

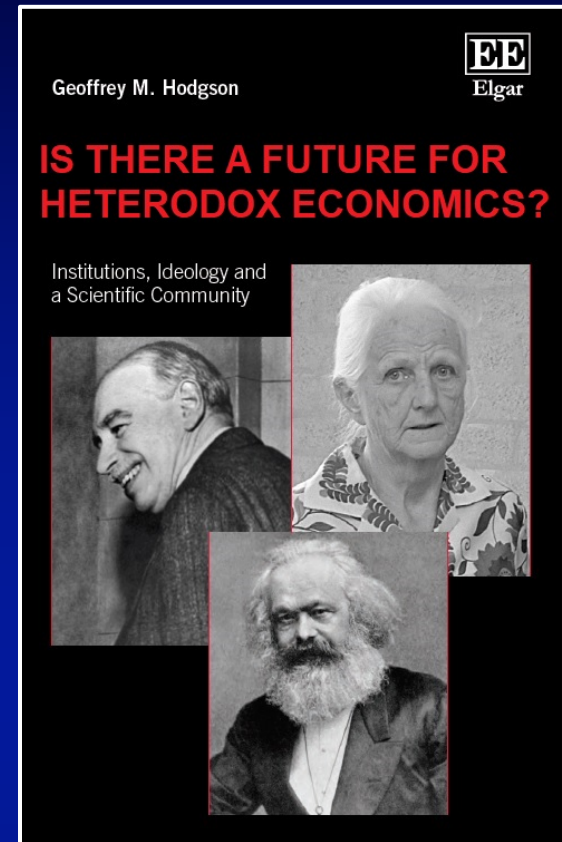
Is There a Future for Heterodox Economics?

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1. What does “heterodox economics” mean?
2. The institutionalization of social science
3. The need for strategy



The Future of Heterodox Economics

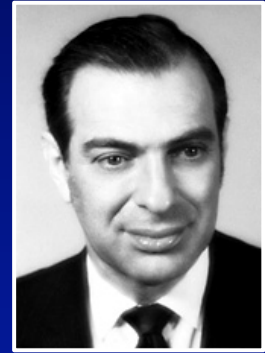
1. What does 'heterodox economics' mean?

Despite many attempts, heterodox economists cannot agree on what “heterodox economics” means.

They cannot agree on what “orthodox” or “mainstream” mean.

POLICY: Does **heterodox** mean opposition to economic austerity, or opposition to free market policies?

- If so, then Nobel Laureates such as **Kenneth Arrow, Joseph Stiglitz** or **Paul Krugman** are “**heterodox**”.



1. What does 'heterodox economics' mean?

Does “heterodox economics” mean opposition to the textbook emphasis on maximisation and equilibrium (Max U)?

- If so, then anti-socialists & anti-Max-U Friedrich Hayek and Ludwig von Mises are “heterodox”
- and socialists such as Kenneth Arrow, Oskar Lange and John Roemer are orthodox.



The Future of Heterodox Economics

1. What does 'heterodox economics' mean?

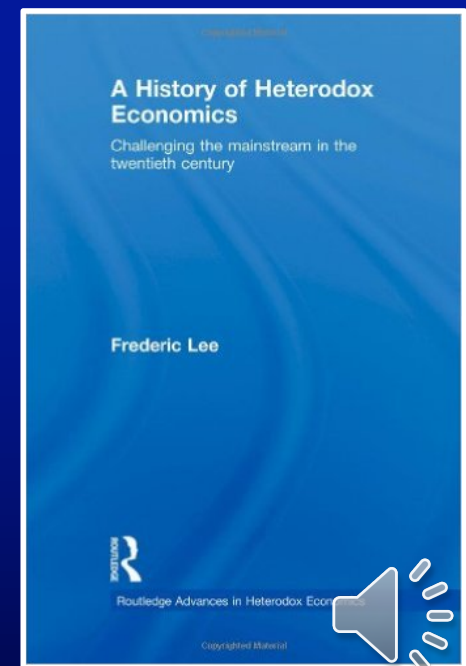
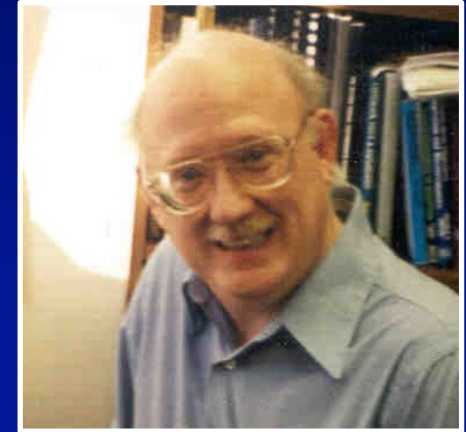
A major attempt to define “heterodox economics” was by **Fred Lee** (2008).

