

# “Pop mercantilism”? Staff and student attitudes in Economics at Warwick

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According to David Henderson (see his Wincott lecture, “Anti-Liberalism 2000”, 28 September 2000, available from <http://www.iea.org.uk/books/onlinearticles.htm>), those opposing unrestricted further globalisation at the WTO talks in Seattle were tapping the vein of a broad current of social opinion. Henderson calls this thinking “DIY economics”. In my view it could be characterised more precisely as mercantilist, encompassing the promotion of particular industries and of exports, tolerance towards protectionism, the global economy perceived as a zero-sum game, pervasive divergences between private interests and the goals that the state should pursue in the interests of society, and a preference for collective over individual action.

To what extent does this thinking exert influence today among those with a professional interest in economics in the UK?

In November 2000 I surveyed 66 first-year undergraduates taking EC108 Macroeconomics 1, a core module for the BSc in Economics, and 14 of my own colleagues, academic staff in the Department of Economics. Thus the overall sample comprises two groups with similar motivation towards economics, but polar attributes in terms of experience. The first group are almost exclusively high-achieving school-leavers, predominantly with A-levels in one or both of mathematics and economics; as new undergraduates, however, they have had no more than a few weeks' exposure to the world of professional economics. The second group, in contrast, have made career commitments to, and are heavily involved in economic research and teaching.

Six propositions with which I asked the respondents to agree or disagree are listed below.

1. Industries or activities (e.g. financial services, manufacturing industry, or agriculture), can be classed as *essential* or *inessential*, or *ranked in order of national priority*
2. When competition takes place in international markets, *some countries gain and some countries lose*
3. Exports are a *gain* to each country, and imports are a *loss*
4. A sign of a country's economic strength is *the scale on which it attracts capital from the rest of the world*
5. Import taxes and restrictions, and export subsidies, *add to a country's total employment*
6. Actions that are undertaken for profit or self-interest are *morally questionable for that very reason*.

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Five of them (nos. 1, 2, 3, 5, and 6) are lifted (in some cases rather loosely) from Henderson's paper. I think of propositions 1 and 2 as "pop mercantilism", whereas no. 3 is pure mercantilism: exports are a gain, imports a loss. No. 4 is included on grounds offered by Paul Krugman in his "Two Cheers for Formalism" (*Economic Journal*, 108 (1998), 1829-36): the balance of payments constraint prevents countries from simultaneously achieving export surpluses of commodities *and* securities; one ought not to agree to nos. 3 and 4 simultaneously, but many identify both with economic strength. No. 5 is traditional protectionism, and no. 6 is moralism: rather than base the common good on the interests of individuals, one should subordinate the latter to the former.

Results appear in Table 1 overleaf. Three stylised facts emerge.

1. "Pop mercantilism" has majority support among first-year students: more than three fifths would agree that industries or activities may be ranked in terms of their importance to society, and that some countries lose from taking part in international trade. However, only one fifth of students adopted an unambiguously mercantilist attitude to trade (proposition 3: exports are a gain and imports are a loss), only two fifths agreed that protectionist policies may be job-creating, and only 15% agreed that the pursuit of self-interest is immoral *per se*.
2. As might be expected, student attitudes show much greater heterogeneity than those of staff. Among the latter there is indeed what Henderson calls a "professional semi-consensus" opposed to neo-mercantilism: only one proposition broke the 20% barrier and two scored zero, including the pure-mercantilist proposition 3. Staff opinion was most divided on the questions whether or not some countries lose by taking part in trade, and whether or not a capital account deficit may indicate relative economic strength, but even here the dissenters were in a small minority. No member of staff would agree that the pursuit of self-interest is immoral *per se*.
3. The gap between student and staff attitudes is widest on the propositions that industries or activities may be ranked in terms of their importance to society (staff and student respondents disagreed in the ratio 86% to 21%), and that a country may lose from trade (64% to 29%). On the other hand staff and students were nearly equally in agreement that the pursuit of self-interest may be moral.

In summary the influence of DIY economics in the populations sampled appears significant but far from predominant. First-year student opinion rejects clearcut mercantilism and moralism but is willing to acquiesce in the face of more qualified expressions in the same vein. "Pop mercantilism" receives little support in the attitudes of staff and pure mercantilism receives none. The result is a significant gap between staff and student attitudes.

The student reader may wonder what this gap shows: is it that students still have a lot to learn, or have the academics lost the plot? More varied sampling in cross section and through time, and more searching questions, could give rise to further insight into how economists' attitudes are formed and changed in the course of academic study and under the impact of economic events.

Table 1. Survey results

		N	Agree		Disagree		Don't know	
1. Industries or activities (e.g. financial services, manufacturing industry, or agriculture), can be classed as <i>essential</i> or <i>inessential</i> , or ranked in order of national priority	Students	66	40	61%	14	21%	12	18%
	Staff	14	2	14%	12	86%	0	0%
2. When competition takes place in international markets, <i>some countries gain and some countries lose</i>	Students	66	42	64%	19	29%	5	8%
	Staff	14	2	14%	9	64%	3	21%
3. Exports are a <i>gain</i> to each country, and imports are a <i>loss</i>	Students	66	13	20%	49	74%	4	6%
	Staff	14	0	0%	14	100%	-	0%
4. A sign of a country's economic strength is <i>the scale on which it attracts capital from the rest of the world</i>	Students	66	22	33%	38	58%	6	9%
	Staff	14	3	21%	9	64%	2	14%
5. Import taxes and restrictions, and export subsidies, <i>add to a country's total employment</i>	Students	66	25	38%	31	47%	10	15%
	Staff	14	2	14%	10	71%	2	14%
6. Actions that are undertaken for profit or self-interest are <i>morally questionable for that very reason</i>	Students	66	10	15%	52	79%	4	6%
	Staff	14	0	0%	12	86%	2	14%