

An Economics That Demystifies Economics

With all the nonsense that economists in exalted positions disseminate, one needs just that.

Over the last two decades the world of higher education and research in economics in India has been mesmerised by a series of conferences and collaborative researches generously sponsored by the World Bank and its “development partners”. The result: A particular kind of crony intellectualism has flourished, strengthening neocolonial hegemony in the realm of economics. In the other social sciences, the postmodernist claim has made huge inroads, namely, that any “narrative” is as valid as any other (A postmodernist economics is yet to appear though!). But, parallel with the spread of crony intellectualism, the integrity of India’s liberal-political democratic system has been vitiated; it is now a money-driven system, and the media is closely involved in the dissemination of the propaganda that is necessary to legitimise it. Day in and day out one is bombarded by the pundits who tell us that a high fiscal deficit is necessarily harmful, and, further, when the stock market is booming, India is shining. Now all “(t)his is typical of the kind of nonsense you must have the intellectual confidence to know is nonsense”, as one of India’s leading theoreticians in macroeconomics, Amit Bhaduri, puts it in a keynote address he delivered at a national conference on economics education in schools, organised by the National Council of Educational Research and Training in New Delhi three years ago. An expanded text of this lecture, entitled “What Is the Core of Economics?”, has now been published by Eklavya.

In this age of chronic mendacity in public life, where all of us are the victims of a propaganda-managed democracy, surely what students at the plus two level of education need is an economics that demystifies economics. The Indian public needs to know the “bad conscience and evil intent of apologetic” (this from Marx) that the pundits who disseminate free-market economics have committed themselves to. When they reduce “public finance to housekeeping in the name of ‘fiscal discipline’” (Bhaduri again) and thereby clandestinely make a case for “disciplining the poor to help the rich”, all the more we need open-minded, intellectually self-confident citizens to call their bluff. What then is the core of economics that will give “an intelligent and interested citizen the confidence to pose and raise relevant economic questions”, depending, of course, on the particular context? Bhaduri answers this question with reference to three areas – microeconomics, macroeconomics, and the Indian economy.

In the section on macroeconomics, he focuses upon the fallacy of composition, taking pains to explain the proposition that what is true for the individual is not true for society and that the whole is not

equal to the sum of its parts, thereby debunking “methodological individualism”. Here he gets to the paradox of thrift and then to the basic difference between Keynesian and non-Keynesian macroeconomics, going on to explain how demand is generated by expenditure and illustrating the notion of the “multiplier”. He then debunks the quantity theory of money and links up money with deficit financing.

On the Indian economy, Bhaduri suggests that students need to know the sectoral structure of the gross domestic product (GDP) and employment, the class and regional distribution of income, and how these have evolved since Independence. Over the last 20 years, why has the rest of the world, whose real GDP has grown much slower than India’s, reduced poverty faster? How is it that India has such a large number of billionaires, second only after the US, and displays extremes of wealth and poverty, luxury and misery, and civilisation and degradation not found anywhere else in the world? In this context, what of the social choices made by a political system wherein to be a serious contender for a parliamentary seat in elections to the Lok Sabha the average amount that is spent is Rs 8 crore? Students then might ponder over “how much content is there to this form of democracy”. With so much unaccounted money flooding the Indian electoral system, does this not make a mockery of political equality at the polling booth?

Yes, it is high time we stop being fooled by macroeconomists who take their cue from false theories based on methodological individualism. But besides the ideas of John Maynard Keynes, we think that students at the plus two level should also be exposed to those of Karl Marx and Karl Polanyi so that they begin to counterpose the logic and ethos of socialist and social-democratic paradigms to that of the dominant free-market variety. Moreover, besides being exposed to Keynes’ ideas on the inherent instability of private investment, students should also be introduced to his analysis of what rampant speculation in financial markets (wherein long-term assets are converted into short-term commitments for investors) invariably leads to.

Pray then, when will an economics that demystifies economics be taught and learnt? Right now it is largely the free-market economists that are heard, and this is so because what they pontificate is what the gatekeepers of the media and the academy want the public to know. In India, the problem is compounded by the fact of our feudal ethos – there are by now many Nobel laureates who propound a whole lot of macroeconomic nonsense, and there are their local clones in high places who repeat all of it ad infinitum, and what they say is considered true because of their exalted status!