblen
or even true Keynes, but of course you

119

00:16:43,759 --> 00:16:46,879

learn some Keynes, Keynesian economics but that's not true

120

00:16:46,879 --> 00:16:54,879

Keynes and we don't want the history or history of economic thought. We don't want

121

00:16:54,879 --> 00:17:01,939

methodology and philosophy. So we have lost, they will reach the heuristic

122

00:17:01,939 --> 00:17:09,919

tradition in economics, especially for the past 30 years. Then, also there was a very

123

00:17:09,919 --> 00:17:19,240

interesting study done by, I believe they were, neoclassical economists. According to their study,

124

00:17:19,240 --> 00:17:28,039

economic students are more likely to free ride than others. Student are less likely

125

00:17:28,039 --> 00:17:32,659

to return found money after studying economics, but now after studying another

126

00:17:32,659 --> 00:17:42,860

subject like astronomy. Really, there was a study. And another, economists are less generous

127

00:17:42,860 --> 00:17:51,679

than other academics in charitable - charitable giving. So the question is: are they

128

00:17:51,679 --> 00:18:00,000

selfish bastards? [laughter] You can answer that question.

129

00:18:03,570 --> 00:18:16,840

Then, there was an alternative way to look at the economy, our economy, our

130

00:18:16,840 --> 00:18:19,950

economic conditions. And that's what it's call, heterodox economics,

131

00:18:19,950 --> 00:18:27,580

including the Marxians and post-Keynesians, institutionalist and feminist and radical

132

00:18:27,580 --> 00:18:35,470

political economists and then, in general, they're the general agent of all the

133

00:18:35,470 --> 00:18:41,160

heterodox economists like this.

It is the study of ongoing and evolving

134

00:18:41,160 --> 00:18:50,500

instituted social provisioning process. The consumption behavior that we explain to

135

00:18:50,500 --> 00:18:56,880

the social relations, if you want to know about a kind of argument, ask Professor Todorova.

136

00:18:56,880 --> 00:19:10,990

She did lots of studies, works around that theme.

And also, production investment, financing, you can or they have different

137

00:19:10,990 --> 00:19:19,770

explanations, or say more realistic explanations, about those economic activities.

138

00:19:20,040 --> 00:19:25,419

Wright State University economics program,

I found you guys are very different,

139

00:19:25,419 --> 00:19:34,720

right, from... compare this with the Ohio State University and the Chicago -

140

00:19:34,720 --> 00:19:40,600

University of Chicago. "Economics the study of how resources are used and how

141

00:19:40,600 --> 00:19:48,309

to make the best," not necessarily the optimal, right I assume, "the best use of available

142

00:19:48,309 --> 00:19:54,940

resources" and "economic students learn to make decisions that are vital to the

143

00:19:54,940 --> 00:20:00,750

success of business - businesses, nonprofits, government agencies, and households, and

144

00:20:00,750 --> 00:20:07,720

for society as a whole." I think this is the view that your professors have, you

145

00:20:07,720 --> 00:20:12,610

know. This is the view you were supposed want and I believe you guys are quite

146

00:20:12,610 --> 00:20:29,980

lucky to be in this distinctive program. Not many programs correct. Heterodox Economic Directory. You can find it here at that link.

147

00:20:29,980 --> 00:20:35,080

There are 38 active heterodox economic associations around the world, like the

148

00:20:35,080 --> 00:20:38,760

Association for Heterodox Economists,

149

00:20:38,940 --> 00:20:44,020

Australian Society of Heterodox
Economists, and Union for Radical

150

00:20:44,020 --> 00:20:48,670

Political Economics, Association for
Evolutionary Economics, Association for

151

00:20:48,670 --> 00:20:55,809

Social Economics, and an Association
for Institution Thought. A lot of, right. There

152

00:20:55,809 --> 00:21:03,460

heterodox economics is alive and well
and also we have - there are 61 graduate

153

00:21:03,460 --> 00:21:07,809

and 60 undergrad and undergraduate
programs, including the Wright State

154

00:21:07,809 --> 00:21:18,400

University, and 159 heterodox economists
journals, and over 4,800 the

155

00:21:18,400 --> 00:21:26,020

subscribers of the Heterodox Economics
Newsletter, that I am editing now. So, if you're

156

00:21:26,020 --> 00:21:35,800

interested in this, yes, go to the website and look at it,
what those heterodox economists are doing, right.

