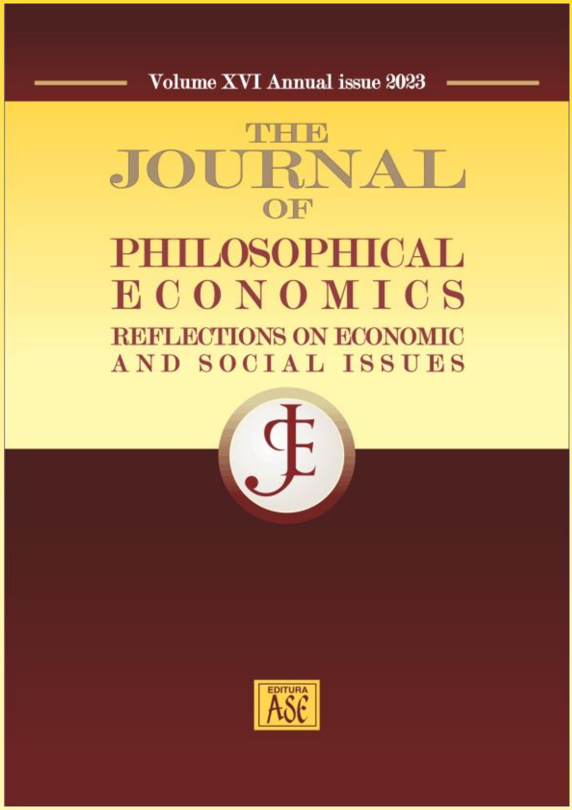
THE JOURNAL OF PHILOSOPHICAL ECONOMICS:
REFLECTIONS ON ECONOMIC AND SOCIAL ISSUES
Volume XVI Annual issue 2023
ISSN: 1844-8208
ISSN (print): 1843-2298

Paper format: 16.5x23.5 cm



A plea for pluralism

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Abstract: Mainstream economics is one way of understanding how the economy works, but mainstream economists argue much more: that mainstream economics is the *only* way of understanding the economy. Mainstream economists should embrace pluralism for reasons suggested by John Stuart Mill: as a guard against the tyranny of the majority, a tyranny that fortifies itself against doubt not by reason but by power; even if the majority is right and the doubters wrong, engaging with doubt is a way to strengthen correct arguments; and, most likely, according to Mill, there is partial truth on the side of heterodoxy as well as on the orthodox side. The two elements of the power of mainstream economists are related: the police power over what is and what is not published in the major journals, and the role of publication in these journals in the tenure process.

Pluralism is not an issue of concern to academics only. Economists of all stripes may try to construct the economy in the image of their theories, but for some time the mainstream has had the upper hand, just as it does in the academy. The push to deregulate the economy, which began in the United States during the Carter presidency, had its full flowering in the financial crisis of 2008.

What will it take to allow heterodoxy into the academy? If history is any guide, innovations in economics take root when they are allied to successful political movements. One case in point is the symbiosis between Keynes's *General Theory* and the New Deal and social democracy. Another is the resurgence of pre-Keynesian theory dressed up in the high-tech mathematics of New Classical theory and the coming to power of the apostles of neoliberalism in the 1980s. It's a good bet that for a new economics to take hold in this century, it will do so in partnership, however tacit, with a new politics.

Keywords: mainstream economics, pluralism

Introduction

My purpose here is to argue for a plurality of approaches to understanding the economy. I do not advance any single alternative to the mainstream and do not engage (very much) in separating those approaches to which I am sympathetic from those about which I am sceptical. My purpose in this paper is to argue against the continued dominance of a single kind of economics, a dominance so strong that outside the heterodox community, 'mainstream economics' and 'economics' are synonymous.

What is mainstream economics? For me it is an economics based on the idea that a competitive economy, an economy made up of price-taking agents, each too small to affect the market price, is self-regulating; that it produces efficient outcomes, including a job for every worker willing to work at the going wage in his/her chosen field. This is an economy in which agents act to maximize their individual well-being as they understand it. Society is simply a collection of these individuals.

