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DEPARTMENT OF ECONOMICS WORKING PAPER SERIES

**Conversation or Monologue?
On Advising Heterodox Economists**

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Working Paper No: 2009-11

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Conversation or Monologue? On Advising Heterodox Economists

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Abstract

This paper suggests that heterodox economists should not think of themselves as economists first, and only secondarily as heterodox, and must emphasize methodological issues, in particular the different assumptions (or axioms) implicit in their theories *vis-à-vis* the mainstream. The paper argues that the notion of a cutting edge of the mainstream, which is breaking up with orthodoxy, is misleading. The role of the cutting edge is to allow the mainstream to sound reasonable when talking about reality, while orthodoxy provides authority to the cutting edge. The cutting edge is essential for the mainstream and remains firmly based on orthodox grounds.

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Ever since the seminal work by McCloskey (1983), several authors describe the process of scientific progress as a dialogue. In this vein, Colander *et al.* (2007-8, p. 310) want to “get [heterodox economists] into the mainstream conversation.” In the process of suggesting a more prolific dialogue with the mainstream, they advise heterodox economists to think of themselves as economists first, and only secondarily as heterodox, and to forget methodological issues.

However, Colander and his authors, in their quest for approval for heterodox economists by the mainstream, minimize the deep divisions in the economic profession. This is the case, in part, because they use a very peculiar definition of mainstream, but it also results from a surprisingly *naïve* understanding of the sociology of the economics profession.

It is true that the economics profession, as the authors argue, is an adaptive evolving system. However, it does not evolve in an axiologically neutral way, and for that reason ideology is still very present even in what the authors call the edge of the profession. Gunnar Myrdal (1969) correctly pointed out that ideology is the unavoidable companion of scientific analysis, and for that reason the differences between the mainstream and heterodoxy often reflect alternative world-views. As a result, power asymmetries produce inertia and affect the evolution of the economic profession. More importantly the authors over-emphasize the independence of the cutting edge from the more orthodox views of the mainstream of the profession, and confuse pseudo-critiques of orthodoxy with actual critiques.

The rest of the paper is divided in three parts. The following section describes the symbiotic relation between the cutting edge of the profession and orthodoxy, and why the

former is not un-orthodox in a meaningful way. The following section discusses the importance of methodology and of clarifying differences with all types of mainstream analysis. The last section concludes by reviewing the advice provided by Colander *et al.* (2007-8) on how to be listened by the mainstream.

The Edge of the Profession and Organized Hypocrisy

Colander *et al.* (2004) define the edge of the profession as the best of the mainstream, or more precisely the part that produces cutting edge research, signaling the future of the profession. In their view, the edge of the profession is by definition breaking with orthodoxy, since that is the nature of innovative research, even though it is sociologically very much part of the mainstream. In this sense they “highlight the non-orthodox nature of the elite and cutting edge portions of the sociologically mainstream” (Colander *et al.* 2007-8, p. 306). The point that the authors try to emphasize is that, contrary to the rigid notion of a monolithic Kuhnian paradigm the mainstream should be seen as an evolving collection of views.

Further, Colander *et al.* (2007-8, p. 305, n. 2) emphasize, on the basis of Dequesh (2007-8), that power is central to “what it means to be mainstream.” Yet, the problem is not just the asymmetric power that orthodox and heterodox economists have, although that is fundamental. Of equally consequential effects for the understanding of what it means to be mainstream is the double discourse that allows some economists to sound reasonable under certain circumstances, rejecting the worst parts of orthodoxy, while being able to never break with the mainstream. In other words, one may argue that the authors of the edge of the profession profess principles that they have no intention of

following. They seem non-orthodox in many ways, but they have no intention of taking their ideas to full fruition, if that means breaking with mainstream economics. That is a form of what has been called, in other contexts, ‘organized hypocrisy.’¹

The elements of continuity of the edge with the less edgy parts of the profession, so to speak, and the double discourse of mainstream economists is not properly acknowledged by Colander and his co-authors. For example, let's take an author that has been critical of several elements of the conventional wisdom regarding free trade and globalization, which seems to be part of the edge of the profession in many ways. I am referring to Dani Rodrik, who provides a definition of ‘economists’ in a rather well known book, provocatively titled *Has Globalization Gone Too Far?*

Dani Rodrik's definition of economists is interesting, not so much for what it says, but because of what he feels he needs to say. Rodrik (1997, p. 3) says: “when I mention ‘economists’ here, I am, of course, referring to mainstream economics, as represented by neoclassical economists (of which I count myself as one).” The footnote must dispel any doubts of where he stands. He may be critical of certain aspects of the globalization process, but God forbid somebody misconstrues his critique and takes him for a heterodox economist! One is led to believe that Rodrik thinks that the consequences of not being part of the ‘gang’ must be pretty harsh.²

¹ Krasner (1999) discusses the notion of organized hypocrisy to analyze international sovereignty. According to him organized hypocrisy is a deliberate choice by rulers of states, allowing them to manage conflicting normative and materialistic demands. Brunsson (2003) suggests that organized hypocrisy may be a legitimate mechanism to deal with inconsistent and conflicting norms.

