Re-connecting Economics to the Human Condition

**An address to the 2018 Graduation Ceremony of Rhodes University on the award of an Honorary Doctorate in Economics.**

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The Chancellor, Vice Chancellor, members of Council and Senate, members of staff, graduating students, friends and comrades.

“This is by far the greatest honour that has ever been conferred upon me.” (Theoria, 1954: 37). So claimed internationally famous Durban poet Roy Campbell on the award of an honorary doctorate in literature by the University of Natal in 1954. I am able with pride to echo Dr Campbell’s exact words this afternoon.

So let me begin by thanking all of you at Rhodes University for the great honour you have conferred on me with this award of a D. Economics (Honoris Causa). Rhodes University holds this special place in my life and in my career for many reasons. I will mention two. Firstly, as you will have heard I was a Professor Extraordinaire at the ISER from 1 July 2012 to 31 December 2014. Those few short years here helped to re-galvanise and re-energise me as a researcher and publisher at a time when I could easily have slid into an unremarkable and early retirement after things fell apart at my former University. The atmosphere and collegiality I found in both the ISER and the Economics Department at that time was rare and special.

Secondly, a former senior member of the staff of the Economics Department at Rhodes played an absolutely pivotal role in shaping my vision, my values, competence and my thinking as an economist.

That person was Professor Robert Trevor Bell, who was my colleague at the Institute for Social and Economic Research at the former University of Durban Westville in my mid 1980s and a friend and neighbour for many decades until his sad passing in January 2006. Trevor Bell was deeply appreciative of the real purpose of economics – that of improving the material condition of the majority of a country’s population. And he possessed the creative imagination essential for really top notch scholarship, a feature all too often lacking in the work of merely technically competent economists. His influence on a whole generation of younger academic economists, especially in encouraging us to be bold and imaginative in our thinking, without compromising on analytical rigour, was both profound and enduring. I was very lucky to have come under his influence at a crucial stage in my career.

Trevor was one of the referees when I applied for a senior researcher post at the University of Durban Westville in the early 1990s. Trevor made the point in his referee’s report (which he later shared with me) that “Dr Padayachee appears to understand the true purpose of economics - an improvement in the quality of life of poor and working people.” It was not something that I understood clearly enough at the time. With the benefit of hindsight I would say now that I could have interpreted this comment as being somewhat trite, surely all economists understood this as their main purpose?

But Trevor Bell who was Professor of Economics at Rhodes in the 1960s and again from the late 1980s had sensed the powerfully dangerous but very different path along which mainstream economics was leading the economics profession, a road that would split economics from the concerns of ordinary man – from concerns for justice, morality, fairness, equality, well-being, indeed for happiness.

I want to speak briefly about this split before saying something about why it is important that, despite current concerns around the discipline, that more students should sign up for economics courses going forward provided that such courses are restructured and fit for purpose in the 21st C.

Ronald Coase was an American economist of British origin, who won the Nobel prize for inventing the idea of transaction costs in his famous paper *The nature of the firm* (1937). When he was 102 years old he announced his desire, with a young Chinese associate, to found a new journal called *Man and the Economy*. What a vision even at that age! In a manifesto published in the Harvard Business Review entitled, [*Saving economics from the economists*](http://hbr.org/2012/12/saving-economics-from-the-economists/ar/1), Coase argued that:

The degree to which economics is isolated from the ordinary business of life is extraordinary and unfortunate… In the 20th century, economics consolidated as a profession; economists could afford to write exclusively for one another. At the same time, the field experienced a paradigm shift, gradually identifying itself as a theoretical approach of economization and giving up the real-world economy as its subject matter. Today, production is marginalized in economics, and the paradigmatic question is a rather static one of resource allocation. The tools used by economists to analyze business firms are too abstract and speculative...This separation of economics from the working economy has severely damaged both the business community and the academic discipline. (https://hbr.org/2012/12/saving-economics-from-the-economists)

Steve Keen, a passionate exponent of real world economics has insisted on the urgent need to replace neoclassical economics, the dominant economic paradigm of our times, from our curricula: I am not opposed to the teaching of neo-classical economics, I just despair that at most universities - by definition a place where ideas are contested and refined and rejected - that there is such a stonewall insistence that there can only be one kind of economics, only one set of core assumptions, only one acceptable methodogical practice. In macroeconomics that privileged approach is the variety that became dominant following the work of Nobel Prize winner Robert Lucas Jr and his associates at the University of Chicago in the later 1970s, and variously described as new neo-classical economics or New Consensus Macroeconomics, or more colloquially as the Washington Consensus or more pejoratively as neo-liberalism. It’s worth remembering that in 2003 Lucas Jr., confidently concluded that “macroeconomics... has succeeded – its central problem of depression-prevention has been solved for all practical purposes” (in Mitchell and Fazi, 2017: 173), and that in 2009 after the crash of Lehman Bros the IMF’s Oliver Blanchard was able to claim that the “state of macro” under the new consensus was “good”. And then the world economy, built on neo-classical foundations since the late 1970s, collapsed under us all.