Departures from perfect competition like oligopoly or monopoly, externalities or asymmetric information, rigidities, or frictions, may render the invisible hand incapable of providing the efficiency a competitive economy promises, but these imperfections are warts on the body of a market economy rather than fundamental defects. Imperfections must be addressed, sometimes by government intervention, but in general the cure lies in the market mechanism, not the heavy hand of regulation. And time cures all ills: in the long run the actual economy performs pretty much like the competitive model says it will.

Mainstream economists claim to be primarily in describing the world as it is, but the mainstream view is the product of an ideology that celebrates market interactions based on the rational calculation of individual interest. As Adam Smith wrote long ago in *The Wealth of Nations*,

> It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. (Smith [1776] 1982, pp. 26f)

Mainstream economics not only describes, it justifies market outcomes. More perniciously, given half a chance mainstream economists construct the economy in the image of their theory. Anon I will have something to say about deregulation, the brainchild of economists who took the theory so seriously in the last three decades of the 20th century that they destroyed a framework of controls that had served the United States well since the Great Depression.

Heterodox economics also purports to be concerned with description, but here too the ideological tail wags the descriptive dog. Karl Marx's economics is perhaps the best example. Marx claimed to offer a scientific explanation of 19th century capitalism, and he did indeed offer many shrewd insights. But Marx was no different from those he called 'bourgeois' economists in the extent to which his economics was suffused by ideology – a different ideology to be sure, but ideology none the less. I will come back to this point.

Alternatives to the mainstream

Some 20 years ago I began to teach an alternative introductory economics course, alternative to the very mainstream course taught under the supervision of Martin Feldstein. Marty, backed by an almost unanimous department vote, opposed any alternative to the mainstream course. His reasoning: there is good economics and bad economics. If you are planning to teach good economics, then you will be simply duplicating the existing course. If you are going to teach bad economics, obviously I will oppose you. My Harvard colleagues did not in fact mean to prevent me from teaching 'bad economics,' just not to neophytes, not before they were inoculated with the vaccine of orthodoxy and could withstand my poison.

My colleagues' tolerance missed the point that most students, other than majors in economics, do not go beyond the introductory course. In any case, while the mainstream course is the prerequisite for all further work in my department, it was never considered that exposure to alternative views should be required. A far cry from the endowment of the second chair at Harvard in 1727, the Hollis Professorship of Mathematicks and Natural Philosophy, for which Thomas Hollis enjoined the chair holder to teach multiple theories of planetary motion [1]:

> That his Province be to instruct the students in a Sistem of Natural Philosophy… in which [is] to be comprehended… the motions of the Heavenly Bodys according to the different Hypotheses of Ptolemy, Tycho Brahe, and Copernicus. (Peirce 1833, Appendix 16)

Fortunately, for me and I think for the students, the committee on general education felt differently from the Economics Department and sponsored my course in their list of course offerings. So, I had students from all over Harvard College – except from the Economics Department. [2]

I structured my alternative course around mainstream economics, offering other approaches as critiques of the mainstream. The first three weeks, approximately one quarter of the lectures and readings, were devoted to mainstream theories of consumer choice and production, demand and supply, and the Pareto efficiency of competitive markets. This was followed by what I called internal critiques, the warts recognized within the mainstream canon as imperfections that cause markets to fail.

The rest of the course was devoted to what I called external critiques, critiques from outside the mainstream: a critique based on the short shrift that distributional issues get in the mainstream canon; a critique based on Keynes's insights into the absence of any market mechanism for ensuring full employment and the consequent need for governments to take responsibility for satisfying this minimal requirement of efficiency; an ecological critique, which – instead of viewing the 'environment' as causing externalities for the economic system – sees the economy as a subset of the larger ecosystem; and, finally, a critique based on the foundational assumptions of economics, individualism, self-interest, the primacy of what I call algorithmic knowledge over experiential knowledge, and the absence of limits to human wants.

