Teaching Economics

Joan Robinson

For many years I have been employed as a teacher of theoretical economics; I would like to believe that I earn my living honestly, but I often have doubts.

I am concerned particularly for India and other developing countries whose economic doctrines come to them mainly from England and in English.

Is what we are giving them helpful to their development?

IN Cambridge, one or two of our best men, in most years, come from the sub-continent. This is not at all surprising. If talent is fairly evenly distributed in various populations, there must be eight potentially first-class men there for every one bred in Britain and where economic problems are of great importance and the natural sciences not very well endowed, a larger proportion of talent is attracted to the subject than with us. (In the Thirties, when unemployment was an urgent problem and the discovery of remedies intellectually exciting, economies attracted more talent in England than it does now.) A small proportion come to English Universities, but a small proportion of a large total comes to quite an appreciable number.

These good men who come to us to be taught (and the not-so good ones also) go home often to teach in their turn, and their pupils, too, become teachers and influence thought through other channels. Moreover, the books and the subjects chosen for examinations bear the stamp of English teaching. We have a great responsibility on our shoulders. Are we doing more harm or good?

In a gloomy mood, I think of the harm. Most students, of course, approach their studies merely with tile aim of passing an examination and acquiring a degree. (This is not a matter of natural talent, but of character and circumstance. Some who are naturally brilliant may set themselves this limited aim. Some less clever may be more serious.) The exam-passers learn the trick of saying what is expected; of not asking themselves what is meant by what they are saying (for that is disturbing and dangerous and may lead to losing marks), of repeating the particular formula which sounds as though it was relevant to each particular question. In India, especially, where the ancient belief in the power of words as such is still strong, this comes quite naturally. The exam-passers who does well becomes in due course an examiner and by then he has quite lost any doubts he may once have had to stifle. He has come to believe that this kind of thing really is education. And so the system feeds on itself.

What about the few who are serious, who really want to learn something? What do we do for them? The serious student is often attracted to economics by humanitarian feeling and patriotism—he wants to learn how to choose economic policies that will increase human welfare. Orthodox teaching delivers these feelings into the dreary desert of so-called Welfare Economics, a system of ideas based on a mechanistic psychology of a completely individualistic pursuit of pleasure and avoidance of pain, which no one believes to be a correct account of human nature, dish-ed up in algebraical formulae which do not even pretend to be applicable to actual data. As he goes deeper into the matter, he reads some brilliant and subtle authors who debunk the whole subject and show conclusively that its methodology was inadmissible. For most, this is too bitter a pill to swallow and they desperately cling to some scraps of what they have learned because no other way has been offered of formulating the vague benevolent feelings with which they began.

The serious student was hoping, also, to learn something that would help him to make up his mind on the great question that lies open before all the developing countries. How far can private-enterprise capitalism be made to serve national ends? Why is it that the Socialist countries appear to develop faster than the democracies? Is the cost that they exact from their people necessary, or could the job be done with less pain? Must he make an all-or-none choice or is there a middle way? He soon begins to notice that, without any overt discussion of the question, he is being indoctrinated with notions soaked in a prejudice for laissez-faire. This is partly the result of a mere time-lag. Nineteenth Century economic teaching was built up round the conception of the market as the ideal mechanism, and in particular, of free trade (which at that time favoured British national interests, though it was damaging to India); the modern text-books are still much influenced by the masters of that period. It is partly the result of the choice of curriculum. A large proportion of his time is taken up by the theory of relative prices. The question of the distribution of given resources amongst alternative ends, subject to the condition that there is an equitable (and not very unequal) distribution of purchasing power among the families concerned, lends itself to exhibiting a free market in a favourable light; the student is required to work out exercises devised to show how, in these conditions, interference with the free play of the forces of supply and demand causes harm to the individuals who make up the market. All this is very complicated, and when modified by modern embellishments such as the theory of oligopoly and imperfect competition, may well occupy a year of lectures and reading. If the serious student has the hardihood to ask: but are resources given, and is income distributed equitably, he is made to feel foolish. Do you not understand that these are necessary simplifying assumptions for the analysis of prices? You cannot expect to do everything at once.

It is true that we cannot, in the time available, teach everything that we would like. But why do we pick out for treatment just that selection of topics that is least likely to raise any questions of fundamental im-
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ARID LANDS

Trudging through these arid lands, the serious student still hopes to learn something about development, planning, inflation and all that concerns the burning questions of India today. Here the mere passage of events has forced some new questions into the curriculum and a new theoretical apparatus of capital/output ratios and growth rates has been hastily botched up to meet the need. Systematic teaching, however, for the most part still rests at the stage of the old equilibrium theory. Take, for example, the question of choosing the capital/output ratio in framing the plans for industrialisation. The text-book theory says, no more than that, if we compare two economies, each already in equilibrium, with the same total value of capital already in existence in each, the one with the lower level of real wages will have (on certain stated assumptions about competition etc) a higher level of employment. That is where the argument is left. If the student falls into the trap of concluding that cutting wages would cause employment to increase, very likely no one will go out of their way to explain why this is a non-sequitur.

The prestige of the teachers and the books bears down on the serious student with a heavy weight. He submits himself to a course of miseducation and comes in as an element in the theory of distribution between sectors of the economy. Here price theory comes in as an element in the theory of distribution, for the relation of prices to money-wage rates in the industrial sector of an economy is one of the determinants of the distribution of proceeds between workers and capitalists or the state, and the relation of agricultural to manufacturing prices is a main determinant of distribution between sectors of the economy.

Markets and the laws of supply and demand I should treat not only in terms of an ideal equilibrium already achieved but also in terms of actual dealings in commodities, with their tendency to develop cob-web cycles, and the violent shocks that arc given from time to time to the communities dependent on them. Welfare I should treat in human terms and teach the students to look, not for "preference surfaces", but for objective tests of standards of nutrition and health.

In all this I should emphasise that economic theory, in itself, preaches no doctrines and cannot establish any universally valid laws. It is a method of ordering ideas and formulating questions. For this reason, I should pay a good deal of attention to method. I should insist upon the distinction between an accounting identity, a statement of equilibrium conditions and a summary of econometric facts. Y = C + S, (where Y is net value of national income of a period, C is the value of purchases of consumable goods and S, net saving.) is an identity. The word 'net' covers a balancing factor (amortisation of pre-existing capital) which makes the two sides equal by definition. S = sY (where s is the proportion of national income normally saved) is a statement of conditions of equilibrium; its whole significance lies in the sense given to normally. Case of figures giving estimates of S and Y over some past period is a statement, ex post, of supposed facts; its significance depends largely on the reliability of the estimates. None of these tells us anything about causation and models built with these bricks will never stand up. To find causal relations we want to know how individuals behave and bow the behaviour of various groups reacts on each other. I should try to break down the awe that students feel for formulae, not so as to induce a sceptical drift into intellectual nihilism but so as to form the habit of picking them to pieces and putting them together again, with the ambiguities cleaned oil, and keeping them firmly in their place as useful adjuncts to common sense, not as substitutes for it.

All this sounds dry and formalists but, illustrated first with precise imaginary simple examples, and then with rough and inexact actual examples, leading up to questions of real importance, it can be made interesting and educational for the serious students. The exam-passers will not be any the worse for it.

A generation well educated, resistant to fudging, imbued with the humility and the pride of genuine scientists, could make contribution both to knowledge and to the conduct of affairs that no one need be ashamed of.

Returning from this happy day dream, my gloom is all the deeper. To write down what I want to see emphasises how unlikely it is that I ever, shall. But, courage! We must try as best we may to do a little good here and there to set in the scales against all the harm.
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