

## REVIEW

*Is There a Future for Heterodox Economics?*

PABLO PANIAGUA PRIETO

Senior Researcher at Fundación Para el Progreso

*Is There a Future for Heterodox Economics? Institutions, Ideology and a Scientific Community* by Geoffrey M. Hodgson. Edward Elgar: Cheltenham and Northampton, 2019.

Geoffrey Hodgson's *Is There a Future for Heterodox Economics?* is both an interesting institutional assessment of the current state of affairs in heterodox economics and a valuable guidebook full of possible ways forward so that heterodox economics could have a valuable future. Over the last fifty years, and more particularly since the Great Recession of 2007–8, the community of heterodox economists has expanded, and its publications have proliferated in new heterodox journals. Nevertheless, the relevance of heterodox economists within economic departments and their impact on the leading journals has waned considerably. Geoffrey Hodgson's (2019a) new book—which was launched almost simultaneously with his book on the feasibility of socialism<sup>1</sup>—is an enjoyable account of this academic and scientific paradox.

Hodgson's main and crucial point, which all heterodox economists need to take into account, is that the current academic strategy of heterodox economics has been a failure. Hence the heterodox community needs to deeply reconsider its academic-strategic options in order to develop a valuable and sustainable research agenda. The current state in mainstream economics and the dominance of conventional economics in the leading academic journals and universities show that it is no longer viable for heterodox economists to continue with business as usual and work as they have been since the 1970s.

By borrowing key insights from social epistemology, the sociology of scientific communities, and institutional analysis, Hodgson argues that:

the strategy of using “heterodox economics” as a banner to organize dissent from the mainstream has been at best of limited success . . . the problem in the past is that heterodoxy has been united more by (leftist) ideology than by analysis. This ideological orientation is ultimately damaging for the development of heterodoxy. It creates leftist ghettos that become ill-prepared to engage adequately with other communities outside. . . . We should be wary of communities of social scientists that congregate around a narrow range of political views. Such circumstances encourage groupthink rather than genuine pluralism and open debate. Analyti-

cal positions are dismissed simply because they are said to be “right wing”, rather than through critique of the analysis involved (Hodgson 2019a, p. 174).<sup>2</sup>

This critique may sound, to some heterodox economists, like a biased attack by some mainstream and “right wing” economist. But readers may be surprised that this critique comes from an economist that is part of their own community and thus coming from their own ideological and methodological trenches. Geoffrey Hodgson has long been a strong critic of contemporary orthodox economics, and he also defines his political views as left-leaning: “To put my political cards on the table, for 30 years or more I have not seen myself as a socialist, instead as a social democrat or a left liberal” (p. 9). Furthermore, he has also been an active participant within the heterodox community since the 1970s. In other words, this serious critique is coming from a friend and a fellow traveler of the heterodox community rather than a foe. This is important to acknowledge since if someone who comes from your own community and is a friend is severely criticizing your heterodox approach and your current academic strategy, then perhaps you should listen carefully. I believe that this is exactly the case, and all heterodox economists—both young and veteran, both left and right leaning—should read this thought-provoking book. Indeed, every economist or other social scientist interested in successful and unsuccessful academic strategies and all of those puzzled about the reasons why important heterodox contributions haven’t permeated the mainstream economic profession should read this book. The book may thus be relevant for Austrian economists, constitutional political economists, and other economists with evolutionary and institutional orientations.

This book certainly offers a compelling explanation of why heterodox economics has not been successful at retaining academic power and influence within the economics profession, and it explains the challenges that the heterodox community must face in order to successfully challenge the current orthodoxy. The book also closes with some important suggestions concerning viable academic strategies that heterodox economists could adopt in order to have a successful future.

Hodgson’s book can be broadly interpreted as critical institutional analysis and a critical survey of the unsuccessful academic strategies that different branches of heterodox economics have adopted over the last decades. The book also emphasizes two additional important points: First, the view—held by some heterodox economists—that mainstream and neoclassical economics are largely and necessarily an apologia for a free-market economy is utterly mistaken and inconsistent with the history of the discipline. In Hodgson’s words, “The neoclassical core of mainstream economics has been used to support socialism as well as capitalism” (p. vi). Second, the crucial problem that the heterodox economists face is that they do not agree on a theoretical core. Consequently, and regrettably according to Hodgson, the only thing that holds them together is ideology and politics. In Hodgson’s words, inside the heterodox community, “instead, a left ideology has prevailed throughout: despite major theoretical disagreements, ideology unifies the majority of its adherents” (p. vii). This strategy has generated only “leftist ghettos” that have been detrimental to the advancement of heterodox economics. As a result of this, in recent decades the global influence and power of heterodox economists in leading academic journals and departments of economics have faded.

Today, despite the growing network of heterodox economists and the discussions about the need to establish alternatives to the standard way of doing economics, it is more difficult than ever for a heterodox economist to get a job in a good department of economics or to publish in leading academic journals. This book brilliantly explains the institutional and academic-strategic reasons why heterodox economics faces this undesirable paradox, while it also proposes potential strategies for a sustainable future of heterodoxy.