Heterodox economics “stands in some form of dissent relative to mainstream economics”

... “mainstream theory is comprised of a core set of propositions – such as **scarcity, equilibrium, rationality, preferences, and methodological individualism**”

So would exhortations that **natural resources are scarce** be sufficient to make anyone “mainstream”?

Political nature of Lee’s argument.



1. What does 'heterodox economics' mean?

Fred Lee's attempt to define "heterodox economics":

Notable exclusions from Lee's list of "heterodox" approaches:

- (1) The "behavioural economics" of **Herbert Simon**.
- (2) Critiques of utility maximization and preference functions, with alternatives – e.g. **Amartya Sen**.
- (3) The "evolutionary economics" of **Richard Nelson and Sidney Winter (1982)**.



1. What does 'heterodox economics' mean?

Does “heterodox economics” mean opposition to ontologically inappropriate mathematics (Tony Lawson 1997, 2006)?

- Then Austrian economists such as **Ludwig von Mises & Friedrich Hayek** are “heterodox”.
- Nobel Laureates **Ronald Coase, Douglass North, Oliver Williamson** and **Milton Friedman**, plus others such as **Richard Posner** and **Harold Demsetz**, are “heterodox”.
- Most economists pre-1940 are “heterodox”.

Tony's definition of heterodoxy is not widely followed.



1. What does 'heterodox economics' mean?

Change in orthodoxy?

David Colander (2005) mainstream economics “moving away” from its “holy trinity” assumptions of “rationality, selfishness and equilibrium”.

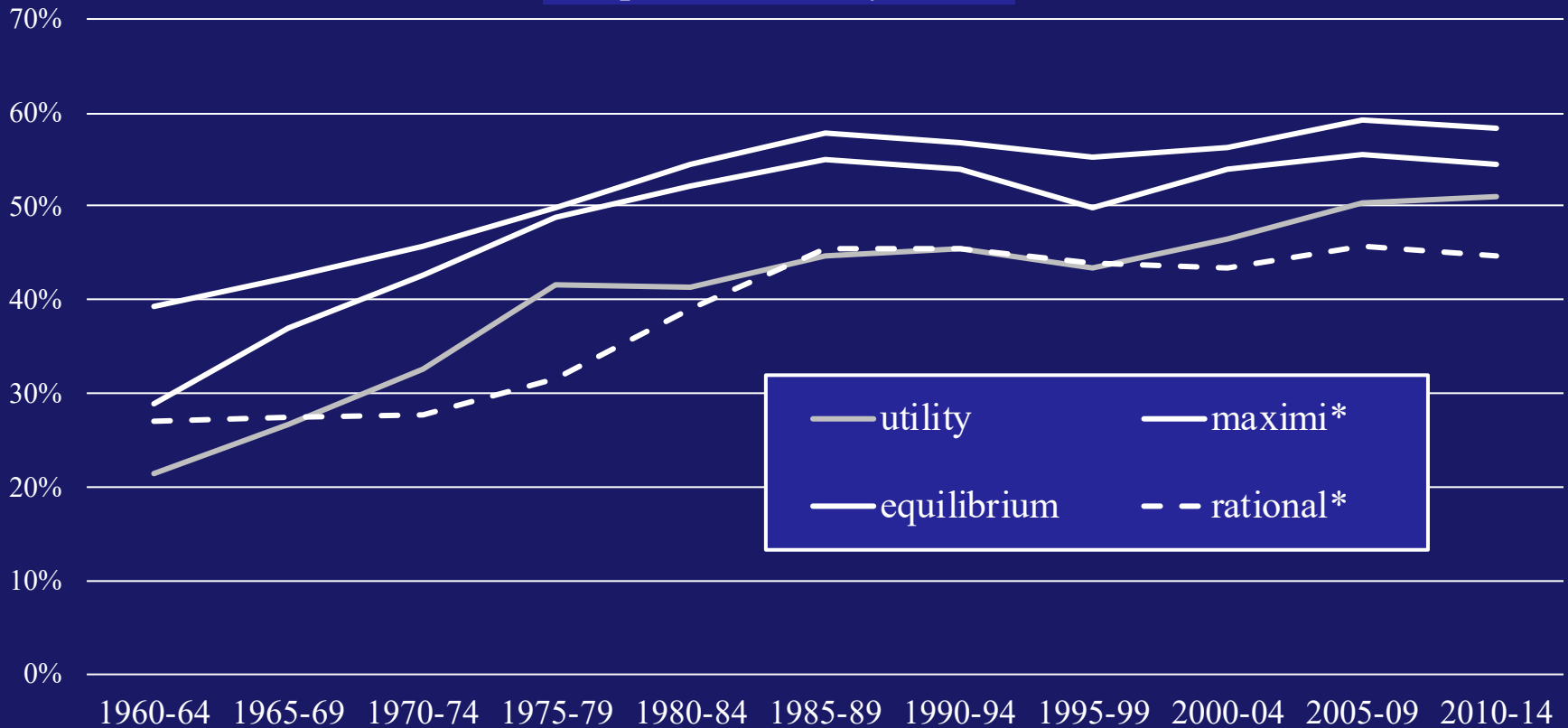
John Davis (2006) existence of “mainstream pluralism”



