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Louis-Philippe Rochon & Peter Docherty

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Engagement with the Mainstream in the Future of Post Keynesian Economics

LOUIS-PHILIPPE ROCHON* & PETER DOCHERTY**
*Laurentian University, Sudbury, Canada; **University of Technology, Sydney, Australia

ABSTRACT This paper examines the reasons for the difficulties Post Keynesian economics has had in supplanting mainstream neoclassical theory and for its resulting marginalization. Three explanations are given: intellectual, sociological and political, where the latter two are largely responsible for the current relationship of Post Keynesian economics to the mainstream. The paper also reviews various strategies for improving the future of Post Keynesian economics, including a focus on methodological issues by maintaining an ‘open systems’ approach; a strategy of ‘embattled survival’; the development of a positive alternative to mainstream economics; a strategy of ‘constructive engagement’ with the mainstream; and a dialogue with policymakers. While the global financial crisis has increased the potential for constructive engagement with the mainstream, significant barriers remain to the effectiveness of this approach. The crisis has, however, enhanced the possibility of engaging directly with policymakers and gaining a greater role in management education.

1. Introduction

The global financial crisis has added fresh significance to recent reflections on the future of Post Keynesian economics. Over the last ten years or so, a number of authors including Davidson (2003 – 04), Davis (2008), Dunn (2000), Fontana & Gerrard (2006), King (2002), and Pasinetti (2005) have considered why Post Keynesian economics has been, and continues to be, sidelined within the academic economics profession, despite winning some important intellectual battles. They also consider whether the continuation of this treatment implies an approaching limit to the life of the Post Keynesian perspective and its research agendas, and whether any action on the part of Post Keynesian scholars has the potential to alter this outcome.

This literature identifies a number of strategies that Post Keynesians could pursue to extend the life of the Keynesian tradition and to increase its effectiveness in influencing mainstream economics. Among these strategies is Fontana &
Gerrard’s (2006, pp. 69 – 70) suggestion for a ‘constructive engagement’ with the mainstream, designed to exploit parallel developments in mainstream and Post Keynesian research. This proposal has been controversial because it raises a number of questions regarding the context in which such engagement could occur given the reluctance mainstream economists have shown towards dialogue with colleagues from alternative perspectives. In contrast, other proposals advocate continued criticism of the mainstream, ignoring the mainstream while developing an alternative paradigm, and engaging in dialogue directly with policymakers.

The global financial crisis raises some important questions about these alternative strategies because the last economic disruption of a similar type and magnitude led to the publication of *The General Theory* and to the initial Keynesian ‘revolution’. A repeat of the conditions that caused this first revolution raises the question of whether the ground is fertile for another, perhaps more pervasive paradigm shift. In addition, Post Keynesians were among the small number of economists who predicted the latest financial crisis. Interestingly, a number of orthodox economists have themselves asked whether some kind of paradigm shift should not be considered in the direction of what they call more traditional Keynesian economics (see Krugman, 2009; Stiglitz, 2009). The purpose of this paper is thus to consider and evaluate the alternative strategies proposed above in the light of the crisis. Has the occurrence of the crisis made any of the proposed strategies more sensible than others? Are mainstream economists more open to dialogue because of the crisis in a way that strongly favors the strategy of Fontana & Gerrard (2006)? Given the depth of the crisis, is the policy dialogue proposed by Stockhammer & Ramskogler (2009) and Vernengo (2010) a better opportunity for Post Keynesians to gain influence?

The paper is divided into six further sections. In the next section, we briefly consider the current literature’s analysis of the failure of Post Keynesian economics to have had a more significant impact on the mainstream. In Section 3 we examine the related question of why Post Keynesian economics continues to be sidelined. Section 4 looks at the various strategies that have been proposed to take Post Keynesian economics into the future, and Section 5 pays particular attention to the impact of the global financial crisis on the viability of these proposed strategies. Section 6 offers further reflections on Fontana & Gerrard’s strategy of constructive engagement in the light of the preceding analysis, and the final section summarizes the argument.

2. The Failure of Post Keynesian Economics to Supplant the Mainstream

Fontana & Gerrard (2006, p. 59) begin their analysis with the observation that the publication of Keynes’s *General Theory* had a revolutionary impact on the economics profession. This language of ‘revolution’ was famously used by Johnson (1971) to describe the impact of Keynes’s contribution, and Eichner & Kregel (1975, p. 1293) used the associated concept of a Kuhnian ‘paradigm shift’ in one of the first summaries of the content and structure of Post Keynesian econ-
omics in the 1970s. This revolution was, however, put down. Fontana & Gerrard (2006, p. 59) also outline how the mainstream absorbed the essential features of Keynes’s work into its existing structure to make Keynesian unemployment a special case of neoclassical macroeconomic analysis, and how the Kuhnian paradigm shift for which Eichner & Kregel were hoping, never eventuated.

