

## **Transformative Economics – Calling for a more conscious relationship between economics and society**

**A comment by Jonathan Barth & Florian Rommel**

One cannot make it clearer than (Mackenzie, 2008): economic science has become: “An engine not a camera”. It means, Economics does not simply depict the driving mechanism of the economy like the textbook distinction of positive and normative statements implies (Mankiw, 2014, 17). Instead, the idea of positive statements can prevent economists from reflecting about their perspective and impact on society.<sup>1</sup> This is analyzed by scientists on the issue of the “performativity of economics”. The understanding emerging from this debate, that economics feeds back onto society in various ways can provide a chance to move towards a self-reflexive economic science. Such a science would contrast the idea of an engine, blindly driving a restructuring of institutions.

Especially the Pluralist Economic movement should resolve the above fallacy. The aim should never be to solely produce ‘better pictures’ but to increase the awareness of dealing with multiple pictures.

As economics contributes to the world, we need to cultivate a reflexive knowledge culture in which we are conscious for the perspective utilized (Davis and Klaes, 2003, Mäki 2013). In addition, Economics should be put back into the responsibility of democracy and enable a deliberate and participative decision process. We argue that the appeal for economics as a transformative science is a first step towards a more conscious relationship with society and a contribution to the public debate that necessitates concrete institutional changes of academic economics.

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<sup>1</sup> By making this point we neither want to solely blame economists, as there are plenty who cautiously refrain from naïve applications of mathematical models. We would rather wish to point at the consequences of the way of teaching economics by serious omissions to create a reflexive knowledge culture (Graupe, 2012; 2017). As Rodrik (2015) points out, in a survey for his blog, Mankiw asked whether economists agree with statements like “Fiscal policy (for example, tax cut and/or government expenditure increase) has a significant stimulative impact on a less than fully employed economy”. Over 90% of the economists agreed with this statement, though the assumptions necessary for these statements to be true have not been outlined.

## **Awakening from the machine dream**

The equilibrium concepts of modern textbook economics have their origin in classical mechanics. They are co-created by the dream to provide accurate descriptions and guidance for interventions in the social science as physics has provides for engineering (Brodbeck, 1998; Mirowski, 1991, Mankiw, 2006). As a consequence, economics adapted a very *specific scientific attitude towards society* starting from the end of the 18<sup>th</sup> century (Graupe, 2007; Don Ross, 2010). It has come to define itself by virtue of its method (Mäki, 2009a; Graupe, 2012) and thereby conforms with a mechanistic explanatory model (Hempel-Oppenheim, 1948), that is widely contested for the domain of social science (Hedström et al., 2010). The aspiration is to isolate mechanisms through positive analysis that are the basis for normative judgements of political interventions.<sup>2</sup> A successful isolated mechanism seems to make methodological reflection obsolete: The moment we had a working description of gravity, we had a “true picture” of it. A positive statement about the world implies a safe ground to act upon.

However, this mechanistic abstraction has an endogenous moment, as economics cannot avoid that with its descriptions and pictures of society, economics adds to society. It adds knowledge that was not there before and that, *can be used as a program for individual action and institutional pattern*. These manifests themselves in formal economic and societal institutions, as the design of financial markets (MacKenzie, 2008), of accounting standards (Nölke and Perry, 2006; Rommel, 2015a) or the educational system (Krautz, 2007).

Economics did also set informal institutions as “paradigms of thought” (Campbell, 2004) for journalists, teachers, decision- and policy makers (Fischer et al., 2014; Pühringer et al., 2014). While the former are engraved in laws and regulations, the latter restrict as “cognitive locks” (Blyth, 2011) the way decision-makers and societal actors perceive their social and economic

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<sup>2</sup> Whether these mechanisms are taken to isolate real mechanisms or are just instrumentally working abstractions remains an issue of debate (Friedman, 1953; Mäki, 2009b).

reality and affect what these actors interpret as an appropriate solution (Block, 1990; Block and Heilbroner, 1996). The methodological basis of current economics entails an epistemic norm, which leads to serious distortions of these pictures (Cartwright, 1999; Alexandrova 2006; Grüne-Yanhoff, 2011). In mechanically applying this epistemic norm on various societal contexts, *economics become an engine powering a specific type of transformation, called economization* (Çalışkan and Callon, 2009; 2010).