The Future of Heterodox Economics

Does Max U define “orthodox economics”?

Frequencies of Key Terms



1. What does 'heterodox economics' mean?

If Max U defines “orthodox economics”

then heterodoxy should prioritize:

- (1) The “behavioural economics” of **Herbert Simon**.
- (2) Critiques of utility maximization and preference functions, with alternatives – e.g. **Amartya Sen**.
- (3) The “evolutionary economics” of **Richard Nelson** and **Sidney Winter** (1982).
- (4) Theories of habit-driven behaviour, notably **Thorstein Veblen**.

(1), (2) and (3) were omissions from Lee's list.



2. The institutionalization of social science

Michael Polanyi (1958) “The organisation of the scientific process is so vast that any single person can properly understand only a small section of it. ... Yet ... scientists ... administer jointly the advancement and dissemination of science ... through the control of university premises, academic appointments, research grants, scientific journals and the awarding of academic degrees ...”



Institutionalized power with overlapping trust and esteem

2. The institutionalization of social science

Michael Polanyi (1962) “Both the criteria of plausibility and of scientific value tend to enforce conformity, while the value attached to originality encourages dissent. This internal tension is essential in guiding and motivating scientific work. The professional standards of science must impose a framework of discipline and at the same time encourage rebellion against it.”



Tension between consensus (backed by authority) and pluralism



2. The institutionalization of social science

Philip Kitcher (1993) shifts from the epistemology of the individual scientist to include the **social epistemology of the scientific community**.

Information overload: We rely on others because we cannot give informed judgements on everything.

Scientific knowledge is established by institutionalised communities of investigators that scrutinize each other and decide over the advancement or extinction of particular approaches to understanding.



2. The institutionalization of social science

Kitcher: Sufficient consensus is a requirement for a critical mass of scholars to scrutinise and guide emerging research, and provide it with essential complementary criticism and expertise.

But if the consensus is overwhelming, then useful radical innovations would be stifled by orthodox criticism; they would be starved of effective critical dialogue, guidance, funding and publication outlets.

Kitcher thus supports a notion of ‘optimal’ diversity in a scientific discipline.



2. The institutionalization of social science

Kitcher addresses the question of incentives needed to maintain sufficient consensus.

Kitcher notes that consensus is typically sustained by a variety of incentives – searches for truth, approval, status, power, money etc. ...

All of these incentives are likely to exist anyway, and are all important in maintaining consensus.

Even a noble seeker of truth requires a job and an income for a career of about 50 years!



2. The institutionalization of social science

Heterodox economics is locked out of the mainstream citadel for a number of reasons:

When heterodox economics uses models it rarely addresses the current technique-driven agenda of mainstream economics.

When heterodox economics does not use models, then it is ruled out for that reason.

Some heterodox economics is of poor quality.

Heterodox economics has not given enough attention to the problem of building up and incentivising its own consensus.



3. The need for strategy

Organising under the “heterodox economics” label has the severe problem that participants do not agree what “heterodox economics” is.

Simply promoting debate and diversity – even if the ideas are interesting and attractive – is not a sufficient strategy for cumulative progress or survival.

Attention needs to be given to building up and incentivising a sufficiently-institutionalized consensus.
How much progress on this in 50 years?

This means highly-rated departments, highly-rated journals, highly-rated degree programmes, etc..



3. The need for strategy

Any viable discipline or school of thought should have a *raison d'être*. This can be defined in terms of:

- a) the study of a specific zone of enquiry or a set of phenomena in the real world,
- b) the development of a particular theoretical approach (such as utility maximization and equilibrium),
- c) the development of a set of analytical techniques (such as econometrics or game theory), or
- d) the development of policies in a defining problem area (such as the environment, peace, or economic development).

The *raison d'être* may consist of one of these, or a combination of more than one.



3. The need for strategy

Possible strategies (3):

David Colander (2014) and others –
“**transdisciplinary**” strategy focusing on greater pluralism across the social sciences, rather than in economics alone.