The reasons for this failure of Keynes’s original work, and for the Post Keynesian analysis to which it gave birth, to supplant the neoclassical mainstream, have been carefully considered in the literature. Johnson (1971) essentially accepted the idea that a Keynesian ‘revolution’ had taken place in the years following the publication of The General Theory but argued that it was eventually confronted with a monetarist counter-revolution. Fontana & Gerrard (2006, pp. 52 – 53) correctly argue that rather than creating a true revolution or Kuhnian paradigm shift, the main, lasting influence of Keynes’s work was to identify the possibility of short-run problems within the overall structure of the neoclassical edifice, and Keynes’s central propositions were absorbed into this edifice via Hick’s (1937) development of the IS – LM model and Modigliani’s (1944) extensions of that model.

Milgate (1977) provides a useful dichotomy for considering why a true Keynesian revolution at this stage of the profession’s development was abortive. He describes what he calls the negative versus the positive dimensions of Keynes’s work in The General Theory. He argues that Keynes had included material on problems with the conception of capital in early drafts of The General Theory that demonstrated why an economic system might not gravitate to full employment. This kind of argument constituted the negative work of criticizing the neoclassical paradigm and finding logical flaws with its analysis. The positive work of proposing an alternative explanation was built around Keynes’s treatment of the consumption function, the multiplier and the theory of liquidity preference.

Johnson (1971, pp. 3 – 4) suggested a number of factors that accounted for the initial success of the Keynesian revolution: the historical circumstances of the 1930s; the intellectual characteristics of the orthodoxy being overthrown and the new theory replacing it; and sociological factors that made the new theory an appealing object of research for academic economists. He thus argued that revolutions and paradigm shifts tend to occur when a number of conditions are met: the existing orthodoxy must fail to explain important empirical regularities, stylized facts or other observable events; criticism of the orthodoxy must indicate why it fails to explain the empirical data; and an alternative paradigm must be offered that avoids orthodoxy’s problematic features and replaces these with structures that more effectively explain the empirical data (cf. Blaug, 1980, pp. 30 – 31). While the first and third of these conditions were largely present in the circumstances surrounding the publication of The General Theory, the second was not. Milgate (1977, p. 85) demonstrates from Keynes’s correspondence with Roy Harrod that Harrod discouraged Keynes from adopting too critical a stance with respect to traditional economic theory, arguing that Keynes’s work would receive a better hearing were he to focus on the positive aspects of his contribution rather than on the negative. The final version of The General Theory indicates that Keynes largely accepted this advice (Milgate, 1977, p. 88). Neoclassical economics was, therefore, able to deal with its poor
explanation of the Great Depression by absorbing Keynes’s positive contribution and this allowed it to avoid being replaced by that contribution.

It was not until the capital debates of the 1950s and 1960s that a more focused negative attack on the internal logic of neoclassical theory was to be mounted. But despite winning these debates (Blaug, 1980, p. 204; Cohen & Harcourt, 2003, p. 206), Post Keynesian theory has had little impact on the structure of neoclassical economics. Walters & Young (1997, p. 347) argue that this result was due to the fact that Post Keynesian economics failed to present a coherent alternative to neoclassical mainstream economics. This assessment was, however, largely a response to the existence of multiple perspectives within the Post Keynesian tradition and ignores the existence of a set of unifying principles arising from Keynes’s contribution and its development in the years following the publication of *The General Theory*. Davidson (2003–04, p. 271), Lavoie (2006, p. 90), and Pasinetti (2005, pp. 841–844; 2007, p. 249ff) have recently rearticulated this body of ideas but Eichner & Kregel (1975) had provided such a statement much earlier.²

What may be argued is that at the time of the capital debates only one of the three conditions required for a paradigm shift was present. Logical problems were identified with the intellectual structure of the neoclassical framework but there was no pressing, empirical event with which that framework was inconsistent, and no alternative new paradigm became available at that time. Indeed, the availability of an alternative formulation of the neoclassical framework in the form of general equilibrium theory that avoided the criticisms of the capital debates gave neoclassical economists a reason not to look for a more comprehensively alternative paradigm and renewed their confidence in the ‘parables’ of aggregate production functions. Davidson (2003–04, pp. 257, 261) also makes the point that this confidence was buttressed by the perceived scientific rigor of general equilibrium mathematics. In addition, questions about the empirical significance of capital reversing provided further reason for neoclassical economists to play down the significance of the capital debates (Blaug, 1980, p. 206).