Hodgson borrows from the philosophy of science, institutional economics, social epistemology, and M. Polanyi’s studies on the sciences as social systems to critically assess the scientific community of heterodox economists while shedding light also on the crucial paradox that heterodox economists currently face. The book consequently is rather critical—for good reason, in my view—of contemporary heterodox economists since they have followed an ideologized academic strategy that has led the community toward “an increasingly self-ghettoised sect of people who are stuck on a double-bind of resentments” (Mearman et al. 2019,

p. 291). The book suggests that it's going to be very difficult for the heterodox community to escape from its entrapment. Nevertheless, the book ends on a constructive note, suggesting eight possible strategies for heterodox economics and by emphasizing that ignoring how institutions of academic power currently operate is no longer a viable option for the heterodox community anymore.

As Hodgson informs the reader, this book is about “institutions, culture and habits of thought that can enable or disable the forces of change within economics. . . . This book is about academic power and powerlessness” (p. 3). In that regard, this book successfully accomplishes its mission by assessing the different aspects of heterodoxy in economics in six chapters.

Chapter 1 critically explores the strong influence of Cambridge economists and their non-neoclassical branch from the 1940s to the 1970s on modern heterodox economics. The major figures are Joan Robinson, Piero Sraffa, and Nicholas Kaldor, among others. The chapter explores the institutional and cultural setting in Cambridge in which their theories developed, and the role played by leftist ideologies that motivated the protagonists and influenced their academic decisions. Hodgson convincingly shows that most of the (negative) attributes of current heterodox economics today can be traced back to the attitudes and mindset of pre-1980s Cambridge heterodoxy.

Particularly, Hodgson identifies three detrimental attributes that sprung out of Cambridge heterodoxy: first, the failure to agree upon a unifying theoretical core; second, the strategy of using ideology to define heterodox economics as left wing and orthodox economics as right wing, pretending that all of the heterodoxy must be left-leaning economics and all of the orthodoxy must be, consequently, pro-market economics;<sup>3</sup> third, an intellectual echo chamber and “leftist bubble” (p. 24) that led Cambridge economists to dismiss certain crucial heterodox critiques being put forth outside of the Cambridge citadel—such as Herbert Simon’s behavioral approach, some fundamental microeconomic issues related to price theory, and F. A. Hayek’s and Ludwig von Mises’s critique of central planning. The ideologically biased evolution of post-1980s heterodox economics around the world has unfortunately perpetuated the flaws stemming from the Cambridge “prestigious leftist bubble” (ibid).

This chapter is particularly interesting since it sheds light upon the detrimental neglect by the heterodoxy of the socialist calculation debate. Hodgson identifies the debate as “arguably the most important debate in economics in the twentieth century” (p. 39).<sup>4</sup> Hodgson argues that this debate is crucial for heterodox economists in general not only since it deeply challenges the viability of socialist planning, but also because in that debate Hayek “developed a major critique of general equilibrium theory, which highlighted the nature and role of knowledge” (ibid). Yet, despite the fundamental significance of the debate, which severely questioned the feasibility of Cambridge’s socialist priors, Cambridge conveniently and entirely passed over it. Hence, the “Austrian critique was unanswered and generally assumed to be wrong” (ibid). Cambridge economics continued with business as usual by not questioning the feasibility of socialism and by dismissing fundamental economic issues—pointed out by Mises and Hayek—related to misaligned incentives, dispersed information, and tacit knowledge.

Consequently, “Cantabrigian heterodoxy failed to pick up this scent, partly because their socialist ideology prevailed over any spirit of critical investigation into this discrepancy. . . . The neglect of the debate betrayed major problems within Cantabrigian heterodoxy itself” (p. 40). This crucial intellectual neglect of the impossibility of monocentric socialism without extensive markets and private property “persisted among the rising post-Keynesian and heterodox movements” (p. 33). Thus, it is no wonder that contemporary heterodox economists are particularly acute at appraising the limits of markets but unable to grasp the inherent limits of planning and socialism.

In chapter 1 Hodgson is also critical of some of the ideological ramifications of Joan Robinson’s unapologetic socialism. Hodgson has no problem mentioning some of the political misjudgments of Robinson. For instance, he mentions Robinson’s strong support of the North Korean regime during the 1960s and, even more problematically, her impenitent support of Mao’s policies until his death in 1976. Robinson even claimed, in 1965, that “no one starved” during the Great Leap Forward, when in fact it had led to a fatal famine that produced—according to some estimates—about forty million deaths. As a consequence

of her strong ideological leanings, “Robinson simply took the viability of socialism for granted and she failed to discuss the twentieth-century theoretical debate on the economic feasibility of socialism” (ibid). Yet Hodgson correctly points out that “the severity of her economic and political misjudgments is rarely noted by her followers” (p. 34). Ultimately, we need to ask ourselves, “Why is Robinson so rarely criticized for her naïve and irresponsible credulity concerning Mao’s monstrous crimes? Perhaps this silence tells us something about the political dispositions of Cantabrigian heterodoxy” (ibid). Unfortunately, the Cantabrigians’ elitist and socialist political views deeply affected their theoretical research agenda by severely weakening their capacity for internal critical assessment and appraisal of important ideas from elsewhere that could have challenged their strong socialist priors. As a consequence, Cambridge heterodoxy’s hegemony over Cambridge’s Faculty Board “disappeared for good by 1988” (p. 45).

