

## *Heterodox Economics Newsletter*

A HISTORY OF HETERODOX ECONOMICS: CHALLENGING THE MAINSTREAM IN THE TWENTIETH CENTURY, Frederic S. Lee, Routledge, 2009.

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Frederic Lee's new book, *A History of Heterodox Economics*, as the title suggests, provides a historical description of the development of non-mainstream economic theory in the United States and in the United Kingdom. The approach taken in this book is different in that it is not an intellectual history. Rather, Lee provides the reader with a thorough, very well researched account of the people, the academic institutions, the conferences, and the journals that took part in advancing heterodox economics.

The book is divided into three parts, "Heterodox Economics in the United States", "Heterodox Economics in the United Kingdom", and "Heterodox Economics at the beginning of the Twenty-first Century". The first two parts are organized more or less in a chronological order from the late 19<sup>th</sup> century to the present. The third section defines in unambiguous terms, what is "heterodox economics", recent integration of heterodox economists, associations, and journals, and returns to some issues addressed in earlier chapters as to the methodology which may be applied toward the professional ranking of heterodox economics departments and journals. Lee notes in Chapter 1 that for heterodox economics, and a heterodox community to exist, it must be grounded in a social system that produces economic knowledge which contributes to the understanding of the social provisioning process. This book details the emergence of such a social system.

Part I of the book outlines the emergence of radical and Post Keynesian economics in the early twentieth century. There was an attempt towards the building of a heterodox community in the United States. At this time, the American economic academic environment was dominated by neoclassical price theory and its efforts were towards the extension of the marginalist revolution. The dominance of neoclassical theory in academia was taking place regardless of earlier attacks by the German Historical School, and by Thorstein Veblen, and Walton Hamilton. However, the marginalist theory, especially in the area of prices and pricing behavior, left the theory open to attack. This attack was led by Gardiner Means and furthered by Edwin Nourse and others. The work of the institutionalists led to a small fractured group of economists outside the mainstream of the economic discipline. Also, as Lee notes, by 1940 all the pieces were in place for an integration between Means's administered price theory with Keynesian macroeconomic theory. Such an integration would allow for a complete heterodox theory to compete with neoclassical theory. However, no such integration ever took place.

The removal of heterodox economics within academic institutions in the post-war period (1940s and 1950s) was both due to a theoretical divide and due to tense political pressure. The McCarthy era which swept the political and academic landscape in the US and its anti-

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communist beliefs led to the investigation and dismissal of any radical, or “unusual” economist. Unusual economists can be classified as those who were supporters of the New Deal or believe in other types of government regulation, supporters of labor and consumer unions, advocates for civil rights, etc. The attack was on heterodox economic ideology, not just on (what may be called) “card-carrying communists”. Furthermore, if political pressure was not enough, there was opposition from “respected” neoclassical economists dismissing heterodox theory as irrelevant or not even economics at all. The hysteria and second-rate attitude towards heterodox theory led to the suppression of Marxian theory, and almost complete extinction of Institutional theory in academia.

The 1960s led to new growth in radical and Marxian economics with the publication of *Monopoly Capitalism* and *Prosperity and Crisis*. There was also the emergence of several conferences, symposiums, and other educational opportunities and the emergence of the Union for Radical Political Economics (URPE) and the establishment of the *Review of Radical Political Economics* for the publication of scholarly papers.

Post Keynesian economics emerged in the 1970s from organizations like URPE, the Association for Evolutionary Economics (AFEE), the Association for Social Economics (ASE) and the Association for Institutionalist Thought (AFIT). Post Keynesian economics in the United States stemmed from the early contributions of Sidney Weintraub, Hyman Minsky, Paul Davidson, Edward Nell, Alfred Eichner, and Jan Kregel. The movement began as this core group felt that the *American Economic Review* was not open to heterodox economists and that something must be done about it. This objection led Eichner to form a mailing list open to all those non-mainstream economists who objected to the alienation of heterodox theory within the economics profession. This led to the creation of the social network of Post Keynesians (and other heterodox theorists) in the United States. Following this, Lee details the formation of the *Journal of Post Keynesian Economics*, the PK study groups, summer workshops, and the PK conferences which was led by Paul Davidson. Lee also details the rise and fall of PK economics at Rutgers and the resurgence of Post Keynesian economics in the modern day.

Part II of the book focuses on the history of heterodox economics in the United Kingdom. Lee continues the chronological history of heterodox economics in Britain beginning in the early 20th century to the present day. As it is in Part I, Part II begins with a history of Marxian economics in the UK. In this account Lee briefs the reader with early attempts for the study of Marxism which, in some cases, was suppressed. This suppression led to the Independent Working Class Education movement (IWCLE) in the 1920s and other Communist party and workers schools.

