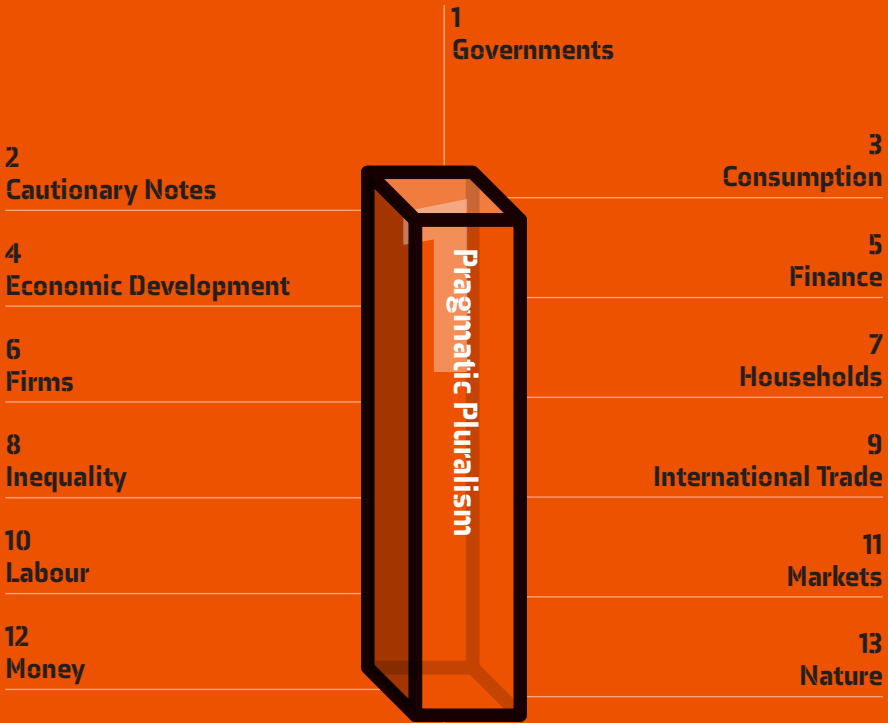


Tool 1

Pragmatic Pluralism

Key insights and ideas for thirteen core topics in economics, organised by selecting the most relevant theoretical approaches per topic and contrasting them with each other.



Online:
Extended Version

This chapter provides a map through the complex jungle of economic theories. There are many different theoretical approaches, and each aspect of the economy has been analysed by a number of different ones. However, it is neither feasible nor productive for students to engage with every possible angle for every topic. Hence, this chapter, together with *Building Block 8: Economic Theories*, sets out an alternative approach: pragmatic pluralism. That is, make a selection of the most relevant theoretical approaches for the topic that is taught.

While the building block chapter set out the general approach, in this chapter we instead focus on the content, applying the pragmatic pluralism approach to thirteen core topics in economics:

To reiterate, the core logic of this approach to teaching economic theory is that whilst pluralism is an essential aspect of academia, we also need to be pragmatic to successfully apply it in practice. Rather than pursuing the extreme of either only focusing on one approach, or including every possible strand of thought for every topic, we propose a pragmatic middle ground: teaching a select number of approaches for each topic. In this way, it is possible to introduce students to the variety and diversity of economic thinking, whilst still having enough time and space to properly discuss each of the insights in detail with them.

“Reasonable people may have different theories of the way the economy works – different pictures in their heads of what connects one thing with another in the economic system.”

Robert Solow (1983, p. 67)

Theory is the beating heart of all social sciences, including economics. It allows one to understand the components, processes and causal mechanisms characterising various social phenomena in a more structured and systematic manner. However, every topic can be understood from various theoretical perspectives, which can both complement and contradict each other.

Most contemporary economics programmes focus almost exclusively on neoclassical theory. In opposition, some other programmes choose to focus entirely on another perspective. We believe, in contrast to both, that there is no single ‘correct’ or ‘best’ way to understand the economy as a whole. It is too large and complex to be captured by a single point of view.