Had the three conditions outlined above all been met at the same point in time, Johnson’s theory about the causes of enduring revolutions could have been tested. While all three conditions were met over a period that spanned some 40 years and this constitutes a genuine intellectual revolution in the eyes

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¹King (2002, p. 81) concurs with this assessment although it is challenged by Davidson (2003–04, p. 251) who cites the appendix to chapter 14 of *The General Theory* as evidence that Keynes challenged neoclassical capital theory.

²Pasinetti (2005, p. 839) does identify a lack of political cohesion amongst the Cambridge Keynesians and also a certain lack of theoretical cohesion as contributing factors in the failure of Keynesian economics to supplant neoclassical theory. He notes, however, that a cohesive alternative to mainstream economics is possible, and he outlines the shape such an alternative might take. Davidson (2003–04) also argues that the Post Keynesian alternative available at the time of the capital debates had too many problems to represent a genuinely coherent alternative to the mainstream. Each of these estimations, however, refers to periods prior to the work of Eichner & Kregel (1975).
of some economists, they did not occur simultaneously, and the neoclassical para-
digm has endured.

3. Why Post Keynesian Economics Continues to be Sidelined

The foregoing analysis helps to explain why Keynesian and Post Keynesian econ-
omics did not supplant neoclassical economics at critical points in the develop-
ment of the discipline. The ongoing sidelining of Post Keynesian economics is, however, a separate question. It might have been reasonable to expect that a para-
digm that led to important modifications to neoclassical economics after the Great Depression would have been allowed to coexist with neoclassical economics and that continued interaction with that paradigm would have been considered fruitful. Post Keynesian economics has, however, tended to be systematically marginalized by the mainstream. Papers using Post Keynesian assumptions and frameworks tend to be rejected by top journals, few Post Keynesians are hired by departments dominated by mainstream economists and some universities have even succeeded in eliminating Post Keynesian and other heterodox influences altogether.

Caldwell (1989, p. 45 – 46) has argued for the intellectual value of entertain-
ing different approaches to theorizing and methodology. What he calls ‘critical pluralism’ in the area of methodology acknowledges the absence of universal agreement on principles to assess different scientific methodologies and allows these methodologies to coexist and critically interact. O’Donnell (2009, p. 90) similarly stresses the intellectual value of recognizing and allowing the existence of different schools of thought in economics, arguing that multiple perspectives lead to better insight and analysis because the results of any particular perspective are subjected to the scrutiny and criticism of alternative perspectives. O’Donnell, in fact, links this idea with the core intellectual function of universities and research institutions. At an intellectual level then, the sidelining of Post Keynesian economics appears to work against the best intellectual traditions. Even if the his-
torical development of the economics profession has not brought together at one point in time the necessary elements for an effective challenge to neoclassical economics, the existence of these elements across the period from 1929 to 1969, and the benefit to be derived from looking at economic phenomena from more than one perspective, work against the sidelining of Post Keynesian economics. But there are two other levels at which the sidelining of Post Keynesian economics can be considered: the sociological and the political.

At a sociological level, Blaug (1980, p. 30) points out that values, opinions and authority structures within the ‘invisible college’ of practitioners in a particu-
lar field have important effects on the kinds of thinking that become accepted within that intellectual community. These forces often make listening to outsiders difficult or unacceptable (cf. Davis, 2008). Since Post Keynesian economists use different theoretical and methodological structures to neoclassical economists, the work of the former is often ruled to be outside the boundaries of the discipline as defined by the latter. In addition, the critical attitude and agenda of Post Keynesians toward neoclassical economics poses a potential threat to the intellectual and professional capital neoclassical economists have invested in their own tra-
dition, and thus makes engagement or even toleration of Post Keynesian econ-
omics unappealing despite the intellectual integrity of allowing differences of opinion within intellectual communities.

At a political level, there are clear power imbalances between neoclassical and Post Keynesian economists that allow the sociological reasons for sidelining the latter to be operationalized. Since neoclassical economists control the editorial boards of journals and the chairmanships of university economics departments they have been able to exclude those outside their sociological group and to keep their tradition secure despite the intellectual value that would be derived from having economists from different perspectives working alongside them.

The sidelining of Post Keynesian economists may thus be attributed to sociological and political forces that operate within the profession rather than to intellectual forces.

