

ROUTLEDGE ADVANCES IN HETERODOX ECONOMICS

# In Defense of Post-Keynesian and Heterodox Economics

Responses to their critics

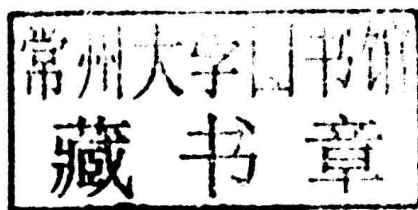
Edited by  
Frederic S. Lee and  
Marc Lavoie



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# In Defense of Post-Keynesian and Heterodox Economics

Post-Keynesian and heterodox economics challenge the mainstream economics theories that dominate the teaching at universities and inform government economic policies. And it was these latter theories that helped to cause the great depression the United States and the rest of the world is in. However, most economists and the richest 1% do not want mainstream theories challenged—for to do so would mean questioning why and how the 1% got where they are. Therefore, numerous efforts have been and are being made to discredit if not suppress post-Keynesian and heterodox economics. These efforts have had some success; this book is a response to them.

The chapters of the book deal with three interrelated points. The first is the extent to which mainstream and post-Keynesian/heterodox economics are distinctly different; the second is a response to the arguments that heterodox economics should not exist and heterodox economists should become mainstream economists; and the third point concerns developments within the community of heterodox economists regarding the building of a stronger community and the pursuance of productive research strategies within the context of an antagonistic mainstream economics.

This book makes it clear that post Keynesian/heterodox economics is, in spite of internal problems, a viable and important approach to economics and that it should resist the attempts of the critics to bury it. The reader will also find arguments that directly engage the critics and suggest that their views/criticisms are vacuous and wrong. As such, this will appeal to all who are interested in economic theory, economic history and who believe in challenging the orthodoxy.

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Over the past two decades the intellectual agendas of heterodox economists have taken a decidedly pluralist turn. Leading thinkers have begun to move beyond the established paradigms of Austrian, feminist, institutional-evolutionary, Marxian, post-Keynesian, radical, social, and Sraffian economics—opening up new lines of analysis, criticism, and dialogue among dissenting schools of thought. This cross-fertilization of ideas is creating a new generation of scholarship in which novel combinations of heterodox ideas are being brought to bear on important contemporary and historical problems.

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# Preface

*Marc Lavoie and Frederic S. Lee*

Over the last decade or so, a number of papers have discussed the evolution of neoclassical economics and its apparent transformation from a school of thought based on narrow marginalist principles to a broader more encompassing mainstream economics. Several papers have also made judgments on the prospects of post-Keynesian economics specifically and heterodox economics at large, independently of this transformation. These two streams of papers have mainly appeared in heterodox publications such as the *Review of Political Economy*, the *Journal of Post Keynesian Economics*, the *Journal of Economic Issues*, the *Cambridge Journal of Economics*, and the *Journal of Institutional Economics*, but also in several recent edited books. So frequent have been the claims that neo-classical economics has changed that the editors of the journal *Intervention: European Journal of Economics and Economic Policy* felt compelled to survey their board members and former authors, asking them: how heterodox is the mainstream? (see the forum in the May 2007 issue).

During these years both of us have felt uncomfortable with many of the arguments that have been advanced by the critics of heterodox economics, and in particular with the advice, however friendly, that has been offered to post-Keynesian, and more generally to heterodox economists, in order to be more respectable and to achieve more pre-eminence. The critics include John B. Davis, Giuseppe Fontana, Robert Garnett, and Bill Gerrard, but those that we have most in mind are David Colander, Richard C. Holt, and J. Barkley Rosser. Moreover, we were quite concerned that no systematic response to the critics (beyond short notes) had been published; and when short notes responding to the critics did appear in the journals, the critics were offered the opportunity to respond and hence got to have the final say. In particular, given the negative comments made by the critics, it was surprising to us that no prominent heterodox economists were invited by the heterodox journals to respond. It was as if the critics were winning the debate by default. Finally, it struck both of us that rarely did the critics of heterodox economics include, as representative targets of their criticisms, post-Keynesian or other heterodox economists that currently have the greatest impact on the theoretical development of heterodox economics through their publications, teaching, directing dissertations, involvement in heterodox associations and conferences, and their editorship of heterodox newsletters, book series, and journals.