The common denominator of the external critiques was the challenge to markets as *the* principle of organizing economic life. This contrasts with the various internal critiques, the common denominator of which was that the cure lay in more and better – read more competitive – markets.

Why teach both mainstream economics and heterodox economics?

I did not present mainstream economics as a straw man to be destroyed by my critiques. Rather my intention was for students to understand mainstream economics as *one* way of understanding and being in the world. Especially the world created by the last 400 years of the history of the West and exported to the rest of the world over the last century or so. One way, not *the* way.

Why begin the course with mainstream economics if the point is to provide alternatives? One reason was that, like it or not, we live in the world that created mainstream economics and is not only justified by mainstream economics, but to some extent is created by mainstream economics. A second reason, especially for those who don't like this fact, is that mainstream economics is the language of power. If you want to challenge power, you must understand its language.

For some of my students, the second reason was the more important. These students could not get their heads around the assumptions of mainstream economics. They likely had not imbibed individualism, self-interest, algorithm, and unlimited wants to the same extent as their peers; in any case the mainstream way of thinking and being made neither intellectual nor emotional sense to them. But they did wish to challenge power, so they had better understand where mainstream economists are coming from. Over the second half of the 20th century, public policy making came to be dominated more and more by mainstream economics. It is hardly an exaggeration to say that mainstream economics has become the language of policy making. If you don't speak the language, you are unlikely to have a voice.

Among the advantages of a pluralist approach to economics perhaps the most important is opening students up to the idea that there is more than one way to think about the economy and its relationship to the larger society as well as to the larger physical system in which it is embedded. John Stuart Mill laid out the case for pluralism more than a century and a half ago:

> Protection… against the tyranny of the magistrate is not enough; there needs protection also against the tyranny of the prevailing opinion and feeling; against the tendency of society to impose, by other means than civil penalties, its own ideas and practices as rules of conduct on those who dissent from them; to fetter the development, and, if possible, prevent the formation of any individuality not in harmony with its ways, and compel all characters to fashion themselves upon the model of its own. (Mill 1863, p. 14)

Mill offers two distinct arguments:

> First, the opinion which it is attempted to suppress by authority may possibly be true. Those who desire to suppress it, of course deny its truth; but they are not infallible. They have no authority to decide the question for all mankind, and exclude every other person from the means of judgeing. To refuse a hearing to an

> opinion, because they are sure that it is false, is to assume that their certainty is the same thing as absolute certainty. (Ibid, p. 36)
>
> [Passing] to the second division of the argument, and dismissing the supposition that any of the received opinions may be false, let us assume them to be true, and examine into the worth of the manner in which they are likely to be held, when their truth is not freely and openly canvassed. However unwillingly a person who has a strong opinion may admit the possibility that his opinion may be false, he ought to be moved by the consideration that however true it may be, if it is not fully, frequently, and fearlessly discussed, it will be held as a dead dogma, not a living truth. (Ibid, p. 68)

There is a third argument:

> We have hitherto considered only two possibilities: that the received opinion may be false, and some other opinion, consequently, true; or that, the received opinion being true, a conflict with the opposite error is essential to a clear apprehension and deep feeling of its truth. But there is a commoner case than either of these; when the conflicting doctrines, instead of being one true and the other false, share the truth between them; and the nonconforming opinion is needed to supply the remainder of the truth, of which the received doctrine embodies only a part. (Ibid, pp. 88-89)

You may object that tolerance is all well and good for *opinion*, but economics is science, and there cannot be plural scientific truths. Either the earth goes around the sun, or the sun revolves around the earth. Ptolemy was wrong, and Copernicus was right.

It's become a cliché: everybody is entitled to their own opinion, but no one is entitled to their own facts. You don't have to look further than the insurrection of January 6, 2021, to appreciate the danger of people acting violently on the basis of their own facts. But the danger lies in the assumption that violence is a legitimate and necessary tool for effecting change, not in the questioning of received wisdom.