² In fact, in a post in his blog titled “Is Neoclassical Economics a Mafia?” (2007a) Rodrik conveys the following story: “some years ago, when I first presented an empirical paper questioning some of the conventional views on trade to a high profile economics conference, a member of the audience (a very prominent economist and a former co-author of mine) shocked me with the question ‘why are you doing this?’” Clearly his co-author was concerned with the

Hence, the non-orthodox elements of the edge are only acceptable if, somehow, they are not too unorthodox. Rodrik, indeed, is a master of the art of showing the limitations of the orthodoxy, but staying within the limits of the tolerable for the mainstream. Take the title of his more recent book *One Economics, Many Recipes* (2007b), in which the pluralism is restricted to the notion that policy recommendations should be tailored to the specific conditions of each country. Good advice for sure (and one that is not new to heterodox economists!), but it is not defensible that the only way of reaching sound policy advice is by using neoclassical economics (the One in the title).

Another example of the double discourse, that criticizes orthodoxy but remains within the boundaries of the mainstream, can be found in the work of an author that Colander et al. (2004) classify as an edgy member of the profession, namely: Paul Krugman. Krugman's research undermined the theoretical rationale for free trade, but he always emphasized the importance of free trade as a simple policy rule (Krugman, 1987). In recent times, however, Krugman has been seen, more than before, as a critic of orthodoxy.

In his recent book, *The Conscience of a Liberal* (2007), Krugman shows that, to his great surprise, the increase in income inequality in the last 30 years in the United States was not caused by market but by political forces. In his words, "the timing strongly suggests that polarizing political change came first, and that rising economic inequality followed ... technology isn't the main story" (2007, p. 8). In other words, productivity, that according to conventional wisdom determines payments to the factors of production, is not the story, but politics that affects the bargaining power of social

effects that being critical of free trade might have on Rodrik's career. Rodrik's co-author is, most likely, just a good friend, but his question reveals a lot about the dark corners of the edge of the profession.

groups is. This conclusion leads Krugman (2007, p. 56) to argue that: “there’s something wrong with textbook economics,” which seems to suggest, as Colander et al. (2007-8) argue, that the edge is quite unorthodox.

Yet the point is that Krugman does not seem to have any intention of re-writing the textbook (in fact, his very conventional text is a bestseller), and consistently and carefully avoids citing the long list of heterodox economists that have pointed out the political causes of the dismantling of the Keynesian consensus and the so-called revenge of the rentiers in the 1970s. Krugman (2007, pp. 135-36) argues that inequality is not related, as orthodoxy claims, to skill biased technical change, but to “due to changes in institutions, such as the strength of labor unions, and norms, such as the once powerful but now weak belief that having the boss make vastly more than workers is bad for morale.” Krugman’s conclusion is a recycled and simplified version of the main argument in David Gordon’s (1996) *Fat and Mean* and James Galbraith’s (1998) *Created Unequal*, yet Frank Levy and Peter Temin are presented as having led the research in this area (Krugman, 2007, p. 137). In other words, the acceptable critiques of orthodoxy must come from mainstream insiders.

In that sense, I believe that Colander et al. (2007-8, p. 306) are incorrect when they claim: “orthodoxy constitutes an ossification of what was formerly the cutting edge.” The relation between the cutting edge and the core of the mainstream, that Colander and his co-authors denominate orthodoxy, is symbiotic and essential to establish the credibility and the general acceptance of the former. Without its close ties to orthodoxy the cutting edge would be ostracized. The cutting edge allows the

mainstream to sound reasonable when talking about reality, while orthodoxy provides authority to the cutting edge.

Further, the symbiotic relation between orthodoxy and the cutting edge has usually served a social purpose in the defense of market-oriented policies. The cutting edge, often critical of neoclassical simplifications, suggests that complexity, information asymmetries and other problems create significant market imperfections.³ Market imperfections of all sorts are, in fact, behind the cutting edge research that has led to all the ‘New’ areas of research in the last thirty years (e.g. New Growth Theory, New Keynesian Economics, New Trade Theory, etc.). However, the imperfections of the real world highlight the ontological notion of a perfect market. This preservation of the totemic myth of a perfect and efficient market is the *raison d’être* of the duplicitous behavior of the cutting edge.

Methodology and Differences Do Matter

On the basis of their perception of the unorthodox views of the cutting edge, Colander *et al.* (2007-8, p. 309), argue that heterodox economists should not worry about methodology and divisions within economics.⁴ In a sense, it is true that heterodox economists spend a lot of time discussing methodological issues and differences between schools of thought. It is also true that methodology is not important *per se*, since it is unlikely that heterodox economists would contribute significantly to the debate, as noted

³ It should be noted that we believe that complexity, like information asymmetries and other market imperfections, although real features of the world, are not fundamental for heterodox or Post Keynesian analysis, as Davidson (1996) argues.

⁴ Interestingly enough, Lawson (1994, pp. 508-9) argues that one of the distinctive characteristics of orthodoxy is “a reluctance (to say the least) to indulge in questions of methodology.” In that sense, Colander and his co-authors suggest that heterodox economist should be more orthodox.

by Colander *et al.* (2007-8, p. 309). Methodology matters because it is the only way to differentiate between the parts of the mainstream, like the cutting edge, that sometimes sounds unorthodox (but aren't) and heterodoxy.