4. Strategies for the Future of Post Keynesian Economics: Engage or Perish

Lee & Harley (1998) argued some time ago that the sidelining of Post Keynesian economics via the kinds of processes outlined above would ultimately lead to its demise. Stockhammer & Ramskogler (2009, p. 227) thus describe Post Keynesian economics as being ‘at a cross roads’ and the challenge is to identify a set of actions with the potential to guarantee a better future. The literature identifies a number of strategies in this respect. Dunn (2000, p. 361) argues that Post Keynesians should focus on methodological issues by maintaining an ‘open systems’ approach that allows interaction with other heterodox theories and social sciences. He argues that neoclassical economics is essentially dying due to its closed system approach, which prevents this interaction. Colander (2000) and Davis (2008) share a similar perspective. Davidson (2003 – 04, p. 271) argues for a strategy of ‘embattled survival,’ which involves continued development of a positive and unique alternative Post Keynesian research agenda based on the essential contribution of Keynes. Pasinetti (2005) also advocates the development of a positive alternative to mainstream economics, as does Lavoie (2006) who adds that it is crucial to frame propositions from that alternative in econometrically testable hypotheses. Fontana & Gerrard (2006) recommend a strategy of ‘constructive engagement’ with the neoclassical mainstream. This would focus particularly on building bridges with mainstream economists responsible for developments that ‘parallel’ important dimensions of Post Keynesian economics such as imperfect competition, decision-making under uncertainty, path-dependency, and monetary policy rules. Stockhammer & Ramskogler (2009) prefer a dialogue that directly targets policymakers.

King (2012) summarizes this aspect of the literature by categorizing these proposed strategies into three possible responses to the mainstream: ‘fight them, cooperate with them, or ignore them.’ According to King (2012), Post Keynesians ‘should be under no illusion about the prospects for friendly cooperation with the mainstream.’ Stockhammer & Ramskogler (2009, p. 227) agree, arguing that ‘communication with the mainstream is not a feasible strategy as the mainstream is unlikely to listen to Post Keynesian arguments’ (cf. Vernengo, 2010). There
seems to be, therefore, considerable skepticism about the potential effectiveness of Fontana & Gerrard’s suggested strategy.

From our perspective, the continued development of a positive alternative to mainstream economics is the crucial strategic element for the future of Post Keynesian economics. Davidson (2003 – 04) and Pasinetti (2005, 2007) each argue that despite any previous lack of coherence in Post Keynesian economics, development of a coherent alternative Post Keynesian paradigm is possible, and they each outline a set of core ideas that characterize an alternative to neoclassical theory based on the economics of Keynes. Lavoie (2006) also shows that a number of Post Keynesian approaches are essentially compatible with each other. Across the Sraffian, American Post Keynesian, Kaleckian, Marxist and Institutionalist schools, one can identify core arguments central to each approach. In this sense, heterodox economics is not defined so much as ‘horses for courses’, but rather as a set of generally accepted core principles, with disagreement over theoretical and policy details. The development of a positive alternative to neoclassical theory is essentially an intellectual question and represents the ultimate objective of Post Keynesian economics. It also occupied the vast proportion of Keynes’s attention in *The General Theory*. The question of constructive dialogue versus disengagement with the mainstream is more complex and involves the intellectual, sociological and political considerations identified above. We consider each of these in turn.

4.1. Intellectual Dimensions of a Dialogue with the Mainstream

Intellectually, the value of engaging in a dialogue with the mainstream is consistent with the critical pluralist and ‘open systems’ methodology identified by Caldwell (1989) and O’Donnell (2009). This raises the possibility that insights from neoclassical economics may inform the Post Keynesian research agenda as well as vice versa. Such insights are not likely to arise from fundamental aspects of the neoclassical framework, but just as a diverse Post Keynesian or heterodox environment has the potential to provide critical insight for any particular heterodox framework, so potential interaction between neoclassical and Post Keynesian theory provides the same possibility and this could operate in either direction. On intellectual grounds, therefore, the exchange of ideas with the mainstream is a sound strategy.

4.2. Sociological Dimensions of a Dialogue with the Mainstream

With respect to the sociological issues raised above, there are both benefits and dangers associated with engaging the mainstream. An important benefit would be that Post Keynesians would be seen less as simply negative and critical, and more as interested in building better explanations of economic phenomena that draw upon any framework that usefully contributes to this endeavor. As suggested above, this need not imply that core neoclassical ideas need be accepted by Post

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3The same observation could be made regarding mainstream theory.
Keynesians and that criticism of these ideas no longer be offered where appropriate. Caldwell (1989), Davidson (2003 – 04) and Lavoie (2006) all point out that criticism has an important role to play in intelligent analysis. But more experiences where dialogue between Post Keynesians and neoclassical economists takes a constructive tone are likely to reduce the negative perception of Post Keynesian economics and soften the impact of the sociological factor that operates to exclude Post Keynesians.