If young heterodox economists today can learn anything valuable from the intellectual “boom and bust” of the Cantabrigians that Hodgson so well scrutinizes, it is that non-neoclassical and nonmainstream economists need to take four fundamental points to heart: First, they must pay keen attention to microeconomic debates and price theory. Second, they must avoid politicizing economic rhetoric and avoid meshing economic theory with ideology. Third, they must avoid a ghettoized intellectual and ideological attitude that seeks to affirm confirmation biases, as it only generates groupthink, in which one “searches for evidence to confirm a view, rather than to challenge it. Whole areas of research . . . were neglected. The value of political viewpoint diversity in the academy was under-unappreciated” (p. 47). Fourth, they must never take for granted the economic and political feasibility of democratic socialism, and thus they must seriously study the debates within economics concerning the unviability of monocentric socialism. Special attention should be given to the epistemic and non-neoclassical arguments put forth by Mises and Hayek and contemporary Austrian economists such as Don Lavoie (1985).

Unfortunately, according to Hodgson, the post-Keynesian and heterodox economics that sprung out of Cambridge in the 1970s have perpetuated some of the ideological thinking of and academic mistakes made by Robinson, Sraffa, and other leading Cambridge scholars, which largely explains the irrelevance and powerlessness of the heterodox economists today in the academic world. Regrettably for the future of alternative approaches to economics, the “heterodoxy still bears the marks of its Cambridge origins” (p. 48), continuing the same neglect of the four crucial points aforementioned.

Chapter 2 attempts to define heterodox economics. Hodgson analyzes two key definitions: Tony Lawson’s and Frederic Lee’s. He critically assesses these definitions as unsatisfactory and incapable of capturing the core meaning of heterodox economics. Hodgson instead proposes a distinction between heterodox and orthodox economics centered on the use (or non-use) of the utility-maximization criterion. The aim of chapter 2 is to assess the current meaning of heterodox economics and its current feasibility as an organizing label. The chapter shows that there is very little consensus around its meaning. This obviously “creates a problem in using heterodox economics as a label to organize critics of orthodoxy. . . . it is unlikely to make substantial progress unless the criteria of inclusion and the *raison d’être* are agreed . . . Unfortunately, after several decades, such minimal agreement does not yet exist” (p. 49). In other words, beyond its demands for greater pluralism in economics and its opposition to the orthodoxy, it is still unclear what exactly binds heterodox economics together.

Hodgson starts chapter 2 by convincingly arguing that you cannot use political ideology to divide the orthodoxy from the heterodoxy. He agrees with Tony Lawson in rejecting any policy-based demarcations. Indeed, many prominent theories, such as general equilibrium theory and neoclassical analysis, can serve multiple and contrasting ideological positions. This is clear from the fact that a group of mainstream neoclassical economists led by Oskar Lange and Abba Lerner used general equilibrium theory in attempting to prove the feasibility of socialism. Thus, there is ample evidence showing that you cannot simply perform a one-to-one mapping of different theoretical positions in economics based only on policy views and ideological predispositions. Given this impossibility, Hodgson then explores Lee’s and Lawson’s definitions of the heterodoxy. This is probably one of the most interesting and valuable sections of this book.

Lee describes heterodoxy as an intellectual tendency to dissent from mainstream economics. And he describes the mainstream as comprising a core set of propositions such as the use of fictitious concepts, closed-system methodology, methodological individualism, and the concept of scarcity. But Hodgson correctly points out that Lee's definition has several problems concerning definitions of the terms characterizing the orthodoxy. For instance, the notion of scarcity has very different meanings for different people. Obviously, there are things such as natural resources that are indeed scarce, while others such as benevolence, laughter, and love are not. The existence of intangible things that are not scarce does not negate the fact that the concept of scarcity is useful in economic analysis. The recognition that love is not scarce can hardly be "an argument to abandon entirely the notion of scarcity. It is an argument to be more precise about its possible meanings" (p. 54). Likewise, Lee's claim that the rejection of methodological individualism is a necessary feature of heterodoxy is left unexplained; the "widespread heterodox rejection of 'methodological individualism' rarely clarifies what is being rejected" (p. 54). Different economists, both mainstream and heterodox, use very different conceptions of methodological individualism. Moreover, many advocates of methodological individualism, explicitly or implicitly, explain economic phenomena in terms of both individuals *and* social relations.