Hence, we propose a fundamentally pluralist approach to teaching theory. It is essential to teach students a variety of approaches to give them a rich and broad understanding of the topic, the debate around it and learn to think critically and not to take things as absolute truths. Approaches should be judged on their merits, topic by topic: thinking critically and reflectively to decide which theoretical points of departure help us best to understand this particular corner of the economic system.

Including this pluralist discussion is crucial for the development of students’ vital critical thinking skills, through the investigation of links and contradictions between the insights learnt. For a pluralist economics education to be truly valuable, students must graduate not just with strong knowledge of a range of perspectives and methods, but also with a critical understanding of the limitations and blind spots of those tools. Without this, they will struggle to select the most relevant approaches to the task at hand, and to judge how much confidence to have in the conclusions that they reach. Active discussion also has the additional benefit of making sure that students are genuinely understanding the content taught to them, rather than just temporarily memorising it for an exam.

In this paper book, we do not have sufficient space to treat each of these topics in detail. That is why we show just one topic, Governments, in full detail, and provide only an outline of the other twelve. The full version of *Pragmatic Pluralism*, including suggested teaching materials, can be found on our website, where we also welcome comments and suggestions, and offer a platform for discussion with colleagues worldwide. economy.st/pragmatic



Pragmatic pluralism in practice

So how does this approach work when applied to a topic?

Each topic is subject to debate between alternative views. To make students familiar with these competing theories, for every topic the two main opposing perspectives are selected. However, not all differing ideas and theories are necessarily in conflict with each other. There are also approaches which can supplement one, or both, of the main opposing perspectives, contributing to a richer understanding of the topic. Therefore, each topic also contains one main complementary perspective. On top of these three main theoretical approaches, there are many other useful ideas that students could benefit from by learning about. For this reason, we provide a short summary of other useful insights and ideas that could be included for each topic. In addition, we suggest a few particularly useful teaching materials. In the online version, we provide longer lists of suggestions.

The topics presented below could be, and often already are, taught in individual courses. They can also be combined, especially when there is significant overlap as is the case for the topics of *Finance* and *Money* for example, although this does of course shorten the teaching time that can be devoted to each topic and its insights. As to determining the relative teaching time to the various perspectives, the following rule of thumb could be useful: devote the first half of the course to the two main opposing approaches, the third quarter to the complementary perspective and the last quarter to the other useful insights. As with every rule of thumb, the specific case and context should be considered and we advise teachers to determine the relative teaching time devoted to each insight taking the local situation into account.

Cautionary notes

Before we go into the specific ideas and insights, we want to provide a short recap of the cautionary notes, which are described in full in *Building Block 8: Economic Theories*.

Firstly, the following overview should be viewed as only one possible example of a pragmatic pluralist approach to teaching economic theory. An overview such as this one should never be set in stone, as the discipline itself is also constantly evolving. While some approaches, such as complexity economics, currently have relatively few insights listed in the overview, this might change over the coming years as more scholars will further develop this approach and apply it to different topics.

Secondly, the overview could easily be expanded to allow for more detail and nuance or a wider range of perspectives or topics. The examples have been written to suit the time constraints of an individual course. The framework could be adapted for a relatively brief programme, such as an economics major in a liberal arts programme, by selecting fewer perspectives for each topic and including fewer topics and possibly combining them into courses. Equally, if the available teaching time is greater, for example with a theory-oriented four-year undergraduate economics programme, more topics, insights and a greater range of perspectives could be included.

Thirdly, our economics education and own reading have shaped the topics and perspectives that are presented below. This is greatly influenced by living and studying in the Netherlands, and Europe more broadly, and the strong bias in the discipline as a whole towards economic thinking from the Global North. We strongly believe that economics curricula need to be decolonised and with this book we try to contribute to this. To help us do so, we have asked students and professors from all over the world, as well as organisations active on this issue, such as *Diversifying and Decolonising Economics*, for advice. Nevertheless, it is important to say that this is not an area that we personally have particularly strong knowledge of and feel that more could, and should, be done in this regard. We therefore welcome all suggestions on how the content in this chapter, and the rest of the book, could be enriched and improved by including other topics, perspectives and insights.