The catalyst to do something and get involved in the conversation was the following. First Marc Lavoie was invited to give a lecture on the future of Keynesian economics at the 2009 international meeting of the Associação Keynesiana Brasileira (the Brazilian Keynesian Association). The presentation gave rise to two papers, one that discussed whether the global financial crisis had created conditions favorable to a second Keynesian revolution (which was published in the April–June 2010 issue of the *Brazilian Journal of Political Economy*) and another that appraised the pieces of advice recently provided to post-Keynesian economists (which appears as Chapter 2 in this book). Secondly, at the 2009 conference of the European Association for Evolutionary Political Economy (EAEPE), Fred Lee attended a session on pluralism and heterodoxy in economics. Themes, comments, and feelings that emerged from it included the notion that pluralism should not be considered an important value for economists because it offended mainstream economists; that heterodox is a term that should not be used and that economists should not identify themselves as heterodox economists; that young economists should not spend much of their time studying heterodox economics; and that graduate students from heterodox programs were not competitive enough on the job market relative to mainstream students. This spurred him to write a rebuttal (which is published as Chapter 6 in this book).

Through the virtues of the internet, in December 2009, the two of us realized that we had both written papers criticizing the critics—their recommendations, as well as their description and assessment of the current state of post-Keynesian and heterodox economics. We met at the University of Missouri in Kansas City in January 2010, and figured that it would make sense to publish our two papers together, as we felt that they were complementary. That is, since we both agreed that heterodox economics includes post-Keynesian economics and do not see much if any substantial theoretical conflict between the two, our responses to the critics were similar, although only partially overlapping. We then thought that the best way to make our views known would be to set up a symposium published in a heterodox economics journal on the subject of heterodox economics and its future. In particular, we envisioned the symposium as a vehicle that would forcefully and critically address the arguments of the heterodox critics, and would also engage with important issues within heterodox economics, such as the issues of pluralism, inter-paradigm cooperation, and theoretical convergence.

However, even for a mini-symposium, one requires at least three papers. We thus needed to find another paper discussing the prospects of heterodox economics. This seemed to be a problem at first, but through internet searches and our own personal contacts, we quickly found two unpublished papers that had already been written on precisely the topics that we wished to address (Dobusch and Kapeller, published as Chapter 4 in this book; and Hopkins, published as Chapter 7 in this book). We also found scholars that were willing at short notice to write or reconsider their own assessment of the future and strategic options of heterodox economics (Dequech, published as Chapter 5 in this book; Earl and Peng, published as Chapter 9 in this book; King, published as Chapter 1 in this

book; Rochon and Docherty, published as Chapter 11 in this book). Instead of not having enough papers our problem became that, with eight possible papers, some of them being quite lengthy, we had too much material for the proposed symposium! However the editors of the *Review of Political Economy* graciously agreed to publish shortened versions of all eight papers as a two-part symposium that appeared in the 2012 April and July issues.

Being ever so entrepreneurial we thought that we could, as well, produce a book, using the long versions of the symposium papers. In addition, there existed already-published articles (Stockhammer and Ramskogler, reprinted as Chapter 3 in this book; Vernengo, reprinted with an addendum as Chapter 8 in this book) and unpublished papers (Foley, reprinted with an addendum as Chapter 12 in this book; and Hoang-Ngoc, translated from the French as Chapter 13 in this book) on the subject of the symposium and with which we either fully or roughly agreed. The topic was so popular that one of the co-editors of the journal in which our symposium had first appeared also proposed to make a contribution (Mongiovi, published as Chapter 10 in this book). Finally, because John King is a very accommodating fellow, we got him to expand his symposium overview of the relationships between post-Keynesian economics, heterodox economics, and mainstream economics, so as to take into account the additional book material (see Chapter 1 in this book), thus sparing us the trouble of writing one.

# Acknowledgments

The editors are grateful to the *Review of Political Economy* for allowing us to use slightly modified or expanded versions of the papers that were published there and which now appear as Chapters 1, 2, 4, 5, 6, 7, 9 and 11 of this book. An earlier version of Chapter 6 appeared in *Revue Francaise De Socio-Economie* (2011, 8: 123–44). We would also like to gratefully acknowledge the publishers that granted permission to reproduce parts or the whole of the following works: Chapter 3 is reprinted from *Intervention: European Journal of Economics and Economic Policies* (2009, 6:2, pp. 227–46); Chapter 8 (without the addendum) is reprinted from the *Journal of Post Keynesian Economics* (Spring 2010, 32:3, pp. 389–96) [© 2010 by M. E. Sharpe, Inc.; reprinted with permission of M. E. Sharpe, Inc.]; and Chapter 13 is a partial translation of the French article published in *L'homme et la société* (2008/4–2009/1, 170–1: 195–218) [© Editions l'Harmattan].

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