As it turned out, the facts at issue in the debate about 'the motions of the Heavenly Bodys according to the different Hypotheses of Ptolemy, Tycho Brahe, and Copernicus' (Peirce 1833, Appendix 16) were elusive. The appeal of Ptolemy's 'sistem' rested on its coherence with the biblical centering of our tiny planet as much as on its good fit and tolerably good predictive power of eclipses – provided enough epicycles were added. For those willing and able to transcend the ideology of a universe in which God had put humans at the centre, Copernicus proved more appealing. Ironically, Copernicus's sun-centred universe turned out to be hardly closer to the facts than Ptolemy's Earth-centred one; neither our planet nor our sun is at the centre of the universe. However limited, new ways of thinking opened people up to considering alternatives to Ptolemy. And vice-versa: the opposition between the two hypotheses opened people up new ways of thinking.

Nevertheless, mainstream economists aspire to the status of scientists, and the standing of mainstream economics as an apolitical body of truths on a par with those of the natural sciences depends on it being considered science. Joseph Schumpeter believed that careful analysis could separate a value-free theory, a scientific core, from a pre-analytic vision suffused with ideology. For Schumpeter, ideology is not the beam in someone else's eye, but the human condition. As he puts it: 'Wherever there is any possible motive for wishing to see [things] in a given rather than another light, the way in which we see things can hardly be distinguished from the way in which we wish to see them.' (Schumpeter 1961, p. 42)

The problem is that ideology continues to colour economic truths even after the distillation of what is presented as value-free theory. It might be otherwise if, as in the natural sciences, the phenomena studied were not constantly mutating. But as things are, ideology not only 'enters on the very ground floor, into the preanalytic cognitive act,' (Ibid, p. 42), ideology continues on the journey and suffuses the scientific core, the theory that Schumpeter, that the mainstream, supposes to be value free.

What difference would pluralism make?

A good illustration is the difference between mainstream macro and a macroeconomics based on Keynes's vision in *The General Theory* and developed in my recent book, *Raising Keynes* (Marglin 2021). For the mainstream, the obstacles to a self-regulating market are frictions, rigidities, and other departures from the competitive model – what I have called warts on the body of capitalism. Going back to the early years of the Keynesian revolution, the most frequently cited wart was rigid wages, and to this day I think most mainstream macro economists believe that if wages were flexible, there would be no involuntary unemployment. This is what is taught in Harvard's introductory economics course, and I dare say in most American colleges and universities. No less an icon of mainstream Keynesianism than Paul Krugman wrote this very clearly in *The Return of Depression Economics and the Crisis of 2008*: 'Shortfalls in overall demand would cure themselves if only wages and prices fell rapidly in the face of unemployment.' (Krugman 2009, p. 182)

Moreover, significant departures from the competitive model are limited to the short run; combining 'long run' and 'Keynes' is an oxymoron for the mainstream. The idea that Keynes has no bearing on long-run issues only makes sense if we accept a faulty premise and an illogical corollary, the premise being that the obstacle to full employment is the warts and not the body of capitalism, the corollary that the warts magically disappear with the passage of time.

In Keynes's view, the problems with achieving full employment without government intervention lie in the relationship between the financial sector and the so-called real economy of production, investment, and consumption. These problems are endemic; they do not disappear with the passage of time. This is not to say that Keynes was unaware of imperfections, rather that imperfections are simply a complicating factor which obscures the more fundamental reasons that *The General Theory* explores.

This is no mere academic dispute. The craze for deregulation that began in the Carter administration and gathered steam under Reagan, culminating in the deregulation of the financial industry under Clinton, was founded on the idea that a competitive economy is self-regulating. An army of policy wonks eagerly embraced deregulation in order to reconstruct the economy in the image of the economics textbooks. Alan Greenspan, former Chair of the Federal Reserve, was shocked! shocked! shocked! when he discovered that bankers did not put aside enough capital to cushion themselves against the risks they took on in the runup to the financial crisis of 2008 (US Government Printing Office 2008). Deregulation, particularly of the financial industry, was not solely responsible for the ensuing debacle, but it certainly was a contributing cause.