In sum, Hodgson shows that Lee's definition of heterodox economics is not very useful since it uses imprecise and ambiguous terms to define the core characteristics of the mainstream; alas, there is no consensus around the meaning of those crucial terms. A final problem with Lee's conception of heterodox economics is his ideological stance in portraying the heterodoxy as "not simply a scientific endeavor but also part of the global struggle against capitalism. . . . Hence Lee depicted mainstream economics as a defence of capitalism and heterodox economics as part of the struggle against it" (pp. 61–62). This, as Hodgson argues, is not only entirely wrong conceptually (see footnote 3 here) but also a highly questionable academic strategy. Thus, "Lee's blunt account is of little help in guiding us through this mess" (p. 56).

Hodgson is also critical of Tony Lawson's definition of heterodox economics even though he seems to consider it superior to Lee's definition since, unlike Lee, "Lawson did not attempt to relate his definition of heterodox economics to any political position or policy stance" (p. 71). Lawson's approach is broadly based on ontological considerations from which he draws methodological conclusions concerning the limits of mathematics in situations in which it is allegedly unsuitable. For Lawson, "the mainstream project of modern economics just is an insistence, as a discipline-wide principle, that economic phenomena be investigated using only certain mathematical-deductive forms of reasoning. This is the mainstream conception of proper economics" (p. 64). Hence Lawson's novel and interesting conclusion is that the core essence of heterodoxy is ontological. Lawson's ontological and methodological criteria generate an orthodoxy-heterodoxy demarcation in which the former imposes mathematical methods in complex situations that are inappropriate while the latter minimizes—but not necessarily negates—the use of mathematics as something that is applicable only under conditions resembling a closed system. Lawson seeks to identify the heterodox camp as making complementary (explicit or implicit) "ontological claims that imply that mathematical modelling is difficult or inappropriate. . . . different heterodox strands commonly resist the pull of inappropriate mathematical formalization" (p. 65).

Hodgson correctly points out several limitations of Lawson's argument. The most relevant one is that Lawson based "his critique of formalism on an ontological mismatch between formal models and reality" (p. 66); however, he "made no argument, that the ontological characteristics of reality (such as complexity and openness) must be fully reflected somehow in the theory. . . . theory and reality are different things" (ibid). The point that Hodgson makes is well taken: "Lawson wrongly assumed that if reality is open (in some sense), then theories that are used to analyse reality must also be open. But it is neither possible nor desirable that theory should mirror reality in such a manner. Lawson provided no argument to sustain the proposition that ontological characteristics in reality should somehow be incorporated or reflected in a good theory. Even if we are concerned that theoretical assumptions should be as realistic as possible, then this does not mean that theory can be a mirror of reality" (p. 67).

Hodgson correctly reinterprets Lawson's point as one in which the fundamental problem of mainstream economics is not necessarily the use of mathematics per se, but rather "its elevation of the development of formal techniques over the analysis and understanding of reality" (p. 68). Finally, if we follow Lawson's criteria, then thinkers such as Coase, Hayek, North, Ostrom, and Williamson should be considered heterodox economists, yet these Nobel laureates are rarely considered heterodox economists by the heterodox community itself. Hence it is highly unlikely that his definition—as conceivable as it might be—will become widely accepted.

Ultimately, Hodgson's objective in criticizing both Lee's and Lawson's definitions is to propose a definition of heterodox economics as a branch of economics that is in opposition to orthodox economics defined "in terms of the centrality of the assumption of utility-maximizing agents with [stable] preference functions, otherwise known as Max U. . . . This postulate of maximization dovetails with the widespread use of equilibrium analysis: maximization occurs when an equilibrium is reached. . . . Max U enabled a particular type of mathematical formalism in economics, often including calculus" (p. 78). In other words, Hodgson argues that the orthodoxy should be conceived of as "characterized by Max U: he invokes a crude one-dimensional view of human behaviour that cannot do justice to multiple facets of human motivation—particularly moral motivation—that are relational rather than purely individual" (p. 80).

Hodgson closes chapter 2 by proposing that "the best definition we have for heterodoxy is an economics that rejects Max U with his preference function" (p. 80). According to Hodgson, under this criterion, "evolutionary game theory and parts of the new institutional economics (which do not assume maximizing behaviour) may be regarded as *mainstream* but not *orthodox*" (p. 79). In this sense, under Hodgson's definition, Coase, Hayek, North, and Ostrom should also be considered as part of the heterodox community even though they might be seen as mainstream economists.

Perhaps Hodgson's arguments here could have been more persuasive and useful for heterodox and non-mainstream economists alike if he had incorporated other portrayals of this mainstream-versus-heterodoxy debate from other branches of the heterodoxy, such as Peter Boettke's (2012) arguments for rekindling "the mainline of economics," E. Ostrom's (1998) plea for a behavioral approach to institutional economics and rational choice theory, and Vernon Smith's (2019) attempt to reconceptualize economics along the lines of Adam Smith's moral sentiments. I posit that both Boettke's (2012) vision of mainline economics and Hodgson's arguments against Max U could be fruitfully combined to carry heterodox economics forward into the future in a manner that rejects Max U while still focusing on purposeful but imperfect individuals—with different motivations—whose behavior and interactions are guided or affected by the institutions that determine both incentives and available information.