Thereby current Economics often lacks the moment to reflect upon the desirability of the direction of the transformation it is contributing to.<sup>3</sup>

### **Imagining conscious transformative economics**

Many heterodox positions that indeed contribute important perspectives on society and the economy should not commit the fallacy of solely offering better pictures. Consequently reflections of pluralism should not just praise pluralism for its superior explanatory potentials (Bigo et al., 2008; Dobusch and Kapeller, 2012) but must also address the normative dimension of pluralism (Dow, 2004; Rommel, 2015b).

Up to now the calls and claims for pluralism, have covered the need for alternative views and the reflection on perspectives in economic research. The appeal for **transformative economics** (Schneidewind and Pfriem *et al.*, 2016; Schneidewind *et al.*, 2016) adds the reflection of the performative dimension of economics. Thereby it opens the horizon for a different mode of science by raising a central question: *what an economic science would look like that is conscious about its performative impact and how it could increase the societal capacity for self-reflection*. At the current stage, we can only suggest some criteria of a more conscious way of conducting economics and point out some institutional changes we regard

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<sup>3</sup> The economist Edward Lazear (2000) is a noteworthy exception. He reflects the impacts of economics and thereby provides a good overview. But instead of reflecting economics preconditions he provides a good example for how a normative judgement can become a measuring rod for scientific progress.

important. Both should just provide a basis for discussion and shall not overlay the openness and importance of the question raised here.

Motivated by the ever-increasing challenges faced by today's society regarding ecological depletion and increasing social inequality – and recognizing the particular role of economics in this regard the call for “Transformative economics” presents five criteria for transformative economic science: Firstly, economist must be *transparent* on normative assumptions and methodological approaches to foster awareness of the strength and weaknesses of different research approaches. Secondly, economic research must *reflect* the performative potential of economic research and the contextuality of knowledge production within time dependent value frames to avoid propagating unfeasible one-fits all solutions. Thirdly, scientists must be *conscious on their values* that might guide economic research to provide feasible solutions for today's challenges complementing the pursue for exhaustive explanations of economic phenomena, as economics is not an end in itself. Fourthly, *participation* of non-scientific actors is required to obtain socially important questions and societal values, spread economic knowledge and include other forms of economic knowledge.

The above encloses the request for a *plurality* of theories and methods to foster the creation of new innovative ideas and reflect on the shortcomings and potentials of different approaches. In addition, it takes the performative potential of economics as given. Consequently, economics is not only perceived as a discipline that provides positive explanations, which narrows down the possibilities decision makers can act upon and thereby enacts an undemocratic societal transformation, as captured by the metaphor of the “engine”. - Instead economics may be thought of as a producer of ideas for societal orientation that is fueling democratic debates and itself reflects societal problems and a democratic will in the way it proceeds. Conducting “transformative economic research” is about elaborating a colorful

bouquet of courses for political and societal action, which reflect societal needs such as the distributive and ecological effects of economic policy measures.

We argue that this understanding of an *integral reflexive epistemic plurality* combined with the mission to elaborate solutions for the challenges society is tackling today, is crucial in addition to the pluralistic aim for more perspectives and better pictures. However, its realization will necessitate a dramatic alteration of the institutional setting of today's economics.

