

Sweden Debates the Future of Economics Nobel

In the Sunday October 10th issue of Sweden's number one newspaper, *Dagens Nyheter*, a debate was opened by *PAER* contributor Peter S derbaum regarding the future of the Bank of Sweden's Award in Economics in memory of Alfred Nobel.

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The Nobel Prize in Economics — barrier for new thinking

Either the award should be withdrawn or it should be admitted that the presumption of economics as value-neutral is false, writes professor of economics.

Most Nobel Prize winners in economics belong to the neoclassical school. But many are those who question the dominance of this theory with its narrow-minded focus on economic growth and markets. The Prize in Economics has become an obstacle for new perspectives. One possibility is to withdraw the prize, the other is to admit that economics has ideological content. In the latter case, the economics award should be treated as being in the same category as the Peace award, writes Peter S derbaum .

The Nobel Prizes in physics, chemistry and medicine are not uncontested but have become reasonably respected. Lately, the Bank of Sweden's award in memory of Alfred Nobel has been added and instituted. It has been argued that economics is an established discipline comparable to physics and chemistry and with similar ideas of good science and scientific progress..

Economists can refer to a distinct paradigm, that is a clear theoretical perspective. The tendency is to stick to this perspective, and today there is a monopoly position for neoclassical economics at almost all university departments of economics. Its theories are useful for some purposes, for instance, as a way of understanding financial and monetary policy.

Confronted with the present challenges related to sustainable development, the limitation to the neoclassical paradigm is a problem. Viewing humans as consumers maximizing their self-interest is not very constructive if you wish to discuss issues of environment and survival. Focusing on profit maximization in business will not make it easy to understand the present debate about corporate social responsibility, environmental certification of organizations and similar phenomena. Interpreting economic phenomena and relationships in terms of markets and prices and monetary indicators is not always a good strategy.

Neoclassical economists can of course continue to refer to their conceptual framework and turn their arguments in the best possible way. But a problem that they cannot get away from is that economics, just as other social sciences, is both science and ideology. As an example, focusing on the role of consumer and her self-interest is not neutral in value terms.

One of the scholars who received the Bank of Sweden's Award in Economics in memory of Alfred Nobel, Gunnar Myrdal, repeatedly argued that values are always with us in our research. This being the case, it becomes problematic from a democratic point of view to stick to one and only one paradigm at a university Department of Economics. The ideological features and character of this paradigm mean that the department plays a role of political propaganda centre; human beings are consumers, forget about other roles as citizen, professional anything connected with business can be reduced to a matter of maximum monetary profits , etc..

The solution to this is a pluralistic attitude, that is, open-mindedness to different possible theoretical perspectives compatible with different valuational or ideological points of view. Just as economists otherwise celebrate competition, this should also be applied to their own discipline. The Bank of Sweden s Prize in Economic Sciences in memory of Alfred Nobel unfortunately has become an obstacle for new thinking.

Even prize winners that present and support theories that could be connected with a criticism of neoclassical theory, for example Douglas North and Amartya Sen, tend to — for tactical reasons, it seems — profess themselves adherents to orthodoxy. Gunnar Myrdal is the exception among prize winners, with his outspoken criticism of the mainstream and clear declaration in favour of institutional theory.

Today a lot is happening internationally in developing institutional theory, social economics, feministic economics, ecological economics, etc.. Ecological economics can be described as business management and economics for sustainable development and in this field neoclassical theory holds a minority position.

Adhering to neoclassical theory with its focus on economic growth in GDP-terms is perceived by an increasing number of people as unsustainable . For several years this has been a focus of the *post-autistic economics review*, which also stresses the limitations of mathematics as a language for economics. Books are now being published, with contributors from many countries, that caution new students in economics about the narrow-mindedness of the textbooks they are exposed to.

The problem is that these textbooks legitimise simplistic thinking about economic growth and markets in a situation where instead a multidimensional and ethically open analysis is needed. To systematically propagate this simplistic economics to countries such as Russia and China is irresponsible.

Against this background, one possible way of acting is to withdraw the Prize in Economics in memory of Alfred Nobel. The alternative is to admit that economics much like other social sciences has a specific ideological content and therefore belongs to the same category as the Peace Prize.

This would make it natural to return to the term political economy , the language used in the 19th century. It would also make it clear that the project to develop a pure economics has been a failure.

With this change, the idea becomes one of identifying potential winners of the prize who, through their research and other actions, have contributed something to humanity. Choosing people who claim to have developed models useful for predicting shareholder values would then become more difficult.

I am sure that there are those who see markets of different kinds as the salvation of the world, but there also are quite a number of citizens who are less enthusiastic about market solutions.

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