Aside from Communist party objectives, was very little engagement with Marxian theory within economics in British universities. The introduction of Marxist theory that was provided was critical rather than supportive. The economics in United Kingdom universities in the early to

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middle twentieth century also made direct efforts in their exclusion of historical and institutional economics along with Marxian economics. This was especially true at the elite universities of Cambridge, Oxford, and the London School of Economics along with other provincial institutions. In order to ensure that proper neoclassical economics was taught in the provincial schools, standard examinations written by the University of London must be taken which tested only neoclassical economic theory. This put at a disadvantage anyone who was trained in other, non-neoclassical disciplines.

Following this era, the 1960s and 1970s opened new avenues for Marxian theoretical development with the introduction of several New Left publishing outlets, including several journals and New Left Books. As Lee notes, these developments led to the possibility for contesting the neoclassical status quo of British universities. Activities in the 1970s to the mid 1990s paved new roads for the continued growth and development of heterodox economics. Particularly, the organization of the Conference of Socialist Economists along with the publication of the *Bulletin of the Conference of Socialist Economists* (CSE) provided the building of Marxian-Post Keynesian social organizations within the United Kingdom. Within Cambridge, there was the organization of the Cambridge Political Economy Society (CPES) and the introduction of the *Cambridge Journal of Economics* and the *Contributions to Political Economy* along with conference sponsorships. The CES and the CPES led towards the unique identity of heterodox economics within the United Kingdom. The growth of heterodox economics led into the mid eighties and nineties with new journals such as the *Review of Political Economy* and the *International Review of Applied Economics* was established. By 1996 a community of Post Keynesian-heterodox economics was alive and well, and continued to thrive within the United Kingdom.

Given the growth seen in heterodoxy in the 1980s and 1990s there was also some major setbacks. Not the least of these setbacks was the Research Assessment Exercise (RAE) imposed on British universities at this time. Lee goes into great detail of the stated objectives of the RAE, their actual objectives, and the implications this has on the teaching of and research in heterodox economics. To put it simply the objective of the RAE was to provide a framework in which to assess, and rank economic departments within the UK. This objective led to the rankings of economic journals, and the construction of the “Diamond List”. The Diamond List is a list of the core, superior, economic journals. Needless to say heterodox journals failed to make the Diamond List and were also not appropriately ranked to count as scholarly activity. These lists led to an initiative in the universities to objectively state within their departments that the awareness of “RAE criteria permeates all research and publication activities”, “there is a growing emphasis on publication in top 10 journals as the criterion of research performance”, etc. Furthermore, it was explicitly stated that recruitment practices were towards the goal of improving the rank of the department. To this end, only proper neoclassical economists were hired, especially those who had published, or show the potential to publish in Diamond List

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journals. In the present day, this practice had materialized as is shown by the dominance of mainstream theory in British universities.

Part III of Lee's book consists of the final two chapters of the book. In the first of these chapters, Lee focuses on the emergence of heterodox economics in the present day (1990-2006). Lee primarily concentrates on the professional integration of heterodox economists. There are separate focuses within heterodoxy (Marxian, Sraffian, PK, Institutional, etc.) however, Lee focuses on what makes these sub-schools theoretically similar rather than separate methodologies. Furthermore, Lee puts emphasis on conference and publishing outlets which are open to a whole range of heterodox thought rather than a specific subject within heterodox theory. Particularly, Lee focuses on associations like the Association for Social Economics (ASE), the Association for Evolutionary Economics (AFEE), and the Association for Heterodox Economics (AHE). Lee also details the organization and growth of the AHE annual conference, a conference which originated with Lee, Trigg, and Freeman. To the present, the AHE annual conference has been a success and is well known in the heterodox community as a conference for heterodox scholars to gather, share ideas, and develop heterodox economics.

In the last chapter, Lee provides a methodology to rank heterodox economics journals and heterodox economics departments. Lee simply provides a methodology and makes no attempt to actually provide such rankings of journals. However, Lee does provide a sample list of UK economics departments based upon the methodology developed. It is stated that the objective for rankings of economic departments and journals is to provide department chairs with an objective measure, and is to contribute to the production of heterodox economic knowledge. Furthermore, Lee puts forth that such rankings will put heterodox economics on the same footing as mainstream theory rather than being "second-class or invisible economists (p. 226)."

Overall, Frederic Lee provides a very well researched, thorough account of the history of heterodox economics in the twentieth century to present day as it was played out in the United States and in the United Kingdom. It is honestly a must read for anyone interested in heterodox economics. Lee's new book may be the only book of its kind to date. While some of the material that is in the book has been previously published elsewhere, the book as a whole provides a complete history of our discipline. Furthermore, Lee's *History of Heterodox Economics* is highly recommended to all graduate students studying heterodox theory. New Ph.D. heterodox economists, or graduate students (like myself) have greatly benefited from the struggles of earlier generations of non-mainstream thinkers. Lee's new book outlines these struggles and those individuals who fought them.