Finally, this technique of putting approaches as well as topics in separate boxes is only a heuristic for identifying the most important ideas and insights to teach. Many of these approaches and topics are strongly interlinked and can be difficult, or even impossible, to truly separate from each other. As a result, individual thinkers and their ideas can be difficult to put into a single box. For instance, Joseph Schumpeter built on classical, historical, Marxian, Austrian and neoclassical ideas, and is often seen as a key inspiration for evolutionary economics, which is therefore also sometimes called Schumpeterian economics. It is important that students learn about these links and become familiar with how both the ideas and the topics are connected.

With these cautionary notes in mind, we hope this overview can be of some help in putting the pragmatic pluralist approach in practice and adapting economic theory courses.

Core theoretical approaches on 13 topics

Below we have put the thirteen economic topics (along the top) and sixteen theoretical perspectives (down the side) in a table to give an overview of how our pragmatic pluralist approach works.

It would be possible to fill in every box (representing a combination between a topic and an approach) to create what could be described as ‘indiscriminate’ pluralism. We think that for research purposes, such an approach could be very useful as it could generate new insights by utilising approaches previously not applied to a topic. However, for education we would not advise such an approach, as it would be impossible to teach every possible perspective on a given topic in a meaningful way, given the limited teaching time available.

Instead, we advise teachers to focus on the main insights into their chosen topic. In other words, when teaching an economics course, they should focus on the combinations of the topic and perspectives that are most important. For every topic, we have noted to the two main opposing perspectives with ■, the main complementary perspective with □, and the perspectives that can provide smaller but still valuable additional insights with +. In this way, many boxes stay empty. This does not mean that the perspective has nothing to say on the topic. However, economics education requires us to make choices as to what to teach and what not. In this overview, below we have presented an attempt at making such choices, asking which insights help us understand the world the most. Sometimes there are cases in which perspectives share a certain insight. This is discussed in the explanations of the insights, but for brevity each insight is attributed to a single perspective in the table.

	Governments	Business Cycles	Consumption	Economic Development	Finance	Firms	Households	Inequality	International Trade	Labour	Markets	Money	Nature
Austrian School	+	■						+			+	■	
Behavioural Economics	+			+	+			+			+		
Classical Political Economy	+			■		+					■		□
Complexity Economics	+				□			+					
Cultural Approach					+		□			□	□	□	
Ecological Economics			□	+									■
Evolutionary Economics	□			+		□							
Feminist Economics							■	□		+			
Field Theory						■					+		
Historical School	+			■								+	
Institutional Economics			■	□		■							+
Marxian Political Economy	+	+		+			+	■		■			
Neoclassical Economics	■	□	■	+	■	+	■	■	■	■	■		■
Post-Keynesian Economics	■	■			■			+	■			■	
Social Network Analysis						+				+			
Structuralist Economics				+					□				
Other	+		+			+		+	+				+

- Main opposing perspective
 - Main complementary perspective
 - +
- Additional perspective

Figure 10: An overview of the pragmatic pluralist approach to teaching economic theories.

1 Governments

The state is often at the heart of public and intellectual debates about the economy, as the amount of contrasting perspectives below shows. This should be no surprise: governments are the biggest single actors in the economy, whether measured in employment or in total budget. How should these economic giants behave? Should they sit back and allow the economy to unfold on its own, merely providing an efficient level playing field for private actors through rule-based policy? Or should the state play a more active role to stabilise the economy, take an entrepreneurial role to spur innovation, and/or pursue social policies to ensure the wellbeing of its citizens?

Main opposing perspectives

- Post-Keynesian economics: Discretionary policy works best
- Neoclassical economics: Rule-bound policy works even better

Main complementary perspective

- Evolutionary economics: The entrepreneurial state

Additional perspectives and insights

- + Behavioural economics: Nudging
- + Complexity economics: Modern economies require diverse and flexible policy tools
- + Historical school: Social policy takes the sharp edge off capitalism
- + Marxian political economy: Class struggles play out through the state
- + Classical political economy: Night-watchman state
- + Austrian school: Dispersed knowledge precludes effective government intervention
- + Other: The economic dimension of governments in political science

Main opposing perspectives: Post-Keynesian and neoclassical economics

A key debate concerning the state is between (post-)Keynesian economists, who argue for discretion in economic policy, and neoclassical economists, who argue for rule-bound policy. Keynesian economists argued the state has a role to fulfil in the economy because it is the only actor that can successfully solve economic problems such as mass unemployment. The state can provide stability and freedom by creating and adjusting policies in a discretionary manner, mainly with regard to fiscal policy to influence effective demand.