This alternative Boettke-Hodgson-Ostrom vision of heterodox economics could then fruitfully focus on a more complex theory of human motivation affected broadly by the institutions within which interactions takes place while allowing heterodox economists to escape ideological and political biases. Ultimately, the social order and human progress emerge not from perfectly rational individuals maximizing predefined utility functions, but from the attempts of imperfect and cognitively limited individuals to cooperate, exchange, and interact in a manner that might solve social dilemmas. Indeed, as Hodgson acknowledges, "the provision of a more complex theory of human motivation does not necessarily lead to anti-market policy conclusions" (p. 81). Hence, a fruitful research agenda for heterodox economists might indeed emerge from blending the powerful anti-ideological and scientific message from Hodgson with the insights of Peter Boettke, Elinor Ostrom, and Vernon Smith about the fundamental nature of economics and institutions.

A successful paradigm change in economics can only come about if heterodox economists are able to establish a consensus about heterodoxy's identity, an "agreement on the nature of the required change," and an "agreement on the kind of alternative theories that are to replace orthodox ones" (p. 82). I believe that a non-ideological synthesis of Hodgson's, V. Smith's, and Boettke's visions of economics could shed some light on the way forward for heterodox economists. Nevertheless, as Hodgson clearly and pragmatically reminds us, "any viable school of thought should have a shared *raison d'être*" (ibid). This academic *raison d'être* can be defined, according to Hodgson, in terms of four possible complementary criteria: (1) the study

of a specific zone of inquiry; (2) the promotion of a particular theoretical approach; (3) the promotion of a particular set of analytical techniques; or (4) the promotion of policies in a defining problem area. The “*raison d’être* may consist of one of these, or a combination of more than one” (ibid). This list is highly relevant to those, such as Austrian economists and institutionalist economists, who want to build today a successful and heterodox academic strategy.

Chapter 3 critically assesses David Colander’s claims concerning the fact that “mainstream economics is moving away from the central assumption of utility maximization” (p. 12). Hodgson argues that those claims are exaggerated. In fact, the opposite appears to be true: Max U is gaining ever more relevance in economics, and even behavioral economics has reconciled itself with utility maximization. Thus, “rumors of the death of Max U are exaggerated” (p. 84). Hodgson acknowledges that “despite numerous important developments in recent decades, mainstream economics may prove much more difficult to budge from its enduring core assumptions” (p. 13). This strong entrenchment of the core Max U assumptions in economics “suggest[s] more pessimistic conclusions concerning the possibility of changing the core assumptions of economics and thereby establishing a new paradigm” (p. 87). Hodgson present journal-citation data to argue that “the Formalist Revolution of the 1950s led to a consolidation of the hard-core assumptions of Max U. . . . Max U has survived the 2008 crisis without any wounds, and he seems alive and well” (p. 95). This is largely because the core assumptions of Max U are unfalsifiable, making the model invulnerable to evidence, falsification, or scientific scrutiny.

Importantly for economics, “the unfalsifiability of Max U at the core of mainstream economics places this discipline in a position different from others. . . . the role of Max U in economics seems unique. His unfalsifiability and simplicity are reasons why he lives on, and why a Kuhnian scientific revolution in economics is unlikely” (p. 99). This Kuhnian point made by Hodgson is extremely relevant for academic strategies since the status of Max U makes economics entirely unique and unlike other sciences: its core assumptions and vision are ultimately unfalsifiable and thus not prone to traditional forms of scientific revolutions that occur in other sciences. Hence bibliometric evidence, the simplicity of the orthodox approach, and the unfalsifiability of utility maximization undermine the claim that mainstream economics is actually moving away from its “holy trinity” assumptions of perfect rationality, narrow maximizing selfishness, and equilibrium.

The uncomfortable conclusion is that “heterodox economists may have to choose to live with Max U, or to abandon the academic power structures of economics altogether” (p. 87). Economics certainly faces a huge challenge in moving the discipline along the moral, philosophical, and behavioral lines delineated by Elinor Ostrom, Amartya Sen, and Vernon Smith and thus in rehabilitating the moral-sentiments approach of Adam Smith. In order to challenge Max U, heterodox economists need to pay attention again to these moral and philosophical issues and construct an alternative and institutionally oriented explanation of human behavior.

Chapter 4 considers the narrow branch of the heterodoxy known as evolutionary economics. Hodgson uses evolutionary economics as a case study of the possible strategies that heterodox economics in general could adopt in order to deal with academic power to challenge the orthodoxy. Alas, the strategy adopted by evolutionary economists has been to simply move away from economics departments and become academic exiles in (mostly) management departments and business schools; there is also “little further agreement on a core theoretical approach” (p. 112). Clearly, as Hodgson recognizes, this is not a long-term successful strategy, since evolutionary economics has now “become fragmented and divided, by multiple specialisms and disciplinary boundaries” (p. 13), which has postponed the development of a shared core identity. As a consequence of this fragmentation and self-isolation, “evolutionary economics has failed to invest in a viable theoretical core or provide another suitable *raison d’être*. . . . The necessary degree of consensus is more difficult to sustain in such [fragmented] contexts” (p. 122).