What difference would it have made if in the first decade of this century economists had understood the world in terms of Keynes rather than those of mainstream Keynesians? I can't claim that predictions would have improved.

But it's reasonable to suppose that followers of Keynes were less surprised by the financial crisis and its aftermath. And public opinion would have been better prepared for more massive stimulus than that provided by the American Recovery and Reinvestment Act, Obama's signature fiscal intervention. It is plausible that the recovery would have been stronger and quicker.

What will it take to make pluralism viable?

What will it take to make economics more pluralistic? One answer assumes survival of the fittest dominates the selection process. Heterodox economics is not embraced by the economics profession because it doesn't measure up: as Gertrude Stein wrote about her place of birth after her childhood home had burned down, 'there is no there there' (1937, p 289). The only way for heterodox theory to merit inclusion in the canon is for it to become a better theory, one which offers better explanation.

Behavioural economics is often pointed to as a better mousetrap that became mainstream by catching more mice. I think its success proves the opposite: behavioural economists have carefully avoided challenging the basic tenets of mainstream economics, preferring to tweak the canon by dropping one assumption or another while maintaining the rest. There has been little questioning of what it would mean for the ideology of mainstream economics if the challenge of behavioural economics to the role of rational calculation were applied across the board. The answer is – devastating.

The problem with survival of the fittest as an explanation for the absence of a heterodox voice in economics is that fitness is confused with merit. Fitness is indeed key to survival, but fitness is measured as much by subservience to mainstream norms as by intellectual merit.

The guardians of orthodoxy are everywhere. They dominate the tenure process, and they dominate the publication process that leads either to tenure or to banishment. My own tenure decision was too long ago to be relevant, but for the record I received tenure as a very mainstream economist.

On the other hand, I did recently have some experience with the publication process of the American Economic Review. A paper I submitted was rejected without formal review on the basis of an evaluation that made it clear that the reviewer both understood and had reasonable questions about the argument. And then:

> The paper's models… are a significant departure from current best-practice in their methodology. This is a concern for me, and I believe would be a major concern for readers of this journal. Readers will be expecting, as was I, an analysis that couched the behavior of both the model's firms and agents in an optimal decision-making framework. The usual assumption is that both are forward looking, rational and making optimal choices given expectations and conjectured price paths for key variables. In short, I expect a micro-foundation to be provided for the key equations that describe the macro aggregates. This was not done. Now, I don't think that this is a simple undertaking. And I do understand that this is not the author's point. But, I don't think that one can proceed to use such a profoundly different methodology (i.e., one that does not take as its point of departure individual decision makers, but instead starts from the aggregates) without at least a minimal level of critical discussion. Put simply, this is a show-stopper for me. (Personal correspondence)

Some will argue that behind the power of orthodoxy lies a far stronger power. The gatekeepers of the economics profession are in fact serving the interests of those who sit atop the pyramid of wealth or perhaps the interests of white supremacy or patriarchy. It may be true that defending the market, playing down distributional issues, and opting for interventions that strengthen rather than confront markets, all of these positions serve the interests of the very wealthy and (less convincingly) the interests of white men.

But this does not mean that the ideologues of capitalism are bought and paid for. Friedrich Hayek (1944) feared a planned economy as a steppingstone to political ruin. Milton Friedman may have believed with all his heart that regulating the marketplace would undermine political freedom (Friedman 1962, Ch. 1). At the same time, Harold Luhnow and friends and their foundations bankrolled these two Nobel laureates not out of a love for economic theory but because the arguments espoused by these academics served their interests (Oreskes and Conway 2022, pp 135-139). [3]

As long as the proteges are in sync with their patrons, there is no way to know who is calling the tune, the piper or the money bags. We would only know if the piper's tune ceased to be music to the ears of the patron.

