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The Meaning and Future of Heterodox Economics: A Response to Lynne Chester

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1. Introduction: An Outline of the Argument

I have been writing and publishing in economics for 50 years and much of my work has been debated and criticised. But I think that this is the first time that someone has honoured me by a full-scale article criticising an unpublished working paper. I am very grateful to Lynne Chester for bringing the questions I raise to a wider audience.

The working paper that she criticizes went through several versions, of which the 12 July 2017 draft that Lynne downloaded from the World Interdisciplinary Network for Institutional Research (WINIR) website is not the final version. In addition, the working paper has now expanded into a book entitled *Is There a Future for Heterodox Economics?* (Hodgson, 2019). Lynne's criticisms help me to attempt to make the text clearer and deal with some misunderstandings that have arisen.

One reason which I turned the essay into the book was the necessity to expand and clarify on key points. Lynne gets several things wrong in her critique, so perhaps this need is confirmed. Lynne makes many points of importance that cannot be answered adequately here. They are addressed more completely in *Is There a Future for Heterodox Economics?*

For example, Lynne points out that in the working paper 'Hodgson assiduously avoids any self-identification as an economist, heterodox or otherwise'. This omission was not 'assiduous'. In earlier publications and the 2019 book I reveal myself as an unashamed heterodox economist, because I reject the utility-maximizing, equilibrium-oriented core of neoclassical economics.

Lynne chooses to 'view' my criticisms as 'criticisms of heterodoxy'. On the contrary, the book and the working paper make it clear that my project is not principally a critique of the content of heterodox economics as such. The few criticisms I make are secondary to the main objective, which is to investigate why heterodox economics is not as influential as it could be.

What has gone wrong? Despite the power of some of its theories, and despite major success in some areas – such as the methodology of economics and in monetary theory – heterodox economics has not made sufficient headway in terms of influence over the last 50 years. That is my starting point.

Of course, particularly since the financial crash in 2008, the community of heterodox economists has expanded, and its publications have proliferated. But its power in departments of economics has waned. This weakness does not necessarily stem from heterodox theories being wrong. Some are, and some are not: but that is not the point. It is more that heterodoxy has failed to gain overall influence that is commensurate with its best work. This paradox is the starting point of the narrative in my 2017 working paper and in my 2019 book.

In addition, heterodox research is insufficiently cumulative. It returns almost ritually to Keynes and Marx, while giving much less attention to many other important dissident economists. Many interesting insights by current authors are published and then forgotten. There are insufficient incentives to build upon them.

Heterodoxy also has widely-perceived problems of quality control. In my judgement, published heterodox research ranges in its quality from the excellent to the extremely poor. Too many heterodox journals and conferences contain too much low-quality material, reducing incentives for outsiders to engage with the heterodox community. Admittedly, these verdicts are largely matters of personal judgment. But heterodox economics is widely perceived to be of inadequate quality, including by some heterodox economists. In any case, heterodox economics has a problem that its quality is widely *perceived* as deficient. This problem should not be simply brushed aside.

To understand and address all these problems, we must analyse how scientific disciplines work as ensembles of social institutions, with their own internal culture. Scientific disciplines are organised systems of power. However imperfectly, these systems control quality and create incentives for enduring participation and engagement.

We have to apply social science to the analysis of economics as an institutionalised discipline. Publishing more and more heterodox books and articles is insufficient for heterodox progress. There needs to be an understanding of how academic disciplines work as organised systems of power. Strategies must be developed to install new, or capture old, centres of academic power.

Two major studies of sciences as systems of institutionalised power and authority were by Michael Polanyi (1962) and Philip Kitcher (1993). They both emphasise that pluralism (of opinion and approach) is vital for innovation and progress in science. But they also explain why an excess of pluralism would lead to chaos. If everything is ripped apart critically, and then rivalled by some new and short-lived alternative, over and over again, then sciences cannot build cumulatively. For cumulative advance, pluralism has to be adequate but restrained. While pluralism is essential, there is a trade-off between pluralism and consensus.

Sheila Dow (2007, p. 448) identified the problem of an ‘unstructured pluralism or eclecticism, understood as an absence of selection criteria, or “anything goes”, is antithetical to the building up of knowledge’: it would lead to chaos or stagnation. I go further in my 2019 book, by also addressing the work of Polanyi and Kitcher. Both these authors emphasised that some degree of power and consensus is also important for quality control within a discipline.

Another major problem, raised in my 2017 working paper and at much greater length in my 2019 book, is that while heterodox economists form an identifiable community and network, they cannot agree on what heterodoxy means. The obverse of this is a similar failure to agree on the essential nature of orthodox economics – if there were a consensus on the nature of orthodoxy then agreement on the nature of heterodoxy could be achieved.

