Past & future of pluralism in economics: a personal outlook

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Pluralism in economics: A research agenda

• Three main streams of pluralism-related research

Pluralism in economics: A research agenda

- Three main streams of pluralism-related research
  - “Justifying Pluralism”
  - “Analyzing Pluralism”
  - “Doing Pluralism”

- Analyzing pluralism
  - Current development in economic discourse and economics as a discipline.

- Doing pluralism
  - Using pluralism as a template for applied economics.
Analyzing Pluralism
Analyzing Pluralism
Retrospective: Citation Patterns between Mainstream & Heterodoxy

Interparadigmatic Discourse in Economics (1989-2008)

- A classic finding
  Heterodox Econ is “open” for mainstream ideas, while mainstream is discursively “closed”. No reciprocity - neither on the level of paradigms, nor when looking on single journals.
Analyzing Pluralism
Retrospective: Citation Patterns between Mainstream & Heterodoxy

Interparadigmatic Discourse in Economics (1969-2013): Analyzing a large-scale sample

• A classic finding
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Aistleitner/Kapeller/Steinerberger (2017): Citation Patterns in Economics and Beyond. Science in Context (forthcoming)
Analyzing Pluralism
Retrospective: Citation Patterns within Mainstream Economics

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Analyzing Pluralism
Retrospective: Citation Patterns within Mainstream Economics

- A more recent finding
  Mainstream discourse exhibits stronger hierarchies as other fields:
  - Major role for top journals (here: Top 5, see also: Fourcade et al. (2015) in JEP)
  - Top journals more self-contained as compared to other disciplines.
What I am worried about most of all, is what we don't see. So, I am worried about the analysis that is never seen, that never becomes a paper and it doesn't become a paper, because it can't become a paper. And it can't become a paper, because that's not what a paper in economics is all about. I am quite worried about that and we know such vacuums exist."

George Akerlof, ASSA 2017
„The Curse of the Big 5“
Analyzing Pluralism
Outlook: Institutional stalemate and structural asymmetry

- Full Sample
  Professors of Economics in the german-speaking countries (~600)

- Data corpus
  Biographical data, research interests, publications

- Paradigmatic classification
  - Based on: journal publications and classification of journal by the *Heterodox Economics Directory*
  - > 90%: „Mainstream“
  - ~5 % „pluralist“ (green)
  - ~3% „heterodox“ (red)

Analyzing Pluralism
Outlook: Heterodox Economics as a ‘generalist social science’?

“ Hence, from a traditional disciplinary perspective - where different disciplines are confined by distinct core areas of study - heterodox economics is really ‘economics’, while from a discursive perspective heterodox economics may seem like some kind of generalist social science, ready to diffuse its ideas in a series of disciplines and traditions.

Heterodox Economics Newsletter, Issue 199 (2016)
Analyzing Pluralism
Outlook: Heterodox Economics as a ‘generalist social science’?

An orthodox citation network

A heterodox citation network

… both at Vienna University of Economics & Business


Jakob Kapeller
Analyzing Pluralism
Outlook: Heterodox Economics as a 'generalist social science'?

since the middle of the 90ies: umbrella-term for alternatives to the standard economic approach.
Analyzing Pluralism
Outlook: New institutional venues & the next generation

• Is the future of pluralist economics outside of economics?
  • **Heterodox economics as generalist social science I:** Strongest heterodox departments in the German-speaking area are now located outside of traditional economics (Departments for Socio-Economics at WU Vienna and University Duisburg-Essen).
  • **Heterodox economics as generalist social science II:** Support for pluralist research hubs often comes from outside of economics (e.g. in Bremen from Business Studies, in Linz from Sociologists).

