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Symposium: The Future of Post-Keynesian Economics and Heterodox Economics contra their Critics

Post Keynesianism, Heterodoxy and Mainstream Economics

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Abstract

After briefly presenting the concepts of orthodox, mainstream and heterodox economics, and applying them to the contemporary period, this article discusses the Post Keynesian school and its relation to contemporary orthodox and mainstream economics. While opposed to the neoclassical orthodoxy, the Post Keynesian school has some positive unifying ideas, although some internal tensions remain. There are also some overlaps between Post Keynesianism and other approaches, and a careful combination of contributions from different approaches and different disciplines is not only possible, but also necessary. Post Keynesianism is located outside current mainstream economics, although this argument partly depends on a more precise specification of the concept of uncertainty. The non-mainstream character of Post Keynesian economics has at least two types of important implications. The first involves

the approach's ability to influence the economy and the danger of ‘the scholastic fallacy’; the second refers to a reproductive difficulty inside academia.

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Notes

[1]This neoclassical concept can be extended to incorporate ambiguity, provided that ambiguity is formalized in terms of utility maximization; see Dequech (2011) for a discussion of these and other types of uncertainty.

[2]Similarly, Hyman Minsky (1990) saw Keynes and Sraffa as incompatible. Paul Davidson rejects not only Sraffa but also Kalecki, although this position has not gained much support within the Post Keynesian group, despite Davidson's prominence. I return to this below.

[3]Davidson has remained critical of Kalecki, although not necessarily of authors influenced by Kalecki, several of whom embrace Keynes's main ideas regarding the principle of effective demand and liquidity preference. Victoria Chick (1995) can be classified as a member of the Keynesian strand, like Davidson, but she accepts both Keynes and Kalecki as sources of inspiration for Post Keynesianism.

[4]Although Arestis (1992, p. 89) and Sawyer (1982, p. 88) seem to defend the assumption of large firms in general terms, they are aware that Kalecki did not always make this assumption and deny that Kalecki's theory implies full employment in the absence of that hypothesis (Arestis et al., 1999).

[5]Arestis (1996) has even identified this institutionalism as one of the main traditions on which Post Keynesian economics has drawn.

[6]Douglass North's (2005) book has a chapter entitled ‘Uncertainty in a Non-Ergodic World,’ where he approvingly cites Davidson (1991). This does not mean, however, that Davidson's concept of uncertainty has been accepted into the mainstream. As defined above, mainstream economics is a set of ideas. Although North is a highly respected Nobel laureate, not all his ideas have been accepted into mainstream economics. Indeed, North can be described as trying to push the current frontiers of mainstream economics toward the acceptance of ideas that are still outside it. One of these ideas is his notion of uncertainty.

[7]I am grateful to Ana Maria Almeida for pointing out the similarity between my arguments in Dequech (1998) and Bourdieu's discussion of the ‘scholastic fallacy’.

[8]Sheila Dow (1998, p. 5) discusses similar issues in terms of rationalization, which ‘involves the reconstruction, either of real relations or of arguments, according to some principles of rationality. … The principles of rationality on which a rationalisation is based may not be those which really underpin economic processes or theorizing about these processes.’ She adds that rationalization may become so embedded as to alter actual behavior (Dow, 1998, p. 13).

[9]Mario Possas (2002, pp. 129 – 130) has a more cautious, dynamic version of this argument: for him, in a context of strong uncertainty, in contrast to the Bayesian updating process and the strong version of the rational expectations hypothesis, ‘it makes more sense to assume that rational agents, after due experimentation, eventually learn—that they do not learn!’

[10]At this time, among the best options for graduate studies, I know of only one exception, in the School of Public Affairs of the University of Texas at Austin. Although two Post Keynesians currently participate in a graduate program in the University of Cambridge, they work at the Department of Land Economy, where graduate training is limited by the fact that the coursework is specialized in real estate, land and related issues.

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