There are, however, at least two sociological challenges associated with this approach. The first is overcoming the existing lack of willingness of mainstream economists to engage with Post Keynesians. Efforts to engage mainstream economists seem rarely to meet with much success. Thus, if a constructive dialogue is to be pursued, careful thought will have to be given to how this reluctance to engage could be overcome.

A second danger with dialogue is raised by Fontana & Gerrard (2006). This relates to the possibility that the boundaries of Post Keynesian economics will become blurred in the course of debate, and that its own distinctive precepts, rather than those of the mainstream, will be the ones to disappear. While Fontana & Gerrard picture this as resulting from the effectiveness of Post Keynesian economics in changing the ideas of the mainstream so that the two paradigms genuinely morph into a third framework, the possibility that Post Keynesian economics could suffer is just as likely. At a sociological level, compromises could be made such that younger economists would be under pressure to adopt neoclassical assumptions in order for their work to be more acceptable, and to improve their chances of publication, employment and promotion. The threat of Post Keynesian economics being diluted largely depends, however, on the nature of the constructive dialogue, and we see the development of a strong Post Keynesian paradigm as an important defensive mechanism in this respect. Post Keynesians who have a clear alternative in mind when they engage are less likely to make compromises that threaten the intellectual integrity of Post Keynesianism. On balance, we see the sociological advantages of dialogue as outweighing the dangers but the dangers must be kept firmly in mind.

4.3. Political Dimensions of a Dialogue with the Mainstream

The greatest challenge to effective dialogue is political. Post Keynesians have little and seemingly ever-diminishing power within the academic community. Indeed, to recognize the extent of this power imbalance one only needs to consider the fact that there are extremely few tenured Post Keynesians in top research universities and few who publish in top-ranked journals. A more recent trend is now taking root whereby some countries have started to rank journals according to their ‘importance’, which may discourage younger economists from publishing in heterodox outlets. (Fortunately, journals such as the Journal of Post Keynesian Economics and the Cambridge Journal of Economics are reasonably well placed within these rankings).

Given the argument above that the political situation is a reflection of underlying sociological forces within the discipline, any mitigation of the sociological forces may have some impact on the political situation. Nonetheless, the weak pol-
itical situation in which Post Keynesians find themselves, despite good intellectual grounds on which they should be able to contribute more strongly to the economics profession, makes sense of Davidson’s (2003 – 04) recommendation of ‘embattled survival’ as the best strategy for the future. For us, this is a reason not to rely on ‘constructive engagement’ as the only strategic plank in a plan for moving Post Keynesian economics forward, and here we must consider both the impact of the financial crisis and Stockhammer & Ramskogler’s (2009) recommendation of a dialogue that targets policymakers.

5. The Global Financial Crisis, Mainstream Engagement and Economic Policy

One of the important effects of the global financial crisis has been that the way the economics profession is perceived by the world at large has been challenged. *The Economist* magazine argued in 2009 that the economics profession had been embarrassed by the events of 2007 – 2009 and that, in the eyes of the public, an ‘arrogant’ profession had been ‘humbled’. The profession deserved this treatment, according to *The Economist*, partly for its boasting about policy achievements that had led to a period of sustained GDP growth across the 1980s and 1990s with lower volatility than had been experienced in previous decades (cf. Taylor 1998), and partly for its claim that economics could explain almost any social phenomenon. But most economists failed to predict the global financial crisis, and the very markets that were argued by economists to be highly efficient are now widely deemed to have been the cause of a severe economic disruption. Interestingly, *The Economist*’s suggested remedy for the profession’s problems was an increased cross-fertilization of ideas both within economics itself and between economics and other disciplines that would improve the realism of its analysis.