Neoclassical economists, on the other hand, often argue that the state should focus on providing a framework in which private actors can operate. Policy should be rule-bound, also known as commitment policy. Instead of relying on expert and political judgement of the specific situation, a prescribed mathematical model should be followed (i.e. the Taylor rule). As such, only the factors included in the model have an influence on decisions. This is important because neoclassical economists, and more specifically public choice theorists, warn us about government failures, which are assumed to derive from self-interested behaviour of voters, politicians and bureaucrats and/or imperfect information.

A core idea in the neoclassical framework is what is often called '*sound finance*'. Simply put, it means governments should run balanced budgets, with revenues equalling expenditures. This stands in opposition to the Keynesian idea of '*functional finance*', which argues public finance should not be a goal in itself but merely a means through which to achieve economic and social goals. The latter idea is also associated with Modern Monetary Theory, which combines functional finance with the chartalist state theory of money, to argue that (monetary sovereign) governments face no inherent financial restrictions on their finances, although they do face important limits in the real economy. While neoclassical economists favour central bank independence and a disconnect between fiscal and monetary policy, modern monetary theorists argue for using fiscal and monetary policy in harmony to create desired economic outcomes.

Main complementary perspective: Evolutionary economics

Another insight that has gained greater attention recently is that the state is crucial for innovation. Contrary to the myth that prosperity is the result of new technologies developed and funded purely by private companies operating in a free market, Mariana Mazzucato and others have used an evolutionary approach to show how economic success is largely the result of state-funded investments in innovation. Mazzucato argues that the dominant neoclassical view of the state as an actor that is only there to address market failures and provide public goods is fatally limited. She points out that governments create, shape and guide markets, and also should embrace this ability to give direction to the economy. For this reason, she has advocated mission-oriented policy in which a clear goal is formulated, experimentation and risk-taking are encouraged, dynamic capabilities are cherished, budgets are based on (achieving) outcomes, collective value creation is recognised, risks and rewards are shared, the public, private and civic organisations partner in a symbiotic rather than parasitic way, and democratic participation in decision-making is central. In this way, a mix between top-down guidance and facilitation, and bottom-up initiatives and participation, is created to solve the big problems of the day.

Additional perspectives and insights

Classical political economy: The discipline of economics is often said to have started with the arguments of classical political economists against mercantilist ideas and policies, which aimed at increasing national economic power through running a trade surplus. Classical political economy argued, instead, that the state should have the limited role of a night-watchman, which secures external defence and the rule of law, in particular the protection of property rights and enforcement of contracts. Today, many people and economists still advocate this. Many classical political economists, however, also recognise that the state should provide services which the market is not well-suited to deliver, such as infrastructure, postal services, standard weights and measures, and a stable currency. A key logic behind the night-watchman state is to eliminate the rents that various powerful special interest groups were able to acquire through the mercantilist state.

Marxian political economists built on classical political economic ideas but came to a starkly different conclusion and argued against the idea that the state can be a neutral passive organisation that ensures that private individuals can flourish in a fair economy. Marxian scholars see the state as an indispensable tool for class domination, which protects the wealth of the rich and punishes the poor if they do not accept the inequalities. The similarities with classical political economists in this regard are surprising. Adam Smith (1776, p. 299), for example, wrote “*Civil government, so far as it is instituted for the security of property, is in reality instituted for the defense of the rich against the poor, or of those who have some property against those who have none at all.*” Instead of advocating for free trade and *laissez-faire* as classical political economists do, Marxian political economists argue that in order to end the exploitation and suppression of the working class, the working class has to seize control over the state and undue class domination.