“heterodox economists should support administratively combining all the social sciences into a single social science department at the graduate level ... providing a one-year shared core training for all social scientists.”

3. The need for strategy

Possible strategies (5):

Focussing more narrowly on success.

Development of Minsky's financial fragility hypothesis, theory of endogenous money, modern monetary theory (Wray et al.)

A strategy would be required to carve a space for this kind of work, inside or outside highly-ranked economics departments.

A strong, well-focussed journal in this area is not yet well-established.



3. The need for strategy

Possible strategies (6):

Developing the critique of Max U.

Focus on the weaknesses of Max U and consequentialism in economics, particularly in policy terms.

Bring together psychologists, evolutionary theorists, experimenters, philosophers, neuro-scientists etc..

Need for a focused, high-profile journal on this topic.

Problem: where is its disciplinary home?



3. The need for strategy

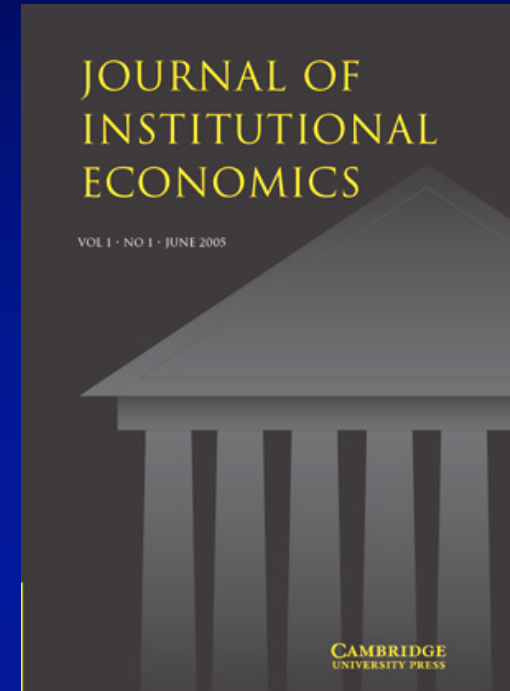
Possible strategies (3):

Focussing on economic institutions – real objects of analysis – using ideas from *any relevant discipline*.

NB: “(a) the study of a specific zone of enquiry or a set of phenomena in the real world,”

Build up highly-rated journals on institutional studies, departments of institutional studies, teaching programmes, etc..

Covers the original and new institutional economics, economic sociology, organisational analysis, money & financial institutions, etc.. – but omits many areas



World Interdisciplinary Network
for Institutional Research



Conclusion

**We need to develop
strategies ...**

**based on understandings of
the institutions and
mechanisms of power in
science and academia**

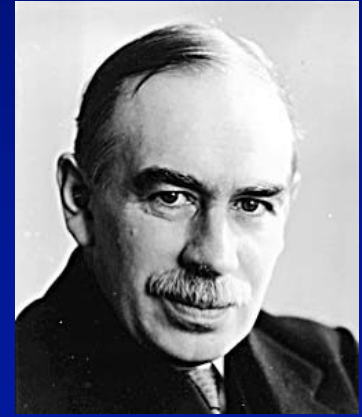


Thank You!



Was Keynes a Socialist?

Keynes (1925) “the *Class* war will find me on the side of the educated *bourgeoisie*. ... the Labour Party ... hates or despises existing institutions and believes that great good will result merely from overthrowing them”

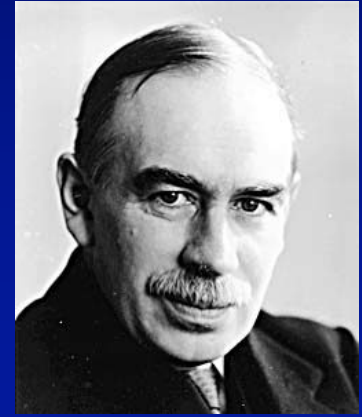


Keynes (1926) “I criticise doctrinaire State Socialism ... because it ... is ... little better than a dusty survival of a plan to meet the problems of fifty years ago, based on a misunderstanding of what someone said a hundred years ago.”

Was Keynes a Socialist?

Keynes to Hayek in 1944, commenting on *The Road to Serfdom*: “a grand book ... Both morally and philosophically I find myself in agreement with virtually the whole of it”

Keynes may have been a liberal social democrat, but never a socialist.



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Discussion of
Geoffrey Hodgson's
Book "Is there a
future for Heterodox"
economics?

The School of Economic Science, London, October 2019



Is there a future for mainstream economics? by Carolina Alves

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**HETERODOX ECONOMICS AS A POSITIVE PROJECT:
REVISITING THE DEBATE**

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