Chapter 4 also presents some bibliometric, cluster, and co-citation analyses to show that there has been insufficient institutional investment in developing a theoretical core; thus “additional institutionalized incentives are necessary. . . . the narrower stream of evolutionary economics lacks an adequate theoretical

‘hard core’ in the sense of Imre Lakatos” (p. 123). Hodgson argues that evolutionary economics is moving toward the “silo effect,” which “refers to an outcome of specialization and fragmentation, where sub-fields become less capable of reciprocal operation with related sub-fields” (p. 124). Inorganic and nonstrategic fragmentation has “not been matched by fruitful development of overarching theory, a common conceptual vocabulary, and common research questions” (ibid). Thus, evolutionary economists have been unable to propose their own academic *raison d’être* defined in terms of the four possible criteria identified by Hodgson above.

Chapter 5 seeks to bring together insights from the philosophy and sociology of science and from social epistemology in order to analyze the current state of the heterodox community as a scientific community. Following Michael Polanyi and Philip Kitcher among others, Hodgson argues that while pluralism is important to foster innovation, contestation, and creativity, a certain “degree of consensus over core issues is also necessary for sustained progress in science” (p. 13). Alas, such a degree of consensus is absent in heterodox economics. A crucial point in this chapter is that economics should be examined “not merely as a set of doctrines, but as a system of organized authority, requiring strategies of power to transform it” (p. 133). This point is crucial since it reminds us that we need to apply the analytical tools of science to understand the power of science itself. In making this point, Hodgson argues that the traditional emphasis of the heterodox community on pluralism is “one-sided” since “it overlooks the need to build up an empowered community of scientists sharing some common assumptions and with some agreement on key issues. . . . some kind of authoritative agreement is essential for science to move forward, and to create cumulative progress” (ibid).

The lack of focus on power and authority to sustain cumulative progress—“in addition to its chequered esteem in terms of quality”—partly explains the limited progress that heterodox economics has made since its consolidation in the 1970s (ibid). Ultimately, Hodgson crucially reminds us that “science is a system of power,” and thus, to function effectively, “science must be organized” (p. 137). It requires a certain level of common understanding and “fundamental assumptions and with some consensus on key issues” (Ibid). This is as essential to ultimately exercising power and authority as to monitoring quality, maintaining standards, and weeding out low-quality research; otherwise scientific progress “is impaired by endless dispute over fundamentals” (p. 139).

Any school of thought requires establishing strong institutions and rules so that expertise and authority can help monitor quality and keep a stable consensus around some fundamental issues. Hence, a fundamental message of the chapter is that “all functioning sciences are elitist—they proceed by authority, consensus and constructive dissent, not by democratic votes. . . . Science combines competition with hierarchical authority, the enforcement of rules, and limited entry” (p. 138).

Moreover, any school of scientific thought needs to balance pluralism and dissent with coalescence around some form of authority; otherwise, warns Hodgson, the economic discipline, like sociology, may come to suffer from “excessive diversity and insufficient consensus” (p. 141). When this happens, a discipline develops flawed screening criteria that might degrade the quality and the credibility of a scientific endeavor, which impairs the development of the science. If the heterodox community wants to establish rival centers of academic power, it needs to institute a stronger “degree of consensus and a sustained research focus that are so far lacking in the theoretically diverse and fragmented heterodox community. . . . without attention to such problems, heterodox economics is likely to decline still further” (p. 149).

Chapter 5 is also extremely valuable to economists and other social scientists alike concerned with social epistemology and the social production of knowledge since Hodgson, building upon M. Polanyi, provides a valuable overview of how science functions and produces knowledge. In short, “human cognitive capacities are thus irreducible to individuals alone: they also depend upon social structures and material cues. This is true for science as much as any other organized human activity. Science becomes institutionalized, to create ‘epistemic communities’ and ‘machineries of knowing’. . . . Scientific knowledge is developed by institutionalized communities of investigators that scrutinize others in their area and play a crucial role in the advancement or rejection of particular approaches to understanding” (p. 136). Ultimately, “scientific



advance depends on particular institutions and incentives that channel and combine varied individual incentives towards the general growth of knowledge” (p. 141).

The issues explored in chapter 5—problems with quality control, lack of consensus about fundamental issues, and unrestricted tolerance of diversity—help to explain the limited advancement and the weak influence of heterodox economics within departments of economics. When unrestricted tolerance is greater than authority, as is the case in heterodox economic circles, anything goes, leading to a failure of quality control in heterodox research. When pluralism and tolerance go too far, scholars in heterodox communities lack a strong institutional environment that can provide rigorous criticism and skepticism in order to improve arguments and, consequently, enable them to publish in leading academic journals.

