

Of capitalists and pirates

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An online textbook introduces a new approach to Economics—George Soros financed it.

Those who write textbooks for students get to influence their way of thinking. Paul Samuelson once said: "I don't care who writes contracts or laws of a nation—as long as I can write its Economics textbooks." Samuelson's book, first published in 1948, shaped several generations of Economists. This rather Keynesian book was translated into 20 languages and sold in the millions. As a professor at MIT (Massachusetts Institute of Technology), Samuelson was convinced that states could achieve both high economic growth and low unemployment through smart macroeconomic policy that influenced demand.

From the 1990s the bestselling economics textbook has been "the Mankiw". *Principles of Economics* by the Harvard economist Gregory Mankiw sold several hundred thousand copies and is now available in its 8th edition, and in several translations. Mankiw is more orientated towards market power, believes in the efficiency of markets, and is sceptical of government policy and state intervention.

Now there is a new online multimedia creation called *The CORE Project*, which is available online for free and wants to offer a new kind of introduction to the study of economics. It was conceptualised by two dozen economists from various countries, who are searching for an alternative to the traditionally dominant neoclassical school of economics. Wendy Carlin from UCL (University College London) is the project leader and thinks that traditional textbooks are too abstract, too far removed from the real world and embed economics too little into its political and historical context—CORE would like to change that. For some time, CORE has been used in several British universities, at Sciences Po in Paris and Toulouse, but rarely in Germany until now.

"This textbook stands out because it uses economic history as an introduction to central topics in Economics", says Nikolaus Wolf from Humboldt University in Berlin, who is testing CORE starting this semester. Economic history is an important starting point to motivate students. Questions asked [by CORE] include why the standard of living stagnated for centuries, before starting to grow exponentially in some countries in the 18th century. While other textbooks start with abstract models of demand and supply curves, this ebook illustrates how part of humanity became wealthy. "Most textbooks lack this historical perspective", complains Wolf.

The textbook also places some focus on the topic of inequality. The question of distribution of wealth is often not as prominent in other textbooks. The CORE textbook repeatedly returns to it, introducing Gini coefficients and Lorenz curves. In this, it uses interesting examples, namely how the pirate ship *Rover* in the 18th century split its stolen wealth according to its constitution—a lot more "equally" than income and wealth were split elsewhere on the planet. Were Captain Blackbeard's principles thus more socially "just" than those of the capitalist world? Having said this, the authors underline that the property rights-based capitalist revolution brought with it an explosion in wealth, thanks to innovation and large enterprises. On the other hand, the text underlines that questions around power and negotiations—and not so much the maximum productivity of various factors like capital and labour—decide about how the cake is split. The authors assume that there is a permanent threat of unemployment in the labour market.

Furthermore, CORE emphasises game theory with greater strength than other textbooks. "The usual starting point is Adam Smith and the 'invisible hand' of markets", says Wolf. According to classical liberal theory, utility maximisation and exchange on the market lead to a general gain in welfare. CORE pays attention to social dilemmas and external effects, which lead to always disadvantageous outcomes, for example because the environment or climate gets ruined. The "Golden Age" of capitalism is explained with strong unions that negotiated a fair share for workers while companies received sufficiently high profits to invest significantly. CORE states that this model stopped working in the 1970s. It also explains the most recent financial crisis—above all with the misbehaviour and excessive debt of deregulated banks. The role of loose monetary policy is rarely mentioned.

The [development of the] ebook was financed mainly by the Institute for New Economic Thinking (INET), whose main sponsor is the Hungarian-American trader George Soros. He invests large parts of his wealth into scientific and political initiatives, which often have left-liberal aims. For example, Soros finances a university in Budapest and spends large sums on campaigns for democracy, tolerance and the "Open Society", as well as for gay and transgender rights. The *Independent* newspaper recently estimated that Soros has already spent \$11 billion on these activities. He founded INET with \$50 million. The textbook only costed a few hundred thousand euros to make, but from the initiators' point of view it is an important step in the process of economic re-orientation.