### **Promoting change in economics**

We have pointed out elsewhere (Barth et al., 2017; see also Dobusch et al., 2009) that economics as a discipline itself is locked in in an institutional vicious cycle. Scientific self-reproduction in economics stabilizes itself by multiple institutions: The standardization of teaching materials limits both the way young economists think and what they perceive as interesting research questions. Evaluation criteria, such as impact factors, restrict access to the scientific arena. Social norms define what is accepted as “sound economic research” and the availability of resources supports certain research approaches and career tracks only. To break this circle, it seems reasonable to focus on two kinds of strategies, one targeting change from within science and the other aiming at gathering support from outside the discipline.

As resources and power are unequally distributed within economics (Heise, 2017), the most promising way of changing economics from within is by *complementing* existing scientific institutions with new ones instead of aiming at their complete *substitution* in the short run.

Regarding teaching it might be an important first step to create *new teaching materials and textbooks*, which provide an easy opportunity for critical researchers to teach students different perspectives on the economy and different goals of economics in general.

Additionally, *new forms of knowledge transfer* are needed to reach out to students solely

confronted with mainstream thinking<sup>4</sup>. These offer an important opportunity for the acquisition of critical economic knowledge independently of teaching programs at universities. Regarding research, heterodox economists should finally overcome their internal (mostly content related) battles and concentrate on a constructive collaboration and mutual learning. *New networks* are needed that not only provide a safe space for economic debates besides the mainstream, but also strategically concentrate actions targeting change in economics. These networks may serve as fruitful ground for the establishment of *institutional entrepreneurs*, which contribute to a further institutionalization of a “transformative” approach of economics. These pioneers have the potential to motivate *young scholars* to choose different research tracks and commit themselves to pluralist and transformative research.<sup>5</sup> Concentrated actions of institutional entrepreneurs and networks could successfully advocate new economic thinking and communicate the issue beyond the borders of science.

Exactly this public communication will be important, as pioneers of change within the system, heavily depend on the support of actors outside the economic discipline (Heise, 2017).

Consequently, initiatives promoting change in economics must inform nonscientific actors about the current state of economics to create public pressure for an alteration of existing institutions and release resources that support these actions<sup>6</sup>. We need a democratic debate about what is the aim of economic research, which seems to prove itself as the politically most powerful social science. As citizens and societal subjects, we have to ask ourselves, whether we want economics to be this powerful and if so, whether there is a particular responsibility arising from it. And what does it need to fulfill it. Do we agree that economics should not solely understand itself as a descriptive science responsible for providing better

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<sup>4</sup> One good example in this regard is the publicly available open-access online platform “Exploring Economics”

<sup>5</sup> The Master Program “Plurale Ökonomik” in Siegen and the “Cusanus Hochschule” with its alternative and transformative Bachelor and Master Programs in Economics need to be mentioned here as existing pioneers.

<sup>6</sup> The efforts of Kate Raworth (2017) provide a promising example here. With her book and campaign, which outline the shortcomings and political implications of the current state of economics for the “interested citizen”, she successfully increased awareness on the topic.

“pictures” of the economy? Should economists also act as producers and reflectors of societal solutions that are fueling public debates on possible courses for political action? The narrowness of economics today is not only limiting science in the pursue for better explanations. In the definition of what is a better picture and what pictures we want to produce and consequently act upon; value judgements are contained. The judgements contained in economic models as a norm for transforming our societies deserve public attention. Science can deal with epistemic pluralism but value pluralism need a democratic process and a conscious relation among science and society.

For sure, there are other and complementary strategies at hand. Nonetheless the proposed measures might be a starting point to discuss what is needed to put the concept of “transformative economics” into practice. By acting on distinct levels, change might come into reach. To bridge the existing gap between science and society, we propose that economics not only understands itself as positive but also as transformative science. Claims for pluralism often fall short of the impact economics has always had on society. Instead of solely offering a better engine that unconscious transforms society, economics must reflect its societal impact and offer multiple competing solutions for dealing with the challenges of the 21<sup>st</sup> century. Only the availability of several alternatives can facilitate a democratic debate and public discourse about the appropriate path for the future development of our societies.

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