

# Article

## The merits of pluralism in economics



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### The Merits of Pluralism in Economics



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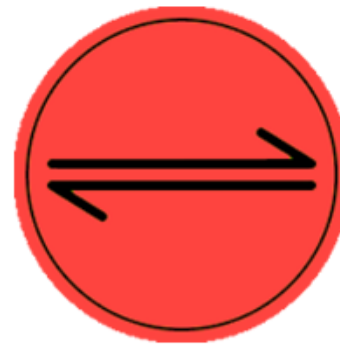
The study of price and quantity is central to economics. The former takes various forms—the price of rice, the price of a laptop, the price of labour, the price of money, and so on. The latter comprises the quantity of rice, the number of laptops sold, the number of labourers employed, the quantity of money, and so on. It may be noted that our aspiration of better incomes for all is closely tied to our understanding of price and quantity dynamics because they tell us how incomes are generated and distributed. Owing to the constraints of space, I shall only discuss the dominant theory of price in economics.

Questions such as ‘What determines commodity prices?’ and ‘What determines wages?’ almost always receive the following answer: “supply and demand”. More precisely, it can be stated that the intersection of the supply and demand curves provides us with the equilibrium price; this is the price at which the transaction or exchange happens. And, underlying the demand curve is the subjective notion of utility (maximization). To put it differently, according to the approach of doing economics—the marginalist or neoclassical approach—found in almost all textbooks and popular economics books, prices are explained by (marginal) utilities.

Is supply-and-demand the **best** way to understand price formation? Perhaps not. In fact, the problems with this approach to doing economics are presented succinctly and persuasively in Krishna Bharadwaj’s 1976 book **Classical Political Economy and Rise to Dominance of Supply and Demand Theories**. And recently, in 2018, Tony Aspromourgos published the article ‘What Is Supply-and-Demand? The Marshallian Cross Versus Classical Economics’ in the journal **Review of Political Economy**; in this journal article, he provides a compelling argument as to why the supply-and-demand apparatus is unsatisfactory.

We generate, study, and teach economic theories in order to make better sense of our economic realities. But what if the dominant theory is not the best one? This is indeed the case becomes visible when we study the history of economic ideas. What is the solution to this problem?

## Intersection of the supply and demand curves provides us with the equilibrium price.



Pluralism. Our economics curriculum must embrace pluralism—in theories, in methods, and in practice. Otherwise, there is a danger that our understanding of the world becomes narrow (and at worst, incorrect). Thus, we must include the contending standpoints of David Ricardo and Alfred Marshall, Maynard Keynes and Friedrich Hayek, Karl Marx and Paul Samuelson. Similarly, in methods, we must not only embrace randomized control trials (RCTs) but also ethnography. And, such a pluralist spirit ought to underpin our economic vision as well as policies.

In marginalist economics, utility, a subjective element, determines value. Are other theories of value possible? Can we not have a land theory of value? Or a land-and-labour theory of value? Won't this enable a better accounting of our ecological (mis)use? In the political economy which was prevalent before Smith, such value theories are found. The notable ones are found in the work of [Richard Cantillon](#) and François Quesnay.

According to marginalist economics, wages are [determined](#) endogenously in the labour market by the forces of supply and demand. Is this true? The classical political economists (Smith, Ricardo) think otherwise. A similar point was made by Piero Sraffa in his 1960 book *Production of Commodities by Means of Commodities* and by Bharadwaj in her book which was cited earlier. They advance the following thesis: wages are exogenously determined by socio-political forces. That is, forces such as the social orders of caste and gender as well as politics and policies fundamentally influence wage determination.

I shall end this short essay by reiterating the role of pluralism in furthering our economic understanding and therefore in the framing of better economic policies. And this often begins with an unlearning of marginalist economics.

### About the Author

*Dr. Alex M. Thomas teaches economics at Azim Premji University. His textbook, *Macroeconomics: An Introduction* is forthcoming from Cambridge University Press.*

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