

# Heterodox economics or political economy?

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Seven years after the onset of the global financial crisis, when it was widely said that orthodox economic thinking had failed and should change, it is evident that that any such changes have been far from decisive. Some would say it looks pretty much like business as usual. This is not just the case in the academy, where the core courses in university economics departments continue to emphasise basic training (some would say indoctrination) in neoclassical economic principles. It is also evident in the realm of economic policy which continues to be dominated by a neoliberal agenda, augmented by the post-crash politics of austerity. This resilience of mainstream economics makes it essential for dissenters to continually reconsider how best to challenge orthodoxy both in theory and practice.

Active participants in the RWER recognise the inadequacies of mainstream economics and the need for progressive alternatives in economics education, public debate and policy formulation. But how is progress to be achieved? A major lesson from the experience of struggles to establish alternative teaching and research programs is that doing so within territory occupied by orthodox economists is extraordinarily difficult. Intervening in broader public discourse is also a big challenge, given the entrenched interests and institutions that continue to shape its direction. Profound questions need to be considered for future strategy. In this context, labels matter, as they do in marketing. They construct imagery and signal strategic choices. The two particular labels with which this article is concerned are “heterodox economics” and “political economy”. Is the ongoing challenge to mainstream economics better mounted under the former or latter rubric? Are the two terms synonymous? Is it just a matter of terminology? Or does the question touch on a bigger strategic choice – between seeking space for research and teaching of non-neoclassical economics **or** seeking to promote political economy as part of a broader interdisciplinary social and political project? Dissident groups commonly confront the questions of focus and self-identification and much may hinge on it. While the terminology itself is not crucial, it has implications for strategy.

In making the case for political economy, this article briefly explores five interrelated considerations, relating to issues of pluralism, politics, professional status, academic partnerships and public recognition.

## Identifying as pluralist

The need for a pluralist perspective, both in economics education and in economic policy formulation, has become a widely accepted view among critics of orthodoxy. Because the monist character of orthodoxy is the problem, pluralism is the solution. This case has been extensively elaborated in the last two decades, including in my own writing. As John King argues, “economics is unique among the social sciences in having a single monolithic mainstream, which is either unaware of or actively hostile to alternative approaches” (King 2013: 17). This has had deeply unfortunate educational consequences, limiting the understanding of political economic processes and events. It marginalizes consideration of

economic history and the history of economic thought, producing an ahistorical approach that creates a sort of professional amnesia. Worse still, social harm results, such as the dysfunctional policies enacted in the name of “sound economics” since the onset of the global financial crisis. Concurrently, the official university research evaluation processes marginalise non-mainstream approaches, thereby operating to compound the above problems. This is a process of circular and cumulative causation, whereby monism in the mainstream excludes the very elements that could lead to better explanations of real-world economic phenomena. It is a vicious cycle. Only the widespread embrace of pluralism can correct it.

Such observations may be taken as supporting the case for challenging mainstream economics under the banner of “heterodox economics”. On this reasoning, self-identifying as heterodox economists signals our concern that non-mainstream views should get a better hearing as alternative analyses of how the world actually works. In practice, it means confronting the dominant mainstream neoclassical economics with critical alternatives, including various strands of post-Keynesian economics, Marxist economics, institutional economics and analyses from feminist, ecological and various other perspectives. Indeed, this is what heterodox economists do. Moreover, a “heterodox economics” label fits well with claims about pursuing academic practices that are conducive to an “open society” in which freedom of expression exists and innovation and creativity flourish. It is also an antidote to right wing politicians’ claims that “there is no alternative”.

However, more careful consideration reveals that conflating the case for pluralism with the advocacy of heterodox economics raises three tricky problems.

First, heterodoxy and pluralism are not synonymous. Pluralism is a methodological position that embraces diversity as a matter of principle: it would normally include both the mainstream and a broad range of other viewpoints. Heterodoxy, on the other hand, usually entails opposition to orthodoxy: individual heterodox economists may also be hostile to approaches other than their preferred alternative. In struggles for progress in economics, heterodoxy and pluralism may seem to be close relatives, but it is pertinent to identify this conceptual difference. Pluralism is an “in principle” position, based on ontological, epistemological and ethical propositions (as discussed by Mariyani-Squire and Moussa 2013), whereas the movement for heterodox economics is, more pragmatically, about creating space for preferred alternatives to the orthodoxy.

Second, there is the question of which alternatives should get that hearing. What is to be included in “heterodox economics”? There seems to be reasonable consensus about the presence of contributions from Marxism, post-Keynesianism and institutional economics. Embracing ecological economics and feminist economics is also widely advocated, although neoclassical economists also assert their presence in these territories. But what about Austrian economics, with its right-wing libertarian “free market” implications: should it also be included? And what of contributions in the distinctive traditions of Karl Polanyi or Henry George: shouldn’t they also be in the mix? A “heterodox economics” that simply accommodates all these elements may be quite eclectic, potentially dissipating or even blunting the challenge to the neoclassical paradigm. Some stronger conception of ‘unity in diversity’ may be necessary for progress.