No less an establishment figure than the Chief Economist of the Bank of England Andrew Haldane argued in a 2017 paper titled a *Dappled World* that despite a degree of despair, a lack of trust in the profession and even cynicism about the state of this dominant economics by the general public, by prospective graduate students and by the markets after the 2008 financial and global economic crisis, that in the UK there has been a noticeable increase in the number of students signing up for economics following curricula restructuring. Haldane notes:

Although this crisis in economics is a threat for some, for others it is an opportunity – an opportunity to make a great leap forward, as Keynes did in the 1930s. For the students in this room, there is the chance to rethink economics with as clean a sheet of paper as you are ever likely to find. That is perhaps why the numbers of students applying to study economics [in the UK] has shot up over recent years. This is one of the silver linings of the crisis. No discipline could ask for a better endowment. But seizing this opportunity requires a re-examination of the contours of economics and an exploration of some new pathways. (2017)

Drawing from the work of the heterodox economist George Shackle, Haldane argues that as economists we need to recognize that economic systems “may often find themselves in a state of near-continuous *dis*equilibrium. Indeed, even the notion of an equilibrium, stationary through time, may itself be misleading’. Second, he points to the importance of looking at economic systems through a cross-disciplinary lens. Drawing on insights from a range of disciplines, natural as well as social sciences, can provide a different perspective on individual behaviour and system-wide dynamics. And third, he points to the importance of radical uncertainty, a recognition that uncertainty about the future is fundamental to human decision-making and, thus, to the functioning of social systems. Following Haldane I would argue that these three features disequilibrium, cross-disciplinarity and radical uncertainty, need to be built centrally into how we develop, teach and market economics courses going forward.

At the Wits School of Economic and Business Sciences, we are about to introduce a new stream of Applied Development Economics in addition to existing streams in ‘economic sciences’ and ‘general economics’ from third year level. That stream will focus on the economic challenges of countries in the Global South, be fully heterodox in approach and include exposure to neo-classical, Marxist, post-Keynesian, evolutionary and institutional economics, among other traditions. Econometrics and mathematics will remain essential features of training for the new course – but envisage that such mathematical and technical training will not become fetishized as an end in themselves in a way that further separates economics from the human condition, as Trevor Bell had sensed and feared.

I am arguing in short that we need to educate our economics students in the broadest sense to contribute more powerfully to the creation and development of a ‘Good Society’ and to a more ‘Human Economy’. But this should be an objective not just for economics students but for all students, whether you are taking macroeconomics, mathematics, media, music or movie-making.

Too little emphasis is placed in today’s modern and commercialized university on the creation of such a Good Society and in the making of an all embracing human economy. Instead too much effort is spent insisting on and defending some imagined and narrow identity. This does not do anything for the task of building our common humanity. To illustrate this general point in and beyond economics I can do no better in such a short presentation than to remind you of something that the great Palestinian writer and intellectual Edward Said wrote in his book *Culture and Imperialism*, a paragraph whose brilliance and beauty has inspired and entranced me for over a quarter of a century:

No one today is purely one thing. Labels like Indian, or woman or Muslim, or American are no more than starting points, which if followed into actual experience for only a moment are quickly left behind. Imperialism consolidated the mixture of cultures and identities on a global scale. But its worst and most paradoxical gift was to allow people to believe that they were only, mainly, exclusively, white, or black, or Western, or Oriental. Yet just as human beings make their own history, they also make their cultures and ethnic identities. No one can deny the persisting continuities of long traditions, sustained habitations, national languages, and cultural geographies, but there seems no reason except fear and prejudice to keep insisting on their separation and distinctiveness, as if that was all human life was about. Survival in fact is about the connections between things: in Elliot’s phrase, reality cannot be deprived of the ‘other echoes that inhabit the garden.’ It is more rewarding –and more difficult- to think concretely and contra-punctally about others than only about ‘us’. But this also means not trying to rule over others, not trying to classify them or put them in hierarchies, above all, not constantly reiterating how ‘our’ culture or country is number one…. For the intellectual there is quite enough of value to do without that. (1993: 406)

I would like to end by generously acknowledging the supportive, calm and loving environment that is my family home, despite the disruptions of my commuting, migratory work life. Thank you Nishi for all you do for me directly and indirectly, for having stuck with me through good and bad times. My daughter Sonali gave me renewed reasons to live, work, love and write. Thank you for that gift, my darling. I thank my mother now 85 for her dedication to me, and my late Dad for his quiet love, humility and a lifetime of hardwork and struggle in the face of the indignities of apartheid all made in the interest of our extended family; my warm, generous and God-fearing late grandparents on both sides; caring aunts and uncles and my amazingly gifted set of first cousins dotted around the country and the world (who communicate with each other daily via the wonders of “WhatsApp” and who, following in the footsteps of our grandparents, share a deep commitment to the creation of a better, more compassionate and humane world society.

To my very special and trusted friends, colleagues and comrades: to Keith Hart, Bill Freund, Imraan Valodia, Enver Motala, Kulsum Motala, Mala Singh, Jannie Rossouw, Robbie van Niekerk, Rajend Mesthrie, Jairam Reddy, Ben Fine, John Sender, Robert Morrell, and Bradley Bordiss all of whom I have known for between 20 and 40 years --- our intellectual journeys and social and political histories have been wonderfully intertwined for decades. None of what I may have done to deserve this very special honour tonight would have been possible without you all. And thank you again, Chancellor, Vice Chancellor and all my former colleagues at Rhodes University for the great honour you have conferred upon me tonight.