

# The Kansas City Proposal

(Released 13 August 2001)

## **An International Open Letter to all economics departments**

Economics needs fundamental reform – and now is the time for change.

This document comes out of a meeting of 75 students, researchers and professors from 22 nations who gathered for a week of discussion on the state of economics and the economy at the University of Missouri, Kansas City (UMKC) in June 2001. The discussion took place at the Second Biennial Summer School of the Association for Evolutionary Economics (AFEE), jointly sponsored by UMKC, AFEE and the Center for Full Employment and Price Stability.

The undersigned participants, all committed to the reform of our discipline, have developed the following open letter. This letter follows statements from other groups who have similar concerns. Both in agreement with and in support of the Post-Autistic Economics Movement and the Cambridge Proposal, we believe that economic theory, inhibited by its ahistorical approach and abstract formalist methodology, has provided only a limited understanding of the challenging complexity of economic behavior. The narrow methodological approach of economics hinders its ability to generate truly pragmatic and realistic policy prescriptions or to engage in productive dialog with other social sciences.

All economics departments should reform economics education to include reflection on the methodological assumptions that underpin our discipline. A responsible and effective economics is one that sees economic behavior in its wider contexts, and that encourages philosophical challenge and debate. Most immediately, the field of economic analysis must be expanded to encompass the following:

1. **A broader conception of human behavior.** The definition of economic man as an autonomous rational optimizer is too narrow and does not allow for the roles of other determinants such as instinct, habit formation and gender, class and other social factors in shaping the economic psychology of social agents.

2. **Recognition of culture.** Economic activities, like all social phenomena, are necessarily embedded in culture, which includes all kinds of social, political and moral value-systems and institutions. These profoundly shape and guide human behavior by imposing obligations, enabling and disabling particular choices, and creating social or communal identities, all of which may impact on economic behavior.
3. **Consideration of history.** Economic reality is dynamic rather than static, and as economists we must investigate how and why things change over time and space. Realistic economic inquiry should focus on process rather than simply on ends.
4. **A new theory of knowledge.** The positive-vs-normative dichotomy which has traditionally been used in the social sciences is problematic. The fact-value distinction can be transcended by the recognition that the investigator's values are inescapably involved in scientific inquiry and in making scientific statements, whether consciously or not. This acknowledgment enables a more sophisticated assessment of knowledge claims.
5. **Empirical grounding.** More effort must be made to substantiate theoretical claims with empirical evidence. The tendency to privilege theoretical tenets in the teaching of economics without reference to empirical observation cultivates doubt about the realism of such explanations.
6. **Expanded methods.** Procedures such as participant observation, case studies and discourse analysis should be recognized as legitimate means of acquiring and analyzing data alongside econometrics and formal modeling. Observation of phenomena from different vantage points using various data-gathering techniques may offer new insights into phenomena and enhance our understanding of them.
7. **Interdisciplinary dialog.** Economists should be aware of diverse schools of thought within economics, and should be aware of developments in other disciplines, particularly the social sciences.

Although strong in developing analytical thinking skills, the professional training of economists has tended to discourage economists from even debating – let alone accepting – the validity of these wider dimensions. Unlike other social sciences and humanities, there is little space for philosophical and methodological debate in the contemporary profession. Critically-minded students of economics seem to face an unhappy choice between abandoning their speculative interests in order to make professional progress, or abandoning economics altogether for disciplines more hospitable to reflection and innovation.

Ours is a world of global economic change, of inequality between and within societies, of threats to environmental integrity, of new concepts of property and entitlement, of evolving international legal frameworks, and of risks of instability in international finance. In such a world we need an economics that is open-minded, analytically effective and morally responsible. It is only by engaging in sustained critical reflection, revising and expanding our sense of what we do and what we believe as economists that such an economics can emerge.

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**The full list of signatories for this petition is maintained at [www.paecon.net](http://www.paecon.net)**