The third difficulty is that some economists claim that the mainstream has itself already become heterodox. Diana Coyle (2007) and David Colander (2009) are among those who have propounded this view. They posit that the embrace of game theory, new growth theory,

behavioural and experimental economics, complexity economics and other theoretical innovations have reduced the dominance of neoclassicism (Thornton 2015). Personally, I find the argument unconvincing for at least three reasons. First, while these analytical developments give the appearance of some diversity within the mainstream, the underlying assumptions of methodological individualism and systemic stability through market forces remain pervasive. Indeed, invoking the novelty of pluralism within neoclassical economics as a response to the deficiencies of the discipline ignores the diversity that has characterised the discipline since its inception, without this ever entailing a paradigm shift in, or a radical break from, these underlying presumptions. Second, these elements of product differentiation have not generally displaced neoclassical economics from the core curriculum that is taught to students, although they often form the basis for electives in later years of study. Because what is taught in the foundation years determines the basis on which the discipline and profession is defined and reproduced, the changes are neither fundamental nor transformative. Third, if an academic profession is to be judged ultimately by its external influences and effects, it is evident that it is still largely “business as usual” for an orthodox economics that functions as capitalist ideology. The close association between neoclassicism in the academy and neoliberalism in the realm of public policy remains much in evidence. Even Diane Coyle, notable for her previous emphasis on the flexibility of the economics discipline, has conceded that the catastrophic impact of the global financial crisis of 2007-08 has had little impact on how the academic orthodoxy in economics is constructed and reproduced (Coyle 2013). Nevertheless, the assertion of an “internal heterodoxy” within mainstream economics unfortunately muddies the waters. Maybe that is its purpose.

These considerations illustrate the importance of pluralism in challenging the orthodoxy, but also indicate some of the associated tensions. Seeking more unity, analytically and organizationally, would be helpful in a conflict situation like this. This entails working together to extend and broaden the critique of mainstream economics and challenging its influences, both on students and in the wider worlds of economic discourse and public policy. Concurrently, seeking common elements, even partial syntheses, of the principal progressive, non-neoclassical currents of analysis is important in developing effective and influential alternatives. The following considerations indicate why the embrace of a broader “political economy” can contribute to this more assertive strategy for challenging the mainstream.

### **Being explicitly political**

Self-identifying as a movement for “political economy” points to the inherently political character of the undertaking, explicitly challenging mainstream economists’ claim to be pursuing “value-free” lines of inquiry. Talking of political economy necessarily raises questions about “what politics?” and “whose values?” It also signals the quest for finding commonalities among the currents of thought that are critical of the mainstream. This shared ground may be *ontological*, as Tony Lawson has recurrently emphasised in making the case for a critical realist approach (Lawson 2006, Morgan 2016). Thus, the unity may come from a “world view” of the capitalist economy structured by power relations and prone to inequality and crises. The common ground may also be *methodological*, emphasising a shared commitment to analysis of the historically-contingent character of economic phenomena rather than “equilibrium” conditions. The common ground may also be explicitly *political*, emphasising the mission of putting democratic politics in command *vis-a-vis* market forces, as posited by Higgins and Dow (2105). It may be, and probably should be, all three.

Conventional claims and protestations to the contrary, mainstream economics is inherently value-laden and political. So too is challenging and changing it. Signalling this in the labelling of the challenge is a healthy antidote to spurious claims about economics being a value-free science. As Gunnar Myrdal (1953) strongly emphasised, the development of economic thought has always and everywhere had a political character. In the real world economics and politics are intertwined. Therefore, successfully challenging the dominant orthodoxy cannot be just a matter of developing “better” economic models (claiming higher values for explanatory capacity). It also has to be a political process.

### **Asserting professional status**

Another advantage of the term “political economy” is its long and respectable lineage. Indeed, political economy has a strong claim to actually **be** the mainstream, running from the eighteenth through to the twenty-first century and including seminal contributions from Smith, Ricardo, Marx, Veblen, Keynes, Kalecki, Robinson, Myrdal, Galbraith, Heilbroner and modern contributors to that broad tradition of social inquiry. From this perspective, neoclassical economics may be regarded as an initially interesting side-track that became a *cul-de-sac* (albeit one with a massive volume of traffic).

This claim about the status and centrality of political economy is contested by modern mainstream economists, of course. If the term political economy is mentioned at all, it is usually treated as being of purely historical interest, relating to the characteristics of economic inquiry in a pre-scientific era. Or it may be taken as referring only to the analysis and prescription of public policy. That use of the term by practitioners associated with the Virginia School, the Chicago School and contemporary “public choice” theory is a common source of confusion in the USA, in particular. In historical usage, political economy has also been the label given to concerns with policies that may modify or regulate the economy’s functioning in pursuit of specified social objectives, contrasting with economics as the study of how the economy works. These are terminological difficulties that unfortunately muddy the waters, once again. However, trying to avoid these issues by retreating to “heterodox economics” seems to accept marginal disciplinary status as all that is ever likely to be on offer. This is indicated by the usual inclusion (at best!) of “heterodox economics” in a residual “other economics” category in official research publication classifications. Challenging this marginalisation, and defining a positive agenda for alternative economic analysis rather than merely reacting to the mainstream, is a substantial long-term concern that requires redefining the relevant territory – in effect, challenging the nature and limits of the discipline.