Historical school: Largely in reaction to the problems associated with the industrial revolution, such as child labour, poor working conditions and low standards of living, historical economists argued that the state should ensure through social policy that the national community was flourishing, instead of falling apart. As such, they oppose both *laissez-faire* liberals, who viewed society as the total sum of individuals and favoured a night-watchman state, and socialists, who emphasised class conflict and aimed to overthrow the capitalist economic system. Although social policy was initially conceived in this way, largely thanks to the innovative work of the Verein für Socialpolitik in Germany during the late 19th and early 20th century, it has since been argued for and thought of in many different ways. Within Germany after the second world war, for example, ordoliberal thinking and the concept of the social market economy were influential. In

this line of thinking, both planning and free markets are rejected, in favour of the combination of a capitalist economy with a strong state that ensures fair market competition as well as a social welfare system. More recent research indicates that government spending on social policies not only enhances the wellbeing of citizens, but also stimulates the economy and productivity.

Austrian school builds on the classical idea of the minimalist night-watchman state and argues that if governments go beyond this limited role, they will cause, rather than solve, problems. A key reason for this is that knowledge is necessarily dispersed, leaving central authorities with a lack of information needed for effective action. Instead, ‘free’ markets are seen as the best way to communicate the local knowledge of individuals to create efficient economic outcomes. Austrian economists thus embrace the classical liberal idea of protecting “negative liberty” and ensuring freedom from government intervention, while they reject the social liberal idea that the government should guarantee people’s “positive liberty” and enable them to be able to act upon their free will.

More recent contributions to thinking about government policy come from behavioural and complexity economics.

Behavioural economics sees people as susceptible to manipulation in their decision-making. People’s bounded rationality causes suboptimal choices that do not maximize their welfare, thus creating ‘externalities’. To tackle this issue, governments can nudge people towards more ‘rational’, or desirable, behaviour by making use of behavioural insights into social proof heuristics, default bias, salience, positive reinforcement, and indirect suggestions. The underlying political philosophy of this policy approach is often called *libertarian paternalism*, as it pushes people in a direction that is deemed as desirable by the authorities, without hurting the freedom of choice of individuals.

Complexity economics, on the other hand, focuses on the fact that policy tries to influence complex and dynamic systems, and therefore argues that governments should pay more attention to the unexpected consequences of policies. Complexity economists believe that policy tools need to be diverse and flexible enough for the systems that they try to control, so that adaptation and the learning process can work more effectively.

Other: Quite naturally, political economists and political scientists have extensively studied governments and their economic roles. In doing so, many important approaches within political science, such as realism and constructivism, have also played a major role in analysing the economic

dimension of governments. An important topic here is to what extent companies are in practice regulated by the state, and the influence that companies have on the rules and regulation that they are subject to. Furthermore, political economists study economic policy more broadly, from how the dynamics of political competition influence policy decisions, to the influence of experts and the internal structures of government institutions.

Teaching Materials

- Chapters
 - *Economics: The User's Guide* by Ha-Joon Chang, from 2014, chapter 11. This brief and accessible pluralist book contains a useful introductory chapter on the role of the state.
 - *Economics After The Crisis* by Irene van Staveren, from 2015, chapter 6. This well-written textbook sets out the neoclassical, post-Keynesian, social economic and institutional perspectives on the state.
 - *The Economy* by The CORE Team, from 2017, chapters 14, 15 and 22. This successful textbook provides an introduction into mainstream ideas and empirical findings on fiscal, monetary and public policy.
 - *Principles of Economics in Context* by Jonathan Harris, Julie A. Nelson and Neva Goodwin, most recent edition from 2020, chapter 12 and 25. This useful textbook, which pays particular attention to social and environmental challenges, devotes two chapters to tax and fiscal policy in specific.
 - *The Microeconomics of Complex Economies: Evolutionary, Institutional, Neoclassical and Complexity Perspectives* by Wolfram Elsner, Torsten Heinrich, and Henning Schwardt, from 2014, chapter 17. This innovative textbook makes readers familiar with new insights coming from frontier mainstream economic research, with one chapter devoted to the policy implications of the findings discussed in the book.
 - *Macroeconomics* by William Mitchell, L. Randall Wray, Martin Watts, from 2019, chapters 20, 21, 22 and 23. This ground-breaking and much-discussed textbook written by three leaders of Modern Monetary Theory (MMT), describes in detail the history of economic thinking about the state and macroeconomy as well as recent theoretical and policy debates.
 - *The Handbook of Economic Sociology* by Neil J. Smelser and Richard Swedberg, from 2005, chapters 22, 23 and 24. This extensive and yet accessible book for non-sociologists provides an impressive and useful overview of the field of economic sociology, including three chapters on the role of the state in the economy.