These are sentiments strongly shared by Post Keynesian economists (see Davidson, 2009b, for example), but a number of mainstream economists, including three Nobel laureates, have also begun to take such criticism seriously. Krugman (2009) argues that mainstream economists have consistently confused mathematical beauty for truth, and accepts that they all too often ignore limitations to the usual assumptions of individual rationality and well-functioning markets. Stiglitz (2009) acknowledges that the economics profession was similarly shaken in the aftermath of the Great Depression and that this gave rise to the Keynesian Revolution. But, he argues, the profession too quickly came to the view that imperfections in the operation of capitalism identified by the Keynesian perspective were merely occasional departures from the norm of rational economic agents and well-functioning markets, when they should have been asking whether these imperfections might not be more fundamental features of real economic systems. Among these imperfections he lists asymmetric information, agents with heterogeneous motivations and inherent cyclicality with periodic crises. He points to the economics of asymmetric information, behavioral economics and the work of Hyman Minsky as examples of analyses that might have better informed standard economic models.
These post-crisis perspectives resonate with the pre-crisis work of Akerlof (2002, 2007), which challenges economists to include the insights of behavioral economics in their macroeconomic models and to consider the role of norms in shaping economic behavior. He argues that while the assumption of individual rationality led to a confidence in market efficiency and the other ‘neutrality’ results of neoclassical theory, the inclusion of norms in the objective functions of individuals is capable of generating classic Keynesian results (Pesendorfer, 2006, and Shiller, 2003, share similar perspectives).

The crisis has thus provided three important opportunities for Post Keynesians to assert their ideas. The first is that it has enhanced the possibility of dialogue with mainstream economists identified in the previous section. This dialogue will probably involve a relatively small group of dissenting mainstream economists. Given the observations of Stiglitz identified above, this dialogue is also likely to focus on the ‘parallel developments’ mentioned by Fontana & Gerrard (2006), such as imperfect information, imperfect competition and behavioral perspectives of economic phenomena. Lavoie (2012) summarizes this view clearly: ‘the best way for heterodox dissenters to influence mainstream economics is to influence orthodox dissenters.’ But caution is still required. It is one thing for dissenting orthodox economists to be willing to have a dialogue with Post Keynesians, and quite another to draw from that the possibility that the dissenters will be accorded a respectful hearing by the more orthodox faction of the mainstream. Robert Lucas (2009), for example, continues to assert the validity of mainstream theory even in the face of the Global Crisis, and dissenters such as Paul Krugman have come in for considerable criticism from their mainstream colleagues.

There is, therefore, evidence that the sociological resistance to non-orthodox ideas persists, even after the crisis. Vernengo (2010) thus makes an important point when he argues the ‘the non-orthodox elements of the edge are only acceptable if, somehow, they are not too unorthodox . . . [and stay] within the limits of the tolerable for the mainstream.’ In other words, if dissenters begin espousing ideas like conflict inflation, or trumpeting the virtues of income distributional issues, they will lose their credibility with the rest of the mainstream. Dissenters must always walk a fine line between support and criticism of the mainstream. This may explain why, as Stockhammer & Ramskoglmer (2009) note, that even in those areas where both Post Keynesians and the mainstream overlap, Post Keynesians have been ignored. Few references to Post Keynesian research can be found in the work of mainstream dissenters.

The crisis, then, has brought an increased opportunity to engage with the mainstream, but if history is any guide at all this engagement will require the negotiation of significant problems.

A second opportunity for Post Keynesians to assert their ideas in the light of the crisis arises in the area of policy formulation. Here Stockhammer & Ramskoglmer’s (2009) suggestion of a dialogue that directly targets policymakers is important. Following the onset of the financial crisis, the IMF has been studying the possibility of adopting capital controls, monetary policy has kept interest rates near zero in the US and very low in a number of other countries, and there have been significant fiscal expansions in the United States, Australia and various parts of the euro area. All of these measures are consistent with Post Key-
nesian theory and suggest the possibility that Post Keynesians could attempt to bypass the academic economics profession and directly compete in the marketplace of ideas for the attention of policymakers.

Here again the foundational plank of developing an alternative Post Keynesian paradigm, sufficiently detailed to provide specific policy prescriptions, will be important. The value of this approach is that politicians and policymakers are not likely to have the same incentives to sideline Post Keynesians that orthodox economists have. Thus, if Post Keynesian economics is indeed more realistic and useful than orthodox economics, efforts to engage with pragmatic policymakers may well be a more fruitful engagement than similar efforts aimed at mainstream academic colleagues. Exploitation and development of links with trade union movements, left wing or progressive political parties, and the establishment of research institutes that focus on economic policy would also need to be part of this strategy. There is some urgency with this path in relation to the financial crisis in the sense that memories of the crisis are likely to fade and policymakers may then adopt a business-as-usual approach to policy formulation. Still, the crisis poses ongoing issues for financial policy and regulation as well as for macroeconomic stabilization policy, and new policy emergencies are no doubt likely to arise in the future.