There is wide acknowledgement that this failure to agree on the nature of heterodoxy is a problem. Tony Lawson (2006, p. 484) wrote that ‘very few ... have questioned the nature of heterodox economics’ and when queried ‘it is recognised ... as an umbrella term to cover ... *separate* heterodox projects or traditions’. Andrew Mearman (2011, p. 480) analysed a survey of members of the Association for Heterodox Economics and found ‘little agreement on any core concepts or principles’ and ‘that there is little structure to heterodox economics beyond that provided by pre-existing (or constituent) schools of thought’ (which are, most importantly, post-Keynesianism and Marxism). Clive Spash and Anthony Ryan (2012) conducted a different survey that confirmed a similar result.

Similarly, the editors of *The Routledge Handbook of Heterodox Economics*, of whom Lynne is one, concur that the question of the nature of heterodoxy ‘has been the subject of a long-standing debate by heterodox economists although no consensus has been reached’ (Jo et al., 2017, p. 8).

This leads to an obvious question, which I discuss at length in my 2019 book. If heterodox economists cannot agree on the nature of heterodoxy, then what keeps heterodox economists together as a community? What ties them together over a period of time? My answer is that it is largely to do with left-wing ideology. There are exceptions. Austrian economists and Nelson-Winter style evolutionary economists are regarded by some (but not all) in the heterodox community as being also heterodox. Many Austrian and evolutionary economists are not left-wing. But these cases are largely outliers. I demonstrate in my book that the history of heterodox economics, particularly the major stream that derived from the University of Cambridge in the 1960s and 1970s, were explicitly aligned with left-wing politics. This alignment is also clearly apparent in Fred Lee's (2009) *History of Heterodox Economics*.

Of course, there is nothing in principle wrong with being ideological. But when a particular ideology substitutes for failure to agree on a theoretical core, then something is awry. Cumulative scientific progress becomes more difficult. A healthy social science discipline relies not simply on a pluralism of *theories*, it is also helped by a diversity of *ideological* viewpoints. Viewpoint diversity helps scholars reach across ideological dividing lines and make their theories attractive for a wider audience.

This is a key test for heterodoxy. Some heterodox scholars have explicitly rejected conversations across ideological divides. Lee was one: he saw heterodox economics as part of the struggle against capitalism. But while social science is unavoidably entwined with ideology, it should not be reduced to ideology alone. Viewpoint diversity is invaluable. Heterodox economists who reject this line of argument are not being pluralist enough.

2. Some of the Errors in Lynne Chester's Account of my Project

I now identify some major errors in Lynne's account. I do not cite them all. I do not wish to over-burden the reader. But her errors come thick and fast.

First, the title of Lynne's essay is misleading. 'Judging heterodox economics ...' may be misconstrued by some readers about the content of heterodoxy, about the merits and demerits of particular theories. Neither my 2017 working paper nor my forthcoming book are on that topic. Instead, the aim is made clear in the abstract of my 2017 working paper: 'This paper addresses the possible meanings and potential of "heterodox economics" as an organizing label.' And in its opening paragraph: 'This essay explores the nature, boundaries and future of "heterodox economics". The aim is not to appraise particular heterodox theories, whatever they may be, but to examine the use of the "heterodox economics" label to organise opposition to mainstream economics and to develop alternatives to it.' The 2019 book has a similar aim.

Another error appears in the abstract, where Lynne claims that I allege that heterodox economics 'does not take pluralism seriously'. I do not say that. Instead, the 2017 working paper has the following claim, which appears towards the end of the draft: 'heterodox economists also need to take pluralism itself more seriously'. A plea to take something 'more seriously' does not imply that it is not already taken seriously. On the contrary, it is already taken seriously, but not seriously enough.

In the abstract Lynne wrote: 'To address these alleged problems, Hodgson proposes four alternative strategies'. It is true that I do consider four strategies for heterodoxy in the 2017 paper. But I do not 'propose' them in sense of advancing them as equally feasible or desirable. The strategies are put forward for discussion. They are neither fixed nor final. In my 2019 book I consider eight strategies, and suggest that four of them are more plausible than the others. But I also make it clear in the book that strategy in a complex social system must

rely on experiment and not merely design. We must all humbly admit that we do not know in advance, and for sure, what works best.