Ultimately, novel, persuasive, and high-quality ideas can only be developed “in a climate of intensely critical, expert scrutiny, based on teams of well-informed specialists. . . . Even if the opposition is right and orthodoxy is wrong, the opposition can be seriously impaired by low-quality allies in its ranks” (p. 151). This self-perpetuating problem—in which groups that oppose consensus are denied academic power, forcing them to cling together in the fringes, after which they attract marginalized and low-quality new scholars, which ultimately allows weak arguments to persist and marginalizes the group even further—is what Hodgson denominates as “the Joan Robinson Problem” (p. 152), and it seems to threaten any form of academic heterodoxy that seeks to challenge the established academic consensus. Heterodox economists need to establish rules and institutions to balance their excessive diversity, and they need to establish a core consensus to allow them to exercise authority and address the problems of quality control and ideology that have plagued heterodox economic endeavors since their Cantabrigian origins.

The final chapter (6) considers eight possible non-mutually-exclusive academic strategies that could be useful for heterodox economics in order to start building a sustainable and successful future. As Hodgson suggests, “After several decades, with an evident decline of influence of self-described *heterodox* and *post-Keynesian* approaches . . . it is time for a serious re-evaluation of current strategy” (p. 153). In doing such a re-evaluation, Hodgson (pp. 154-55) proposes that any successful academic strategy for heterodox or non-mainstream economists needs five elements:

- 1) An adequate *raison d’être*, or reason for being.
- 2) A specific *institutional arena of engagement* with the existing segments of organized science.
- 3) Good *incentives* to attract high-quality and young researchers to join the community, incentivizing them to both remain active members and producers of knowledge for sustained periods of time, and also to abide and accept some defined consensus position.
- 4) Strong institutionalized mechanisms to sustain *quality control* and for *quality enhancement*.
- 5) A well-established and clear *degree of consensus* that both limits and guides pluralism in the field, as to encourage cumulative yet novel and creative knowledge.

Hodgson is well aware that these five requirements can be satisfied by different academic strategies. Nevertheless, it should be clear by now that contemporary heterodox economics has substantial deficiencies in all of these five aspects: there is little agreement on the *raison d’être*, there has been no substantial effort to define the institutional arena of engagement, there has been little attention to academic incentives, there are insufficient mechanisms to assess and enhance quality control, and there is a lack of a strong consensus to serve as an intellectual foundation.

Given these deficiencies, Hodgson (pp. 156–73) explores the pros and cons of eight practical academic strategies that heterodox economists could adopt: (a) split economics into mainstream economics and political economy; (b) rekindle the engagement with mainstream economics; (c) try to unify the social sciences into a broader multidisciplinary umbrella; (d) enter survival mode and leave economics departments for business schools; (e) abandon a generalist mission to change economics and focus instead on specialist regroupment around a particular approach or subfield; (f) develop theoretical alternatives to Max U; (g)

move the intellectual focus on institutions from inside economics; and, finally, (h) focus on institutions from multiple disciplinary perspectives.

After assessing these eight strategies, Hodgson argues that a plausible strategy going forward is a combination of four of them: (c) unify the social sciences, (e) engage in specialist regroupment, (f) develop alternatives to Max U, and (h) focus on institutions from multiple disciplinary perspectives including economics. According to Hodgson, “These four preferred strategies are complementary rather than mutually exclusive” (p. 175). Considering my nonmainstream experience as a political economist and considering Hodgson’s excellent analysis concerning the strong entrenchment of Max U in economics and how it is ultimately unfalsifiable, I think that strategy (f) (develop alternatives to Max U) is highly unlikely to succeed in the near future. Hence, it should be considered a very long-term strategy to pursue *after* some other successful strategy succeeds in the near future. Thus, I propose here briefly a modification of Hodgson’s proposal.

I consider that a more plausible academic strategy is a combination of just three strategies, what I denominate here as the “heterodox triangle”: (c) establish horizontal relationships to build a unifying theme around political-economy and institutionalist groupings within political science, sociology, and economics; (e) engage in a specialist regroupment for a subset of heterodox economists that involves organizing “around a particular approach that has evident success and future potential” (p. 166); and (h) focusing on institutions and institutional analysis from multiple disciplines including economics.

This feasible, and hopefully successful, academic strategy of the heterodox triangle has already been pursued—with some success—in different academic settings such as the F. A. Hayek Program in economics at George Mason University; the Political Economy Department at King’s College London; some branches of new institutional economics; the Ostrom Workshop at Indiana University Bloomington; the World Interdisciplinary Network for Institutional Research; and, finally, some academic journals such as the *Journal of Institutional Economics* and the *Review of Austrian Economics*. These examples all show, in different manners, a creative combination of (c), (e), and (h) as a plausible strategy to regain some academic power while still being part of the heterodox community in economics.

The broad objective of these attempts is to congregate scholars from different disciplines, including economics, who “are called upon to collaborate in the study of the institutions (and organizations) of economic life, and to create some consensus over core concepts. This more inclusive strategy draws from disciplines such as law . . . from philosophy and social theory because these disciplines are essential to understand the ontology of institutions” (p. 173). The relative success of some of these endeavors—such as the *Journal of Institutional Economics*, which has seen a quick rise in the academic rankings and achieved higher impact factors than most long-established heterodox journals—suggests that the heterodox triangle could be a fruitful academic strategy going forward for heterodox and nonmainstream economists. Given that interdisciplinary research is much less prominent in the United States than in Europe, chances are that this strategy will be more successful “in Europe than elsewhere” (p. 174).