• The increasing scope of heterodox economics
  • Visible in newly founded journals like the *Review of Keynesian Economics* or the *Review of Evolutionary Political Economy*.
  • Increasing pluralism within heterodox associations

• Young researcher from the pluralism movement enter post-doctoral stage
  • **Heterodox economics as generalist social science III:** Often work outside economics.
Doing Pluralism
Debt, boom, bust: a theory of Minsky–Veblen cycles

Abstract: This article reflects on the economic development leading to the recent crisis and interprets this development as a series of events within a Minsky–Veblen cycle. To illustrate this claim we introduce conspicuous consumption concerns, as described by Veblen, into a stock-flow-consistent post Keynesian model and demonstrate that, under these conditions, a decrease in income equality leads to a corresponding increase in debt-financed consumption demand. Here Minskian dynamics come into play: if perceived economic stability causes banks’ margins of safety to decrease sufficiently, increased credit demand is accommodated by credit supply giving rise to a debt-financed consumption boom. As the solvency of households decreases and interest rates move up, banks reduce lending, triggering household bankruptcies and, finally, a recession. What follows is a stable period of consolidation, where past debts are repaid, financial stability is regained and conspicuous consumption motives may gradually take over again. We illustrate this approach to the current crisis and its explanatory validity by extending our stock-flow-consistent model into a dynamic simulation.

Key words: financial instability, inequality, business cycle, stock-flow consistency, Minsky, Veblen.

JEL classifications: B52, D11, E12, E20, G01.
Pluralism as 'Integration': Minsky-Veblen Cycles

- stock-flow consistent model
  - Two classes: Some share of workers loses income.
  - Emulation: Losers try to keep up with other workers/their old living standard - Credit-Demand!
  - Minskyian banks: economic stability - increase in risk-taking: Credit-Supply!
Minsky-Veblen Cycles: Results

Scenario 4a: Minsky-Veblen Cycles - Speculative Dynamics

Scenario 4b: Minsky-Veblen Cycles - Ponzi Dynamics

Scenario 4c: Minsky-Veblen Cycles - Hedge Dynamics
Pluralism as 'Diversification': Path-Dependency in Europe
Typical trajectories and the role of the crisis

Total debt/GDP: sum of public debt/GDP (AMECO data) and private sector debt/GDP (OECD data)
Pluralism as 'Diversification': Path-Dependency in Europe
Typical trajectories and the role of the crisis

Total debt/GDP: sum of public debt/GDP (AMECO data) and private sector debt/GDP (OECD data)
Pluralism as ‘Diversification’: Path-Dependency in Europe
Keynesian Macro + complexity-inspired visualization

Pluralism as 'Diversification’: Path-Dependency in Europe

(+) Technological path-dependency (e.g. Kaldor, Myrdal)

Greece: WLS on positive changes with recent export shares as weights

Germany: WLS on positive changes with recent export shares as weights

Figure 4: The directedness of technological change in Greece and Germany. While export expansions in Germany are positively correlates with product complexity, the inverse holds for Greece. The size and color of the points represent the average share of the products in the countries' export basket in 2012-2014. The regression line stems from the WLS estimation as described above. Dashed lines illustrate the estimation errors. Data: Atlas of Economic Complexity (2018) in its 12-2017 version (see data appendix for details); own calculations.

Gräbner et al. (2018): Structural Change in times of increasing openness. ICAE WP #76
Pluralism as 'Diversification': Path-Dependency in Europe

(+) Technological path-dependency (e.g. Kaldor, Myrdal)

The development of economic complexity in the EMU

Eastern countries: 
\[-0.51 + 0.66 \text{ comp}^{**}, R^2=0.65\]

All remaining countries: 
\[-0.51 + 0.3 \text{ comp}^{**}, R^2=0.34\]

Gräbner et al. (2018): Structural Change in times of increasing openness. ICAE WP #76
Conclusion

• Pluralist approach leads to new contributions/perspectives
  • Integration of different traditions: New Perspectives!
  • pluralism ≠ anything goes.

• Pluralist economics in practice: the new heterodoxy?
  • Post-Keynesianism + Old Institutionalism → Minsky-Veblen Cycles
  • + complexity economics → Polarization in Europe
  • + heterodox trade theory → path-dependency in supply-side structures!
  • (+ economic sociology → Performativity! Role of models in policy-making!)
  • … [many more things]
Many thanks for your attention!
Backup
Analyzing Pluralism
Outlook: Institutional stalemate and structural asymmetry

Research interests across cohorts: USA

Research interests across cohorts: Germany

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