### **Building interdisciplinary partnerships**

Even if the economics profession continues to deflect the challenges posed by heterodox economists, substantial progress can be made in relation to cognate social sciences. This is a necessary element in a strategy for progress because mainstream economists working in universities usually resist attempts to reconstitute their discipline on genuinely pluralist principles. Marxist political economy, for example, can usually only get a hearing as an historically discredited view; while “old” institutionalism, if mentioned at all, is merely a precursor to “new institutional economics”, which is more compatible with a neoclassical approach. Heterodox economists may get jobs in economics departments: some do,

especially if their “deviance” develops after secure employment has been achieved, but they are often not replaced by people of similar inclination when they retire or move on.

Establishing more secure territory for teaching and research in political economy can be easier in other areas within the social sciences where there is concern to deal with the economic dimensions of social problems and public policy. In my experience, political economists are usually welcomed into the latter territories (if they eschew the imperialist ambitions that have been evident when neoclassical economists seek to invade other territories in the social sciences). Thus, it is the mutual-learning relationship of political economy with subjects like sociology, geography, politics or history that is crucial. Interestingly, it is the commitment to interdisciplinary studies, rather than the commitment to pluralism in economics, that is more important in building these partnerships.

In other words, establishing a foothold for political economy, whether as a university department separate from economics (as in the University of Sydney’s Department of Political Economy where I taught for over four decades) or in conjunction with other social science disciplines, is a precondition for heterodox economics having a sustainable place in university education and research. Having established any such foothold, good teaching can show that political economy has the potential to provide a richer learning experience than straight mainstream economics (O’Donnell 2014). Similarly, research and policy advocacy can usually get a good hearing where political economists contribute to interdisciplinary studies on matters of public significance and concern.

### **Achieving public recognition**

The challenge to orthodox economics will always be marginal if it remains a purely academic concern. Beyond the universities are important avenues for public influence. Education within the labour movement is one such focus (Stanford 2015). Political economic writing for popular magazines and websites is also important, as is participation in the media and working with political parties and progressive NGOs. Preparing submissions to government inquiries – and concurrently using that material in academic and/or journalistic contributions – are activities that fit well into this strategy. Being in tune with the concerns of, and having an identity that is recognized by, a broader public is crucial for challenging the influence of mainstream economics.

In this last respect, the term “political economy” clearly has the edge over “heterodox economics”. Political economy signals a broad conception of how we understand the economy in a historical, social and political context. It has substantially greater potential for public recognition, being a label that is reasonably intelligible to non-specialists. It contrasts, in this respect, with the typically bemused response of members of the general public when hearing the term “heterodox economics” – “huh, what’s that?”.

### **Conclusion**

Challenging mainstream economics does not produce a simple or straightforward clash, like that between two sporting teams seeking to score more runs or goals to determine the winner. The rules of the contest are not agreed beforehand and there is no agreed venue, nor impartial umpire. Even the criteria by which success is judged are contestable.

For dissident economists to label themselves as heterodox is academically respectable but may be strategically weak. On the positive side, the big plus of heterodoxy is its apparent association with pluralism, indicating aversion to dogma and openness to alternative ways of seeing. However, there is a tension between pluralism and heterodox economics, as I have argued in this article. The strategic problem is that arguing for heterodox economics presumes the centrality of an orthodoxy: almost by definition, therefore, it is consigned to the outer. This tends to put advocates of heterodox economics “on the back foot”, seeking shelter for an array of different views whatever their coherence or relationship to each other. Pushing for political economy to have a central place in economic discourse is a more assertive strategy. It is compatible with the embrace of pluralism, but more emphasis is placed on unity in diversity, the political elements that infuse the competing currents of economic thought, the potential for gaining strength through interdisciplinary partnerships and the need for broader public recognition and influence.

I do not present these views in the expectation that individuals and associations will abandon their current self-identification as “heterodox economists”. That is not the principal point of this article. Rather, it is to locate heterodox economics as part of a broader political economy project that is concerned with understanding how economies function in relation to social processes and developing political practices that can contribute to more equitable and sustainable arrangements for the future. This is an inherently interdisciplinary and explicitly political project. It matters because it opposes a misleading and class-biased economic orthodoxy and because of its critique of “actually existing capitalism” and neoliberal policy practices in society at large. This political economy project cannot properly be an exclusively academic concern, partly because of the internal constraints within academia but, more positively, because there is considerable thirst for it in the broader society. Indeed, whether under the rubric of heterodox economics or political economy, there is much work to be done.

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