To conclude this review essay, as Hodgson points out throughout this book, in order to change economics for the better along institutional and heterodox lines, we need to “address the systems of power and authority within the organizations of science and academia. We also need to consider the ways in which that power is created and enforced including the habits and conventions of scientific communities. To do this we need to break from individualistic views of how science operates. . . . The fate of heterodoxy is about the extent of its institutional power and esteem, as well as about its ideas” (p. 5). It is no longer viable for nonmainstream economists to keep working in the fringes as they have been doing for decades. Heterodox economists can no longer afford to rely on isolated and de-institutionalized views of how science produces knowledge and establishes power relations. If they continue as they have been, nonmainstream alternatives will be marginalized and meet their demise.

The heterodoxy is no longer living in the cozy Cambridge of the 1950s or 1960s: the academic cost of being heterodox has increased, while the benefits have declined substantially. The heterodox community needs to consider alternative strategies in order to survive, and it needs to understand how science operates: the crucial role of scientific networks, the role of incentives and consensus, and the institutions that must be

in place in order to enhance quality control and establish centers of academic power that can influence the scientific community. The heterodox community needs to reassess its academic-strategic options in light of the eight possible strategies suggested by Hodgson and especially the heterodox triangle suggested here.

Finally, the success of heterodox economists in regaining academic influence depends “on the strategic manipulation of the institutions of science. Instead of merely promoting pluralism . . . attention must also be directed towards screening out low-quality research and ultimately changing the consensus discourse. This must entail a strategy to establish positions of power within academia. Heterodox economists have given far too little attention to these issues, upon which their future depends” (p. 7). We can only thank Hodgson for telling us what is wrong with our current nonmainstream efforts and for shedding light on the strategic ways to build a better future for heterodox economists. We have a lot of collective, academic, and institutional work to do, but now, and thanks to Hodgson, it is clearer where to direct our institutional efforts and attention. Now is the time “to offer something better to the scholars of the future” (p. 175).

## NOTES

- 1 See Hodgson (2019b) *Is Socialism Feasible? Toward an Alternative Future*. Both books have something very important in common: both recognize that “by necessity both science and modern economies are decentralized coordination systems operating by devolved mutual adjustment among individual agents. These systems are both highly complex and rely on dispersed tacit and fragmented knowledge. Consequently, they cannot be adequately planned from the centre” (Hodgson 2019, p. viii). In both books the intellectual hero is the polymath Michael Polanyi, who greatly influenced F. A. Hayek and made crucial contributions to the social sciences, including the notion of tacit knowledge, the concept of polycentric systems, and the idea that markets and science are forms of spontaneous orders that cannot be centrally planned (Polanyi 1951).
- 2 For the remainder of this review citations without the authors’ name are all reference Hodgson (2019a).
- 3 Hodgson correctly points out that interpreting neoclassical economics and orthodox economics in general as a de facto defense of capitalism or markets is fundamentally wrong. Some of the most accomplished neoclassical economists have been either socialists or left leaning; Arrow, Stiglitz, and Krugman come to mind. Moreover, Hodgson (p. 158) points out that some crucial developments in general equilibrium theory in the 1930s–1940s were developed by Lange, Lerner, and others with the intention to prove—through neoclassical models—the feasibility of socialism and central planning. Similarly, you cannot define the heterodoxy as a left-leaning anti-capitalist endeavor once you recognize that there are several Austrian, neo-institutionalist, and evolutionary economists that are either pro market or, at the very least, acknowledge the fundamental role of capitalism and markets in economic development and progress.
- 4 Readers interested in the socialist calculation debate and the Austrian critique of central planning should consult Lavoie’s (1985) historical review of the debate. Hodgson correctly acknowledges that “the overwhelming and persuasive conclusions of these studies were that Lange and others had failed to answer adequately the criticisms of Mises and Hayek. Lange and others had not provided a satisfactory outline of a workable and dynamic socialist system” (p. 37).

## REFERENCES

- Boettke, P. 2012. *Living Economics: Yesterday, Today, and Tomorrow*. Oakland: The Independent Institute.
- Hodgson, G. 2019a. *Is there a future for heterodox economics? Institutions, Ideology and a Scientific Community*. Edward Elgar: Cheltenham and Northampton.
- \_\_\_\_\_. 2019b. *Is Socialism Feasible? Toward an Alternative Future*. Edward Elgar: Cheltenham and Northampton.
- Lavoie, D. 1985. *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered*. Cambridge: Cambridge University Press.

- Mearman, A., Guizzo, D., and Berger, S. (eds.) 2019. *What is Heterodox Economics? Conversations with Leading Economists*. London: Routledge.
- Polanyi, M. 1951. *The Logic of Liberty*. Chicago: University of Chicago Press.
- Smith, V. and Wilson, B. 2019. *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century*. Cambridge: Cambridge University Press.
- Ostrom, E. 1998. A Behavioral Approach to the Rational Choice Theory of Collective Action: Presidential Address, *American Political Science Review* 92(1): 1-22.