A third opportunity for Post Keynesians that has received little attention is the possibility of influencing the structure and content of management education. Dunn (2000, p. 360) points out that the staff and students of business schools are often more open to alternative ideas, especially where these are noticeably more realistic than those of their competitors, than are the inhabitants of standard

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4There has been some backlash against expansionary macroeconomic policy, especially fiscal policy, as the immediacy of the crisis has begun to fade. The IMF, for example, established the Cross Country Fiscal Monitor in mid-2009 out of a concern that expanded fiscal deficits and increased levels of government debt would increase interest rates and threaten public sector solvency. This semi-annual publication provides information on overall fiscal positions and debt levels for a range of developed and emerging economies as well as changes in these positions, the likely impact of such changes and whether these changes are appropriate or adequate. Market concerns with the ability of governments in Ireland, Portugal, Italy and Greece have also led to increased interest rates on the sovereign debt of these nations and a crisis of confidence in the stability of the euro as currently comprised. At the heart of discussions around the provision of emergency support to Greece in particular has been austerity measures designed to reduce the medium-term fiscal deficit and the ratio of government debt to GDP. Longer term planning between euro zone governments (driven especially by Germany) on the design of measures to prevent future crises of confidence in the euro has centered on a ‘fiscal compact’ that limits structural deficits in member states to 0.5% of GDP (IMF, 2012a, p.6). Austerity measures introduced by Britain’s conservative government in mid 2010 and debate in 2011 over the so-called US ‘debt ceiling’ also reflect a backlash against the expansionist policies embraced during the global crisis. Despite this backlash, however, conservative organizations such as the IMF and The Economist magazine continue to argue that medium-term austerity measures need to be tempered by appropriate short-run measures to stimulate growth (see The Economist, 2011, p. 9; IMF, 2012b, p. 6).
economics departments. The abstract theoretical structures of utility maximization and the restrictive assumptions of perfect competition often meet with a skeptical reception from MBA students. The more realistic approaches of cost plus and target return pricing, or conflict-based models of inflation are likely to be more appealing to students than the standard textbook fare. This desire for realism also appears to have increased as a result of the global financial crisis (Ariely, 2009, p. 80).

The open systems structure of much Post Keynesian theory (cf. Dunn, 2000; Pasinetti, 2005) is also likely to fit with the desire of business school staff and students to develop holistic and integrated approaches to education where the relationship between the perspectives of different business disciplines is important. Ariely (2009) argues that the insights of behavioral economics provide a powerful perspective for students in MBA programs that may be offered alongside and compared with traditional microeconomic frameworks, and O’Donnell (2010) argues that equipping students with multiple ways of viewing any particular problem also enhances both critical thinking and other desirable graduate skills. These factors suggest that business schools are more focused on the intellectual factors identified above and that the sociological and political factors weigh less heavily against Post Keynesians in this context.

The global financial crisis has thus had an important impact on the strategic options open to Post Keynesians in developing their paradigm. The prospects for engagement with the mainstream, chiefly via dialogue with dissenters, have been significantly improved by the crisis, although there is already evidence of continued sociological and political resistance to dissenting ideas. The crisis has also improved the possibility of short-circuiting the sociological and political resistance of neoclassical economists by opening a channel of engagement directly with policymakers and highlighting the role of business schools rather than traditional economics departments in economics education.

6. Further Reflections on Engagement with the Mainstream

The above analysis thus suggests a fourfold strategy for Post Keynesian economics: continued development of a coherent Post Keynesian paradigm; constructive engagement with the mainstream; more careful attention to empirically based policy proposals and direct engagement with policymakers; and seeking out a greater involvement in business schools and management education. Davidson (2003 – 04), Lavoie (2006), and Pasinetti (2005, 2007) outline a useful framework for the first dimension of this strategy. This will provide a foundation for the development of policy proposals that are more likely to be heard by policymakers the more they are structured with attention to appropriate institutional detail and quantitative evidence. A focus on involvement in business programs is new territory but would be facilitated by a willingness on the part of Post Keynesians to undertake research with a business focus; this might include studies of pricing regimes, the impact of competitive structures on particular industries and sectors, and the impact of government taxation and related policies on business conditions in particular sectors.
Let us consider more closely the process by which a dialogue with the mainstream could be moved forward. Regarding the terms on which this discussion needs to take place, three main suggestions have been proposed. First, Post Keynesians need to change their language since clearly they do not speak the same language as the mainstream, which is highly technical and mathematical. Post Keynesian theory has traditionally been much less technical and more ‘literary’ (Fontana & Gerrard, 2006). If Post Keynesians wish to have a dialogue with the mainstream, they must adopt ‘a modeling methodology acceptable to the mainstream’ (Colander et al., 2004, p. 492), which means that they need to do more empirical and mathematical work, and more modeling. In recent years, there have been great advances in Post Keynesian modeling, and efforts to build an empirical tradition are well underway. The stock-flow modeling championed by Godley & Lavoie (2007) is a good example. Moreover, heterodox economists at the University of Paris XIII are fully dedicated to building a department and research laboratory where modeling takes centre stage.