■ Books

- *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* by Mariana Mazzucato, from 2013. An influential and well-written book, inspired chiefly by evolutionary economics, on the role of the state in innovation.
- *Alternative Theories of the State* by S. Pressman, from 2006. A useful and informative collection of essays which introduces readers to the institutional, Marxist, post-Keynesian, feminist and behavioural perspectives on the state.
- *Money and Government: The Past and Future of Economics* by Robert Skidelsky, from 2018. This well-written and insightful book introduces readers to historical and current debates about the state, with particular attention to neoclassical and Keynesian ideas.
- *Political Economy: The Contest of Economic Ideas* by Frank Stilwell, most recent edition from 2011. A well-written textbook, with parts devoted to classical, Marxist, neoclassical, institutional, and Keynesian economics and particular attention to ideas surrounding the state, reform, policy and economic systems.
- *Routledge Handbook of International Political Economy* by Mark Blyth, from 2009. A useful and extensive book which provides an overview of the wide field of international political economy with particular attention to its North American, British, and Asian branches.
- *Frontiers of Heterodox Macroeconomics* by Philip Arestis and Malcolm Sawyer, from 2019. A useful collection of essays on recent insights coming from unconventional thinkers, and in particular post-Keynesian economists.
- *Handbook of Public Economics, Volume 5* by Alan J. Auerbach, Raj Chetty, Martin Feldstein, and Emmanuel Saez, from 2013. Another useful collection of recent insights coming from mainstream economists on topics, such social insurance, charitable giving, urban public finance, and taxing labour, wealth and profits.

2 Business Cycles

“The central problem of depression-prevention [has] been solved for all practical purposes.”

Robert Lucas (incoming address to the American Economic Association, 2003)

Booms and busts, academically known as ‘business cycles’, have been part of the economic system for a long time. Contrary to Lucas’ optimistic statement, they also remain one of the most central problems both to economic theory and policy. Old questions are still hotly debated. How do business cycles work? What causes the economy to sometimes crash or slump into recession, while at other times it cranks into the highest gear? What can be done to prevent crises and what should be done once the economy is in a depression or recession? An important debate in this field is whether the government is the solution or the problem, and whether the emphasis should be placed on the demand or supply side of the economy. Besides this, economists have analysed the impact of external shocks on the economy.

Main opposing perspectives

- Post-Keynesian Economics: Effective demand is the crucial driver
- Austrian School: Malinvestment is the crucial driver

Main complementary perspective

- Neoclassical Economics: Crises happen because of external shocks

Additional perspectives and insights

- + Marxian Political Economy: Crises are inevitable and inherent to capitalism

For the full version of *Pragmatic Pluralism on Business Cycles*, see online.
economy.st/cycles



3 Consumption

One of the purposes of our economy is to produce and distribute goods for consumption. It is one of the main activities that humans in an economy undertake. But there are many questions on the source and nature of various forms of this activity. A core point of contention is what determines buying choices: are people entirely independent, or are they influenced by their environments? Is consumption the highest goal? Or should we see it merely as a means to other ends, such as human wellbeing?

Main opposing perspectives

- Institutional economics: Preferences are culturally and socially constructed
- Neoclassical economics: Humans have insatiable and innate preferences

Main complementary perspective

- Ecological economics: Material consumption ≠ human wellbeing

Additional perspectives and insights

- + Other: Surveillance capitalism

For the full version of *Pragmatic Pluralism on Consumption*, see online.

economy.st/consumption



4 Economic Development

The economic discipline was born out of the question why certain places become rich and others don't. Ever since the 1776 publication of Adam Smith's classic *An Inquiry into the Nature and Causes of the Wealth of Nations*, the question of what economic development is and what causes it has been at the centre of the discipline. Big issues within this field are: Should we have protectionism, or free trade? What is the role of cultural, political and legal institutions in economic development?