One of the errors appearing in the introduction is this: 'Hodgson treats the issue of pluralism as some sort of "quality control" measure needed by the heterodox economics community'. I say no such thing. The 2017 draft makes clear that pluralism has a quite different role. I wrote: 'Some internal pluralism or diversity within any academic school or discipline is vital. Internal debate is necessary for theoretical advance: diversity and dissent provide the fuel for theoretical innovation.' Nowhere do I say that the role of pluralism is for quality control. On the contrary, I argue in the paper that quality control depends on some degree of *consensus*. This, to a degree, and in ways I explore, runs against pluralism. Both pluralism and consensus are necessary, but for different reasons.

Another error appearing in the introduction is: 'Hodgson summarily ascribes "leftist political leanings" to all heterodox economists'. The 'all' here is incorrect: nowhere do I say 'all'. For example, Austrian economics can legitimately be regarded as heterodox and many of them are not leftists, as conventionally defined.

This mistake leads to yet another error, where Lynne says that Hodgson 'infers all heterodox economists are ideologically-driven and all mainstream economists are politically neutral.' Both parts of this statement are false. Nowhere do I say that all heterodox economists are ideologically driven. Some are. But that is not necessarily a flaw. And nowhere do I say that mainstream economists are politically neutral. That would be absolute nonsense. Many mainstream economists are well-known for their ideological positions.

Lynne also wrote: 'Hodgson criticises Lee for not including as heterodox the schools of Austrian, institutional, evolutionary or Sraffian economics.' I admit an error here and I thank Lynne for her correction. But in our many personal conversations in the 30-plus years that I knew him, Fred Lee argued with me more than once that Austrian school economists were mainstream or neoclassical. I contested this with him. I now accept that, sometime before 2009, Lee changed his position and admitted the Austrians into heterodoxy. This should have been recognised in my 2017 paper and I was in error. This error is already fully corrected in my forthcoming book. In addition, in the 2017 paper, I should have made it clearer that Lee excluded Sraffian economics in some, but not all, of his stated listings of what comprises heterodox economics. Again, this is already corrected in later drafts of my working paper and in my forthcoming book.

The remainder of Lynne's sentence is false. I do not accuse Lee of excluding 'institutional' or 'evolutionary' economics from his listings. Instead I note a possible exclusion of the *new* institutional economics and I wrote: 'The "evolutionary economics" of Richard Nelson and Sidney Winter (1982) was also excluded from Lee's (2008) list of "heterodox" approaches.' I stand by this claim. This is quite different from Lynne's inaccurate account of what I wrote.

I now turn to Lynne's discussion of Tony Lawson's arguments, where she writes: 'Lawson has repeatedly refuted the notion that his definition suggests blanket opposition by heterodox economists to the use of mathematical formalism.' She claims that I fail to recognise this aspect of Lawson's position. I do not. I stand by what I say on this in my 2017 paper, where I conclude: 'Consequently, for Lawson, mathematics is appropriate for economics in highly limited circumstances only.' I am fully aware that Lawson (2003, pp. xix, p. 27, pp.178–9; 2006, p. 49; 2009, p. 19) has repeatedly insisted that he was not 'anti-mathematics' in principle. Instead, he is against the 'abuse' of mathematics and against the dogmatic insistence by the mainstream that mathematics must always be used.

But these statements have to be read alongside Lawson's own explicit criteria for when it is appropriate to use mathematics. He argued that mathematics would be suitable for

economics only in the extraordinary circumstances of approximation to what he called a 'closed system'. To repeat what I quoted in my 2017 essay: Lawson (2003, pp. 21, 178) clearly regards the appropriate circumstances for the use of mathematics as 'seemingly rare' or 'rather rare'.

Lynne approvingly cites claims that the definitions of heterodoxy by Lee and Lawson are 'complementary'. I question this. Unlike Lee, Lawson has never claimed that Sraffian economics or Post Keynesian models are heterodox. Lawson excludes important streams that Lee includes as 'heterodox'.

In my 2017 paper, and at greater length in my 2019 book, I argue that Lawson's criteria would imply that non-mathematical economists such as Ronald Coase, Douglass North, Richard Posner and Oliver Williamson were heterodox, and that most of economics before 1950 was heterodox. In this respect, Lawson's argument is very different from Lee's (2009), who argues that heterodox economics is explicitly or incipiently anti-capitalist. Lawson's criteria lead implicitly to many inclusions as 'heterodox' that Lee vigilantly excludes.

3. The Question of Strategy for the Heterodox Community

I have already noted that Lynne misunderstands my purpose in laying out multiple strategic options for the heterodox community. My aim is to start a discussion about strategy that has so far been largely neglected. One of the few attempts to consider strategic options is the proposal of a 'transdisciplinary' strategy of unifying the social sciences, formulated by David Colander and others (Colander et al., 2010; Colander, 2014; Colander and Kupers, 2014). This is one of the eight strategies that I discuss in my 2019 book.