A second suggestion is that Post Keynesians do less work in methodology, or abandon it altogether, as this contributes little to a fruitful discussion with the mainstream (Colander et al., 2004; Fontana & Gerrard 2006; Lavoie 2012).

Third, it is suggested that Post Keynesians do more work in areas that overlap with the research agenda of the mainstream (Fontana & Gerrard, 2006). This would mean devoting more time and energy to work on areas such as monetary policy, growth and trade theory. In the end, issues of no importance to the mainstream would therefore be abandoned.

We have a number of concerns about the above recommendations. First, as Lavoie (2012) points out, there is no guarantee that adopting more sophisticated models will ensure that we are suddenly taken seriously by the mainstream. Indeed, formal modeling techniques and econometrics have always been part of the Post Keynesian toolkit, and Post Keynesians have increased their utilization of these tools along with the rest of the profession over the past several decades. Yet this has not led to genuine dialogue with the mainstream. This is not to say that we should abandon such methods, but merely that experience does not confirm the claim that adopting them will necessarily lead to greater dialogue.

Second, regarding methodology, it is true that Post Keynesians do spend considerable time discussing the differences between various approaches. But methodology is important. To the extent that it serves to identify similarities and common threads among heterodox traditions, it can help to strengthen the cohesiveness of the Post Keynesian school. Indeed, despite his objection to methodological preoccupations, Lavoie (2012) acknowledges that ‘methodological studies ... play an important role in building a sense of belonging and in establishing the presuppositions of a research programme. They help to understand how one’s work fits within the larger subset of heterodox economics.’

Lastly, the idea that we should focus our attention in areas that overlap with the mainstream has significant dangers. While Post Keynesians should certainly undertake research on areas of interest to the mainstream, they should do so because of the inherent value of such research and not simply because it overlaps with the interests of the mainstream. Common areas of interest—monetary policy,
trade theory and development issues—are naturally occurring simply because we face the same economic problems and we live in the same world. Nonetheless, we have our own set of questions and our own economic convictions. For heterodox economists, the opposition of class interests plays a key role in explaining income distribution, inflation, unemployment and growth, but is generally neglected in mainstream theory. Post Keynesians have also challenged the mainstream bias in favor of monetary policy and interest rate rules, arguing that since monetary policy has serious limitations in regulating cycles there should be a much greater reliance upon fiscal policy (see, for example, Docherty, 2005; Kelton & Wray, 2006; Rochon & Setterfield, 2008). Few neoclassical theorists would agree with these perspectives. So while there may be benefits from undertaking research that overlaps with that of mainstream dissenters, this must flow from the Post Keynesian analytical agenda rather than from the desire to promote dialogue.

7. Conclusion

This paper has examined the reasons for the failure of Post Keynesian economics to supplant mainstream neoclassical theory and for the sidelining of Post Keynesian economics by the mainstream. We argue that sociological and political factors are largely responsible for the marginalization of Post Keynesian economics. The paper has also reviewed the various strategies suggested in the literature for advancing Post Keynesian economics, including: a focus on methodological issues by maintaining an ‘open systems’ approach; a strategy of ‘embattled survival’; the development of a positive alternative to mainstream economics; a strategy of ‘constructive engagement’ with the mainstream; and a dialogue that directly targets policymakers.

The paper has argued that continued development of a positive alternative to mainstream economics is crucial because such an alternative will provide a foundation for other planks in any strategy, and development of an alternative economics constitutes the ultimate purpose of heterodox theorizing. It also argues that while constructive engagement with the mainstream has intellectual merit and should be pursued where possible for this reason, it is likely to meet with continued resistance for the same sociological and political reasons that have made Post Keynesian economics unsuccessful in the past. The global financial crisis has increased the potential for such engagement, especially with orthodox dissenters who have research agendas that parallel features of Post Keynesian economics, but there is already evidence of resistance in the rest of the mainstream to any reevaluation based on the crisis. The sociological and political factors identified above thus constitute a significant barrier to the Post Keynesian agenda.

However, the financial crisis has also enhanced strategic possibilities with lower levels of sociological and political resistance. Engaging directly with policymakers and seeking a greater role in management education may provide vehicles for the assertion of Post Keynesian economics that will complement the more difficult strategy of trying to engage with mainstream economics departments.
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