Unless one believes, like McCloskey (1983), that good economics is good conversation, as Colander *et al.* (2007-8) seem to suggest with their preoccupation of including heterodox economists in the mainstream conversation, methodological differences reveal the underlying assumptions of alternative theories. Further, the fundamental differences between the mainstream, both the orthodoxy and its cutting edge, and heterodoxy are to be found in the assumptions. Paul Davidson (2005) suggests that the differences between the mainstream and Post Keynesian analysis can be described in terms of axioms.⁵

Paul Davidson argues that it is possible to evaluate alternative theories according to the fundamental assumptions about the real world. A general theory would be less restrictive in terms of fundamental axioms, implying that more can be explained with less, but also that the axioms should be applicable to the real world. In other words, relevance should also be part of the demarcation criterion.

The obvious question that arises is how to evaluate theories based on alternative assumptions. The idea that methodological questions are “a diversion from doing real economics” (Colander *et al.*, 2007-8, p. 309), is a derivation of what has been called empirical realism, that is, the idea that reality can only be understood on the basis of direct experience. Empirical realism, which dominates neoclassical economics,

⁵ According to Davidson the three axioms of neoclassical economics are (i) the ergodic axiom, (ii) the gross substitution axiom, and (iii) the neutrality of money axiom. The rejection of these axioms, and the acceptance of Keynes' Principle of Effective Demand would, in Davidson's view, constitute the basis for the Post Keynesian alternative to the mainstream.

emphasizes the importance of empirical research and econometrical evidence in evaluating theories, and has more often than not been derisive about methodological research.

An alternative to the conventional approach is constituted by what has been termed transcendental realism (Lawson, 1997). In this view, reality is constituted, not only by experience, but also by deep structures that are often not directly observable, and cannot be reducible to the events of experience. In that sense, the analysis of the fundamental suppositions of alternative theories is essential to comprehend the implicit assumptions in each paradigm regarding the deep structures of reality. Not worrying about methodology and paradigmatic divisions implies an acceptance of the *status quo*, and the neutrality of science, preserving the worst of the mainstream.

Not surprisingly heterodox economists spend a lot of time making methodological points that are not necessarily novel to “long-in-tooth” economists. There is a constant necessity of reminding the profession that a series of assumptions that are taken for granted – and that several younger economists trained within the mainstream are completely unaware of their limitations – are methodologically flawed. That is why just accepting to participate in a dialogue with the mainstream economists in their own terms, and encouraging heterodox economists to get into the conversation is at best *naïve*.

It is true that: “ideas compete in an institutional environment (controlled by the mainstream),” as Colander *et al.* (2007-8, p. 310) remind us. Yet, it is not clear that: “[those ideas] have to compete in that mainstream institutional environment.” The passive acceptance of the current institutional environment, as much as the acquiescence with the dominant methodological stance, is detrimental to heterodoxy. In fact, I would

argue that the mainstream environment can and should be transformed, as much as they transformed the environment that they encountered in the past, e.g. the Institutionalist School essentially dominated the American Economic Association (AEA) and other key institutions like the National Bureau of Economic Research (NBER) before the ascendancy of neoclassicism.

In that sense, a more fruitful strategy would be to occupy spaces in economic associations, academic positions, economic journals (academic and popular), governmental and non-governmental institutions, international organizations, which would lend legitimacy to alternatives to neoclassical economics. Further, institutional innovation is central to the survival and development of heterodox economics. The creation of the *Cambridge Economic Journal* and the *Journal of Post Keynesian Economics* are examples of institutional innovations that have served the heterodox community well. In the same vein, the ability to reproduce, educating newly minted PhDs is essential for the future prospects of heterodoxy. Dialogue with the best of the mainstream is not bad *per se* and should not be discouraged, but it is not essential to the development of the heterodox research agenda.

Concluding Remarks on How to be listened by the Mainstream

Robert Paul Wolff's (1966) primary argument against what he denominated pure tolerance was that institutions ignore the ideas of individuals if they are not affiliated with acceptable interest groups. This implies that the major barrier to heterodoxy is the tendency within the profession to favor the already established neoclassical orthodoxy.

Dialogue with the cutting edge of the mainstream does not contribute to further the research agenda of heterodoxy.

If a heterodox economist really “wants to be listened by the mainstream” (Colander *et al.*, 2007-8, p. 309) then the best advice is to follow H. L. Mencken, who said that: “the way to please is to proclaim in a confident manner, not what is true, but what is merely comforting. This is what is called building up. This is constructive criticism” (Mencken, 1996, p. 89). The real question is why the heterodoxy would want to be heard by the mainstream in the first place.

If heterodox economists are in search of an audience I would suggest shooting for policy-makers that are often more pragmatic and clearly more relevant. In the meantime heterodox economists should be less concerned about dialogue with the mainstream and more preoccupied about the flaws, including the methodological ones, in the mainstream analysis, and working to show how heterodox approaches can provide more fruitful understanding of real economies.

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