Main opposing perspectives

- Classical political economy: Free trade and *laissez-faire*
- Historical school: Infant industry protection

Main complementary perspective

- Institutional economics: Laws and politics are crucial

Additional perspectives and insights

- + Ecological economics: Consumption growth shouldn't be the goal
- + Evolutionary economics: Creative destruction
- + Marxian political economy: Technology and class conflict drive history
- + Structuralist economics: Development as international power struggle
- + Neoclassical economics: Modelling economic growth
- + Behavioural economics: Experimentally tested micro-interventions

For the full version of *Pragmatic Pluralism on Economic Development*, see online.
economy.st/development



5 Finance

We are living in a financialised age. More and more aspects of our lives are governed by financial flows and assets, as the financial sector has grown enormously over the last decades. In addition, non-financial firms have become more financialised. But what is finance, and what is its function in the economy? Is it a place where risk and opportunities lead to rational pricing, or is it a place of herd behaviour and speculation in a fundamentally uncertain world? And how can we see whether the financial system is robust or fragile?

Main opposing perspectives

- Post-Keynesian economics: Animal spirits shape market movements
- Neoclassical economics: Banks are rational intermediators

Main complementary perspective

- Complexity economics: Systemic risk

Additional perspectives and insights

- + Behavioural economics: Systematic irrationality
- + Cultural economics: Analytical constructs shape the market

For the full version of *Pragmatic Pluralism on Finance*, see online.
economy.st/finance



6 Firms

In our economies most production is organised through firms, from enormous multinational corporations to small family shops and independent contractors. Given their importance, many scholars have thought about and analysed firms. Core questions in the field: why do firms exist in the first place, and how do they work? Are firms social structures that help stabilise and control power relations, or are firms better understood as a technical solution to organize the economy efficiently? What makes one firm successful while another one fails?

Main opposing perspectives

- Field theory: Firms stabilise and shape power relations
- Institutional economics: Firms are a way to minimize transaction costs

Main complementary perspective

- Evolutionary economics: Entrepreneurship and innovation drive success

Additional perspectives and insights

- + Classical political economy: Firms are drivers of the division of labour
- + Neoclassical economics: Firms maximize profit
- + Social network analysis: Firms largely consist of informal networks
- + Other: Business and organisational studies

For the full version of *Pragmatic Pluralism on Firms*, see online.
economy.st/firms



7 Households

“From the homicidal bitchin’ / that goes down in every kitchen / to determine who will serve and who will eat”.

Leonard Cohen knew it: the household is the locus of complex economic struggles. Much of our economic life plays out inside households as we care for ourselves and each other, decide how to live, what to consume, how to relax but also do the housekeeping. Are gender relations and cultural roles a main driver of these decisions, or is it best understood as utility maximisation?

Main opposing perspectives

- Feminist economics: Unequal division of unpaid labour
- Neoclassical economics: Rational utility maximisation within the household

Main complementary perspective

- Cultural approach: Household relations vary strongly between cultures

Additional perspectives and insights

- + Marxian political economy: Class fundamentally changes the meaning of gender

For the full version of *Pragmatic Pluralism on Households*, see online.

economy.st/households



8 Inequality

Inequality is a hotly debated topic both within economics as well as outside it in other academic disciplines, in politics and in society at large. As such, there are also many dimensions and aspects of inequality to which various thinkers and activists have drawn attention, from economic inequality based on class to gender and ethnicity, or race. A key question is: inequality in what? Market or disposable income, wealth, power, influence, opportunities, happiness or health, to just name a few dimensions. Another key question in the field is whether people are fairly rewarded for their work, or whether power differences prevent equitable remuneration. In short, whether market inequalities are fair or not. And how do different forms of inequality relate and interact with each other? Is being a black woman, for example, simply about adding up the effects of being black and female, or do combinations have their own unique characteristics?

