

POLITICAL ECONOMIC KNOWLEDGE IN THE PUBLIC POLICY WORKPLACE

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The last 40 years have been an era of neoliberal public policy dominance with elementary neoclassical economics as its principal theoretical justification. Neoliberal public policy, at base, is directed at extending the dominion of corporate capital in people's lives and reducing the power of labour in the workplace (Mirowski 2013). If the goal of political economy is not only to explain the world but to change it, then the experience of workplaces where public policy advocacy is generated may be helpful for designing the curriculum and, more generally, for teaching the subject.

This article points to the political economy ideas that I have found useful in my four decades of working as a researcher, consultant and public policy advocate in public and private sector workplaces. By 'useful', I mean knowledge that influences policy in a positive direction or makes it more difficult for those who assert crudely neoliberal ideas to do so without having to address opposing views and policy prescriptions.

Developing useful knowledge

The term 'useful knowledge' encompasses political economy scholarship in the broad sweep – Marxian, post-Keynesian, old and new institutionalism, and evolutionary economics; and a wider field than is historically taught within Political Economy programs such as the one at Sydney University. This broader field includes a basic familiarity with quantitative and statistical methods. It also includes Transaction Cost Economics (TCE) and the economics of imperfect competition, especially

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as applied to industry and labour markets.¹ Examples of useful non-orthodox labour market concepts are oligopsony (markets dominated by a few sellers) and efficiency wages (Card 2022; Manning 2003); the ‘inverted wage curve’ (Blanchflower and Oswald (1995); segmented labour markets (Leontaridi 2002); and gender (Cooper *et al.* 2021).

Some may regard this catholic disposition as lacking theoretical coherence, but methodological variety is essential when confronting the neoliberal public policy ascendancy founded in orthodox economics. Indeed, there is a strong case for ‘methodological promiscuity’, at least in the public policy field when judging what political economy and other ideas are useful.

I base these judgements on my personal experience of working for 8 years in the state and commonwealth public sector, including 2 years in an agency of federal Treasury, a decade at a university innovation studies research centre and the rest in economic consulting. The consulting was done for unions, University research centres, advocacy entities like The Australia Institute and international agencies like the OECD and ILO. The main areas of neoliberal public policy addressed were labour markets, specifically the economics of training and education (*e.g.* Toner 2011, 2013, 2018; Rafferty and Toner 2024); industry economics with a focus on manufacturing and construction industries (Toner 1999, 2024; Rafferty and Toner 2018); industry policy focussed on innovation and advanced manufacturing (Toner 2024; Toner and Butler 2009); criticisms of the conventional measurement and understanding of productivity (Green and Toner 2013; Richardson and Toner 2026); and case studies of enacted neoliberal policy failure, specifically privatisation of government assets and contracting out of government services (Cahill and Toner 2018; Toner and Rafferty 2024).

This unusually diverse field of public policies may explain my inclination to posit the case for methodological diversity. Other reasons for embracing a wider field of knowledge than the traditional curriculum are pragmatic, recognising that the agencies you are attempting to influence are generally not open to arguments that start from outside the economic mainstream.

¹ It was, after all, Joan Robinson in her (1933) *The Economics of Imperfect Competition*, that not only provided the first comprehensive study of oligopoly, monopoly and monopsony but demonstrated the conditions for perfect competition do not and cannot exist in the real world. Models of imperfect competition are the basis for post-Keynesian analysis.

On the other hand, you may get somewhere if you can marshal your arguments, drawn from whatever theoretical perspective you choose, to show that the approach you are advocating is not only consistent with the ‘facts’ but provides a better explanation than the neoliberal one. The logical and explanatory power in the arguments is what ultimately matters. Thus, if drawing on TCE and other fields of knowledge helps to win the day, then it doesn’t really matter whether their analytic base is orthodox or not.

Neoliberal public policy justified by economic orthodoxy is almost invariably inconsistent with the neoclassical assumptions required for the economic orthodoxy to apply in practice. This internal contradiction needs to be a focus for broad political economy. Identifying inconsistencies between an orthodox theory’s assumptions and its application in neoliberal public policy is important to show the incoherent logic underlying a bad policy.² In my experience, it always leads to counter-posing a different, non-orthodox theory in its place that is more consistent with the key stylised facts around the public policy.

A solid grasp of empirical detail is also needed. For whatever product, service, technology, industry or labour market that is being studied, recognising the power relations between and within producers, suppliers and consumers is an essential critical skill in ‘taking on’ bad policy proposals. Some knowledge of the classical work on industry economics – including those by Alfred Marshall, Joe Bain, Edith Penrose, Wassily Leontieff, Robert Wade and Ha-Joon Chang – are an essential base for posing non-orthodox explanations to economic questions. They are still relevant even in the digital economy.

A thorough grounding in the relevant ABS and other statistics, including basic descriptive and inferential statistical methods, is also essential. In public policy debates the quality and impact of an argument often swings on which party has a better grasp of the empirical details.

² John Quiggin is the leading exponent in Australia of this particular technique. Quiggin’s approach seems to be based on Robert Solow’s (1980:2) dictum that ‘the mainstream tradition [...] has provided both the foundations for a belief in the efficiency of market allocations and the tools for a powerful critique’.

Limits of grand theory

There is a paradox in the case being made here: why does a single economic orthodoxy used as justification for neoliberal public policy require a response drawn from many different approaches in political economy? Probing this paradox requires a deeper dive into the case for methodological variety in public policy debates. In my view, there are three key arguments.

First, there are inherent limits on the capacity of any grand theory, orthodox or heterodox, to comprehend and explain the great diversity of social and economic life. It should be a case of what tool best fits the job.

Second, the idea of ‘useful knowledge’ in seeking to influence public policy outcomes means accepting a high level of pragmatism in the range of arguments that are ‘acceptable’. To be taken seriously in debating with, say, the Productivity Commission, Fair Work Commission, federal Treasury or the federal Industry department, it is necessary to frame arguments within the economic mainstream. However, this ‘mainstream’ can, depending on the institutional context and issue, have many tributaries and offer some devastating critiques of policies based on crude orthodoxy. Moreover, as explained earlier, political economy approaches can be offered as preferable explanations of the issue or providing superior policy guidance.

Finally, claiming a breadth of explanatory power for a single heterodox grand theory that is wider than it can support is simply replicating the imperialism of the biggest grand theory- neoclassical economics (Fine 2000).

In summary, as articulated 50 years ago by Paul Feyerabend 1976: 46):

Variety of opinion is necessary for objective knowledge. And a method that encourages variety is also the only method that is compatible with a humanitarian outlook.

Conclusion

To be effective as a political economist – that is, to have influence over decisions – I have found it necessary to chip away at the edge of mainstream economics by identifying internal contradictions between policy proposals and their justification in neoclassical economics;

identifying empirical counter-factuals; and proposing alternatives that provide a better explanation of the data or problem and offer a superior solution. Political economy ideas are central to this process of chipping away. If political economy can be taught in a way that prepares graduates for work of this sort, it can be effective in not only understanding the world but also changing it for the better,

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