None of this contradicts Keynes's dictum at the end of *The General Theory*:

> [T]he ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. (Keynes 1936, p. 383)

Yes, ideas are important – but hardly sufficient. The missing ingredient for heterodox economics to attain a hearing is symbiosis with a political movement that makes use of its novel ideas and in doing so both nurtures and is nurtured by it. Keynes once again provides an example: the new ideas of *The General Theory* made common cause with a newly ascendant political movement, the New Deal in the United States and social democracy in Europe. You didn't have to understand the intricacies of Keynes's argument to get the policy message, the justification of an activist fiscal policy. This fit well with the underlying political philosophy of both the New Deal and social democracy, which assigned an important role for government to address market failures. Not by more and better markets, but by direct intervention: spending and taxing in order to stabilize aggregate demand is a leading example.

It was hardly a coincidence that the dominance of Keynesian macroeconomics ended at the same time that the political coalitions behind the New Deal and social democracy collapsed. Nor was the virtually simultaneous rise of New Classical economics (aptly named for its championing of old verities by means of hi-tech math) and the rise of Ronald Reagan and Margaret Thatcher pure coincidence. Like the symbiosis of Keynes and political movements that stood for robust government intervention, the symbiosis of New Classical economics and the view that the state is the problem rather than the solution facilitated the rise to dominance of both.

There have been failures along the way as well. Along with many others of my generation, I hoped that fundamental changes in the economy, society, and polity would emerge from the civil-rights movement, the anti-(Vietnam) war movement, May 1968 in France and the 'hot autumn' later that year in Italy. There were lasting effects of these protests, but not systemic changes. This is not the place nor am I the person to analyse the failures of the 1960s. But I think it's fair to say that one reason was the absence of a coherent set of new ideas about the structures we would put in place of the existing ones; high on the list of what was missing was a new economics.

Outlook

The most recent example of symbiosis between politics and economics is the revival of social democracy in the United States and the emergence of modern monetary theory (Kelton 2020) from the shadows. The 'Bernie' phenomenon has had an important impact on making MMT a force with which the mainstream has had to reckon – a first step to recognition. [4]

The second decade of the 21st century has seen a variety of new political initiatives. It is too early to tell if any of them will take root. But one thing seems clear: those that are more than passing fads will engage with one brand of heterodox economics or another, perhaps an altogether new brand, forging an alliance with a new economics that feeds and is fed by the new politics. This seems reason enough to make space for heterodoxy.

Endnotes

[1] The commitment to exploring alternative natural philosophies was of a piece with the commitment to tolerance embodied in Mr Hollis's first benefaction, the Hollis Professorship of Divinity. Hollis, a rich London merchant and equally important, a Baptist and thus a dissenter from the religious orthodoxy of his times, encouraged pluralism in religion six years before doing the same in natural science; the rules and orders for the new chair, drawn up by a group of Hollis's advisers, stipulated only 'that the Professor be a Master of Arts, and in communion with some Christian church, of one of the three denominations, Congregational, Presbyterian , or Baptist' (Peirce 1833, Appendix 16). This may not seem particularly tolerant to our contemporary sensitivity but in the context of a Massachusetts Bay Colony that had sacked Harvard's first president for his Baptist views and exiled Roger Williams and Ann Hutchinson for their unwillingness to toe the Puritan line, it was tolerance in the extreme.

[2] I stopped teaching this course in 2011, taking on a new challenge of updating John Maynard Keynes for the 21st century. I erroneously thought Keynes would require only a temporary detour – in actuality this project took more than a decade to bring to fruition.

[3] Wealthy patrons for heterodox economists are much less common but not unknown. A classic example is Friedrich Engels' financial support of Karl Marx. Once again, this support offers no clues as to how much intellectual influence Engels wielded. A contemporary example of patronage for heterodox economics is the Institute for New Economic Thinking, originally bankrolled by George Soros.

[4] Having forsworn the role of critic for purposes of this essay, I will limit myself to a backhanded compliment that has been attributed to multiple wits (I heard it from Charlie Kindleberger): there is much that is good and original in this work; unfortunately, what is good is not original, and what is original is not good. The good in MMT comes from Abba Lerner's ideas on functional finance (Lerner 1941; 1943; 1944).

Conflict of Interest Statement

The author declares that there is no conflict of interest.

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