Preface

My initial economics training at Essex University and the London School of Economics over 40 years ago focused on mathematical economics and econometrics. This was unusual for the time, it being a time when there was more emphasis on descriptive and historical analyses and many years before the existence of PCs, the internet and online databases. I followed that with a period in strategic planning, working in a multidisciplinary context and considering real-world policy problems. This cross-disciplinary applied work proved invaluable in shaping my perspective on the application of economics. I was interested to find that the questions addressed were very different from the questions that I had seen set up and readily answered with the techniques and models that I had been taught. This suggested that maybe economists were setting problems for reasons other than relevance. A mathematical model could be used to solve a particular problem. It could identify the maximum quantity of a homogeneous good that could be produced with a given, mathematically appropriate (differentiable, etc.) production function and (linear) cost constraint. Returns to education could be identified by considering earnings differences by qualification for people at different ages (although there are other benefits to education and current pay differentials by age may not be sustained in the future). The focus was on those sorts of problems rather than looking at the policy issues that may be of greatest importance at that time. It might also mean that policy issues were, and still are, framed in a way that best suits the models, rather than the approaches that are most relevant for those particular issues.1

I then returned to academia, spending many years working in areas of land economics, public sector economics, health, education and social issues. This included participation in and presentation at conferences for politics, health,  

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1 More suitable approaches may include cross-disciplinary work as with an education project assessing policy proposals that used econometrics in an attempt to improve the quality of teaching in schools (Birks et al. 2013; Snook et al. 2013). Economics can only be applied in an area if the analysis includes relevant information on that area of application, be it health, education, agriculture, the environment, or whatever. There are few, if any, purely economic policy issues.
communication, law and many other areas. In contrast, economics conferences seemed to be inward looking, bounded by the constraints of the discipline as it had evolved. Even so, the various academic and practitioner groups in the other conferences had their own perspectives and understanding of issues. Where there was limited communication across groups, the members of a group frequently came to see their own perceptions as representing knowledge of the world, often of a nature not available to the uninitiated. Once I had observed what appeared to be flawed or unduly rigid reasoning by those of other disciplines, I realised that the same points could be made about economists. It is often easier to see things when somewhat detached from the situation that when immersed in it. It is for this reason that there are examples in this book that I have taken from areas outside economics.

I learned another lesson from my continued exposure to cross-disciplinary audiences in relation to both research and teaching. It led me to see that strong points could be made without requiring detailed technical exposition. This is important if the points are to be accessible to a wide audience. It reflects the ways in which I modified my courses to provide something that I felt was more palatable than equations and symbols. I also realised that it is important to understand the context in which economics is applied if the economics input is to be relevant. Much of this context is actually missing in standard economic theory because these aspects are assumed away. When learning the economic theories and methods, there is generally no specific application in mind, and therefore some general representation, such as of the firm and the consumers, it used as the starting point. This context has shaped the structures that are available to be applied in specific instances.

I also noticed major issues in terms of the quantitative analyses used in relation to economics. In particular, I found when teaching econometrics that more and more of my time was spent on the issues leading up to the development of the model, such as the data, the relationships and the phenomena under investigation. These can shape the sort of representations that are required and the interpretation of results afterwards. This is very different from the standard emphasis on technical, statistical problems such as heteroskedasticity, multicollinearity, autocorrelation and unit roots. These are the standard problems that econometricians look for in terms of critiquing econometric studies, but there are many other things that are very important.

Over the years, people have said to me that I should put this material together into a book. Responding to this challenge, I have compiled here, out of a lot of material, a condensed selection presenting some of the main points. I think attention spans these days are getting shorter. Even courses are getting shorter, and so what is needed is some brief, clear representation of some key points. Some economists may choose to select from these to critique the approaches they are taking. Perhaps it will lead them to modify the sort of analysis that they do. It may also help them and others, including non-economists, to critically interpret analyses that others have done. Hopefully, I have something that is relatively concise and clear and useful to some with interest in these areas.
While some might see this as a critique of economics, I would rather think of it as indicating how, with care, much can be taken from the existing body economics knowledge. If these limitations are recognised, along with the additional reserves, qualifications and adjustments that are needed, a lot can be usefully applied to give an improved understanding of the world. The direction may not be self-evident to those who see progress in terms of greater sophistication of analysis. However, it does fit the perspective of those who are concerned that, to quote from an American Economic Association presidential address, “the mainstream of economic theory sacrifices far too much relevance in its insistent pursuit of ever increasing rigor” (Gordon 1976, p. 1).

Having taught economic principles from a highly critical perspective, it has become clear to me that this is by no means a negative exercise. Instead, it shows that there is much for debate and development. It is potentially a very interesting and exciting area. It is possible to break free from the constraints of a tight theoretical perspective, and see how the tools of economics can be used to address more grounded real-world issues. This involves a recognition of the strengths and weaknesses of the tools, and the limitations of the different perspectives. Other material can then be incorporated to broaden out the whole nature of the analysis. This suggests that economists potentially face a very exciting time in which a great deal of innovation is possible. The current state of knowledge provides some insights, but there are many things that need to be taken into account more effectively than at present. There are many challenges to be faced moving forward and developing a more grounded understanding of the economy and society.

The title of this book begins with the words, ‘Rethinking Economics’. I used it first for a series of Economics Papers while on sabbatical at Bristol Business School in 2012, but I lay no claim to the term. It has been used by Kurien (1996), and has subsequently been adopted by a community of students and others who have been voicing their dissatisfaction with the narrow methodological and theoretical focus of economics as it is currently taught in universities. They are, “organising to create fresh economic narratives to challenge and enrich the predominant neoclassical narrative”\(^{2}\). Another indication of this dissatisfaction is the rapid growth of the World Economics Association,\(^{3}\) a global pluralist group with over 12,000 members. It supports, “the free exploration of economic reality from any perspective that adds to the sum of our understanding”. These and other organisations around the world are questioning some of the dominant ideas in economics today, and trying to encourage more diverse and innovative approaches. It is hoped that this book contributes in some small way to those initiatives.

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\(^{2}\) http://www.rethink econ.co.uk/.

\(^{3}\) http://www.worldeconomicsassociation.org/.
References


Rethinking Economics
From Analogies to the Real World
Birks, S.
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