157

00:21:35,800 --> 00:21:47,000

Where are they [inaudible] and programs
located. Take a look at them. Now,

158

00:21:47,050 --> 00:21:52,570

what we are saying here is that there has been a series of student movement

159

00:21:52,570 --> 00:22:03,010

around the world and [inaudible]. In 2000 in Paris, students petition calling for

160

00:22:03,010 --> 00:22:14,980

the reform of economics curriculum. Let me just quote this. "Neoclassical economics is supposed to

161

00:22:14,980 --> 00:22:24,040

explain everything by means of purely axiomatic process, as if this were the economic

162

00:22:24,040 --> 00:22:32,560

truth. We do not accept is dogmatism. We want a pluralism of approaches." Very

163

00:22:32,560 --> 00:22:42,610

clear argument and also in, went on to the Cambridge, UK and they were making a

164

00:22:42,610 --> 00:22:54,330

similar argument, and in the Kansas City 2001, and recently, we have two event. One is

165

00:22:54,330 --> 00:23:03,520

what they called the Kick It Over movement, where kicking it over meant faster. Let me

166

00:23:03,520 --> 00:23:08,680

just read this interesting quote, "you the teachers of neoclassical economics

167

00:23:08,680 --> 00:23:16,000

and the student that you graduate, have perpetuated a gigantic fraud upon the

168

00:23:16,000 --> 00:23:22,120

world. You claim to work in a pure science of formula and law, but yours is a

169

00:23:22,120 --> 00:23:29,110

social science, with all the fragility and uncertainty that this entails. We

170

00:23:29,110 --> 00:23:33,480

accuse you of pretending to be what you are not."

171

00:23:33,480 --> 00:23:40,510

So, this movement is ongoing. You can find it there. Now, recently, also many of

172

00:23:40,510 --> 00:23:47,250

you guys aware of this, the Harvard and Greg Mankiw's class walk out.

173

00:23:47,630 --> 00:23:53,720

They're saying that, students, "we are walking out of your class, Economics 10,

174

00:23:53,720 --> 00:24:00,770

in order to express our discontent with the bias inherent in this

175

00:24:00,770 --> 00:24:05,750

introductory economics course. We are deeply concerned about the way that

176

00:24:05,750 --> 00:24:13,360

this bias affect students, the university, and our greater society." So

177

00:24:13,360 --> 00:24:20,080
now, many students are on world of
recognizing the problems in economics

178
00:24:20,080 --> 00:24:28,760
and economics curriculum. And more importantly, the
problems underlying, many socio-economic problems,

179
00:24:28,760 --> 00:24:37,700
right. Then, [whispered - five minutes]

180
00:24:38,190 --> 00:24:46,020
This is actually last slide, so in
conclusion, let me give you some advice.

181
00:24:46,020 --> 00:24:55,029
Just general advice. That probably most of
you guys know. First, read broadly and think
critically and challenge the

182
00:24:55,029 --> 00:24:59,649
conventional wisdoms, if possible. I think
probably, that's the most important thing

183
00:24:59,649 --> 00:25:09,340
when you are studying economics. Now, this
is a quote from my favorite living

184
00:25:09,340 --> 00:25:21,360
heterodox economists, Fred Lee. "Knowing about 'wrong'
theories helps knowing 'right' theories." So learn both

185
00:25:21,360 --> 00:25:28,090
neoclassical economics and heterodox
economics and its your judgment... you make

186
00:25:28,090 --> 00:25:37,450
a choice, when you're facing real
economic problems, you may rely on some

187

00:25:37,450 --> 00:25:44,110

theoretical approaches. Then we can make a judgment on which one is more relevant in

188

00:25:44,110 --> 00:25:52,659

solving your real problems. Now a quote from my favorite female heterodox

189

00:25:52,659 --> 00:25:59,289

economists, Joan Robinson, very famous quote, "the purpose of studying economics

190

00:25:59,289 --> 00:26:04,750

is not to acquire a set of ready-made answers to economic questions, but to

191

00:26:04,750 --> 00:26:13,450

learn how to avoid being deceived by economists." Now, lastly, it was a very

192

00:26:13,450 --> 00:26:17,760

short quote from

193

00:26:18,280 --> 00:26:26,990

from a Korean heterodox economists, who died a few years ago, "remember your heart is

194

00:26:26,990 --> 00:26:37,000

on the left side of your chest," with an emphasis on here - left. Thank you.