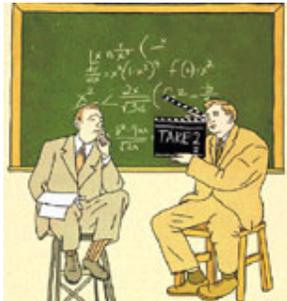


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Do economics studies harden the heart?

By Uzi Livneh

Where are society's power mechanisms formed? What are the foundations upon which a new Israeli society is being built? How did the human element of that society get lost? A few sharp critics claim that the answers to these questions lead straight to the economics faculties at the universities.

Mainstream economists sometimes call these critics the enemies of growth, and even the enemies of freedom, but this does not always bother them.

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"The concepts currently being taught at schools of economics may or may not increase growth," says Prof. Ariel Rubinstein, of the Tel Aviv University School of Economics, "but along the way they are trampling other important values, such as security and participation in the effort."

Rubinstein presented students with an imaginary scenario: A company mired in difficulties asks its economics department to prepare a report forecasting the company's profits relative to the number of workers laid off. The students had to decide whether to increase the company's profits to the maximum via layoffs, or to choose lower profits that would allow more people to remain employed.

This issue was presented to students in various departments - economics, business management, law, mathematics and philosophy. The answers illustrated the differences in the various departments' worldviews. Only 13 percent of philosophy students felt profits should be maximized at the expense of the workers, while this figure rose to 16 percent among mathematics students and 46 percent among economics students. The scenarios offered to the students were quite cruel, with the final 44 layoffs (one-fourth of the work force) contributing only NIS 400,000 to increased profits (25 layoffs would result in profits of NIS 1.6 million, while an additional 44 dismissals would result in profits of NIS 2 million).

The economics students' sensitivity to the imaginary workers' needs was far lower than that of the other students. The survey's results prompted Rubinstein to ask if the manner in which we are educating our students causes them to ignore considerations not connected with profitability.

The magic of numbers

Numbers enchant us. The meteoric progress of science has spawned whole libraries overflowing with equations of every sort, and we have become

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accustomed to the fact that phenomena in our lives are explained by equations we do not understand. Numbers and equations helped us land a man on the moon and forecast the weather. Although the numerical data in the survey may confound regular people, this is certainly not the case regarding economists, even those who are just starting out. This focus on numbers, however, may be the root of the problem. Perhaps too many abstract equations are masking the fundamentals behind them - the human and social situations.

"Occasionally there are lecturers who make critical comments and try to stimulate the students to think about the social and human situations behind the numbers, says Rubinstein, "but the fact is that after a student solves a thousand equations, he can no longer see beyond them."

Rubinstein argues that economics cannot be allowed to replace our value choices, and cannot serve as a tool for making policy decisions.

"Is inheritance tax desirable?" asks Rubinstein. "Is growth more important than disbursing revenues? Economics does not have decisive answers to these questions. I, for example, am in favor of cooperatives. Great importance is given to matters such as job security, the worker's self-esteem and his participation in decision making. These are values we can learn in pre-school. One doesn't have to go to university to learn them."

Rubinstein wages his struggles from the inside, voicing his sometimes biting criticism as a respected professor at the School of Economics.

Power games

Another critic of the way economics is taught is Dr. Shimshon Bichler, who has taught at various Israeli universities and is now teaching at the Jezreel Valley College. He disagrees with almost everyone. While Rubinstein does not believe there is an alternative theory being ignored by the universities, Bichler does.

Bichler's theory, developed along with his partner, Dr. Jonathan Nitzan, who lectures at York University in Toronto upends the accepted theories.

"What drives capital is not the attempt to derive benefit," says Bichler, "but rather the pursuit of power, which is always measured in relative terms. Capital is always trying to 'beat the average,' to achieve a higher yield."

According to this concept, the big sin of economics studies is their isolation from other disciplines. If the essence of capital is power, in order to understand how capital works one has to understand the power games, and these are not played in the libraries of pure equations, but rather in the daring world of intrigues - the world of politics.

It's not that power is absent from the world of economics, explains Bichler: It is simply hiding behind such terms as "normal profits" and "bank interest." Bichler contends that students are not taught to do empirical research, how to look at reality. Instead, they try to bring reality into line with the theories.



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