Heterodoxy will not gain influence and power simply by producing numerous books, articles and newsletters, or by holding more conferences. It is also unhelpful to ignore mainstream rankings, which Lynne and others are keen to dismiss. Strategies need to address the existing reality. Having more meetings and producing more output are not enough. The risk is that much of these will be ignored. Critics have to understand and engage with existing structures or power.

Lynne claims that my strategic views and suggestions are wrong. I would more humbly suggest that we need to experiment – to see what works. To that end, I confine the remarks here to only one of the eight possible strategies that I lay out in my 2019 book. I call this a 'strategy of separation' and it is exemplified by the long but eventually-successful struggle at the University of Sydney to form a Department of Political Economy separate from the Economics Department.

Lynne claims that the ultimate success of this strategy is 'proven', as evidenced by the high level of student recruitment. This is important, but it is hardly a sufficient criterion of success. Indeed, it succumbs to a view that student numbers are the main criterion of university health, which today has sadly become the one-sided opinion of many university managers throughout the world. 'Bums on seats' they say.

Lynne also warns us of the pecuniary and business considerations that dominate universities, while being unclear about alternative options. For instance, in response to my argument that few universities can afford the luxury of both mainstream and heterodox departments, Lynne responded: 'This assumes only one possible funding model'. On the contrary, no one funding model is implied or assumed. In her response, Lynne ignores the fact that even if a new department is formed by transferring existing staff, the creation of additional (smaller) departmental administrations is costly, with possible diseconomies of scale.

Presumably, Lynne's remark that today 'universities are operated and managed like large corporations' is meant to remind of us the business orientation of modern universities. In fact, most universities have been corporations since their inception, including the ancient institutions at Cambridge and Oxford, founded in the 13th and 11th centuries respectively. At least in the UK, all universities and registered charities are corporations, and always have been. Perhaps Lynne meant that universities are run like 'business corporations' with a modern business culture. This would underline the actual and potential threats of a capitalist business mentality to the formation of a separate department of political economy, on ideological or cost-cutting grounds.

In the Department of Political Economy in Sydney, Marxism and left politics are dominant. In 2018, the Department of Political Economy boasted four Honorary Professors, namely Terrence McDonough, James Stanford, Yanis Varoufakis and (the late) Erik Olin Wright. All four have taken a strong left political stance, and three of them have declared Marxist allegiances. The department website also announces numerous critiques of an undefined ideology of *neoliberalism*. (On this see Boas and Gans-Morse, 2009, for example.) There are also quaint retro-1970s seminars on Marxian value theory and the transformation problem. By this evidence, pluralism in the Sydney department does not seem to stretch very far beyond Marxism and its fellow travellers. Pluralism is preached, but not taken seriously enough.

With the failure to establish a clear *theoretical* identity for heterodoxy, it is all too tempting to use leftist ideology as the alternative glue to bind people together. But to achieve this, a false theoretical narrative has to be manufactured, where *neoclassical economics* is deemed to be necessarily pro-market or right wing (Jones and Stilwell, 1986; Butler et al., 2009). On the contrary, neoclassical theory has been used to support socialism as well as capitalism (e.g. Lerner, 1934; Lange and Taylor, 1938). Furthermore, a number of 'analytical' Marxists have advocated the use of neoclassical approaches such as a general equilibrium theory (e.g. Roemer, 1981; 1986). This is not to say that any approach is ideologically neutral, but neoclassical economics is ideologically far more adaptable than is often presumed.

While student interest and recruitment may be high, the Department of Political Economy at the University of Sydney is not yet highly visible in prominent research rankings. By contrast, the School of Economics, also within the Faculty of Arts and Social Sciences at the same university, has achieved relatively high international rankings (RePEc, 2019). Although some heterodox economists may dismiss these criteria as 'mainstream', it is not a very comfortable position for Political Economy in Sydney. It would be tempting for an administrator to fuse the two together under *de facto* mainstream control.

The Sydney experience illustrates some of the major potential problems with a strategy of separation. Without a sufficiently clear *raison d'être* for the breakaway department, and with a flawed understanding of the nature and ideological implications of neoclassical theory, a department of political economy can end up as a largely ideological grouping, with an excessively constrained pluralism in theory, and an even more limited pluralism of political viewpoints.

The Sydney experiment is useful, but I am far from convinced that it shows a way forward for heterodox economics. We need to experiment, with some understanding of how scientific disciplines function as institutionalised systems of power.

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