Main opposing perspectives

- Marxian political economy: Exploitation
- Neoclassical economics: You get what you deserve

Main complementary perspective

- Feminist economics: Intersectionality is crucial to understand inequalities

Additional perspectives and insights

- + Post-Keynesian economics: Equity generally promotes efficiency
- + Austrian school: Social justice is a nonsensical idea
- + Behavioural economics: Inequality is relative, and mostly disliked
- + Complexity economics: Marx was right - there are two classes
- + Other: Even merit-driven inequality can be socially undesirable; Piketty's 'r>g'

For the full version of *Pragmatic Pluralism on Inequality*, see online.
economy.st/inequality



9 International Trade

We live in a globalised world in which many products are produced in global value chains and shipped overseas to be sold to customers all around the world. What drives globalisation, what forces counter it? And why are electronics produced in East Asia and many raw foodstuffs grown in Africa? Does everyone benefit from trade or does it systematically favour some at the cost of others?

Main opposing perspectives

- Post-Keynesian economics: Absolute advantage
- Neoclassical economics: Comparative advantage

Main complementary perspective

- Structuralist economics: Unequal terms of trade

Additional perspectives and insights

- + Other: International trilemmas (you can't have everything)

For the full version of *Pragmatic Pluralism on International Trade*, see online.
economy.st/trade



10 Labour

Labour forms a crucial part of our lives. Besides sleeping, we spend most of our time working. Labour is also the backbone of the economy as a whole. Understanding the role of labour in society is therefore important for any economist. A key question in the field is: should work be understood as a process of self-realisation, having value in itself? Or should we see it as a disutility that is necessary because it allows us to produce the consumption products we want? A key insight in this field: our cultural understandings of work shape how the economy functions.

Main opposing perspectives

- Marxian political economy: Alienation and exploitation
- Neoclassical economics: Labour as necessary disutility

Main complementary perspective

- Cultural approach: Your work gives you dignity and identity

Additional perspectives and insights

- + Feminist economics: Unpaid labour is everywhere
- + Social network analysis: It is not what you know but who you know

For the full version of *Pragmatic Pluralism on Labour*, see online.

economy.st/labour



11 Markets

Markets make up much of contemporary economies, organising more and more aspects of our lives. But how do markets function? Is competition between firms more like a gentle process of balancing, or a ruthless war of attrition? Do markets facilitate rational allocation, or are they more often defined by manipulation, norms, and power struggles? And how do markets relate to broader society?

Main opposing perspectives

- Classical political economy: Competition as a ruthless process
- Neoclassical economics: Competition as an optimal outcome

Main complementary perspective

- Cultural approach: Markets are embedded in social structures

Additional perspectives and insights

- + Behavioural economics: People can be manipulated
- + Austrian school: Markets excel at spreading information
- + Field theory: Market stabilisation through social and formal rules

For the full version of *Pragmatic Pluralism on Markets*, see online.
economy.st/markets



12 Money

Money rules the world, or at least it often seems to. We all use it every day, so we often assume that we know it very well. But what is money in the first place? This seemingly easy question has triggered countless debates for many centuries. At the core of these debates is the question whether money is something purely technical and instrumental, or whether it fundamentally shapes, and is shaped, by social and power relationships. A key insight: cultural practices influence how we see and use money.

Main opposing perspectives

- Post-Keynesian economics: Credit theory of money
- Austrian school: Commodity theory of money

Main complementary perspective

- Cultural approach: Earmarking money

Additional perspectives and insights

- + Historical school: State theory of money

For the full version of *Pragmatic Pluralism on Money*, see online.
economy.st/money



13 Nature

As human beings we are only one form of life living on this planet. In the early history of humankind this meant that we had to adapt to our environment. Later, we learned how to adjust our environment to serve our needs. This process has gone so far that many scientists have proposed naming the current ecological era the *Anthropocene*, implying that human beings are currently the main cause of changes in the Earth's natural systems. But how can we best understand the relationship between humans, their economic activities and the natural world around them? How does nature influence the economy and what role do natural resources and land play in the economy? And increasingly important: how does the economy influence nature, for instance through climate change?

Main opposing perspectives

- Ecological economics: The economy is embedded in nature
- Neoclassical economics: Natural resources are key inputs for production

Main complementary perspective

- Classical political economy: Land and natural resources generate rent

Additional perspectives and insights

- + Institutional economics: The tragedy of the commons can be overcome
- + Other: Policy ideas to tackle climate change

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