

The Dissent of Economists

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Holt, R.P.F. and Pressman, S. (eds.) *Economics and its Discontents: Twentieth Century Dissenting Economists*, Cheltenham U.K.: Edward Elgar, 1998. (ISBN 1 85898 272 3, ps. 289)

History of Economic Thought and Dissent

"Dissenting economists present an interesting and unique problem for historians of economic thought." (Clark, 1998, 267). This is the opening sentence of the final chapter in the Holt and Pressman book under review. For the same reason, this book is very interesting but also presents some unique problems for this reviewer when attempting to evaluate it to a HET readership. Interesting, because it has very diverse Twentieth Century economists that are examined in terms of their dissent from the writings and research conducted by the majority of contemporary economists at the time of the dissenters' most productive period. Problem, because economics is a social science and it is relatively easy for any economist to disagree on some aspect of the mainstream "opinion". This alone does not make that economist a dissenter, yet the editors in their introduction completely blur the distinction between disagreement and dissent (despite Clark, in the final chapter, making a clear distinction between the two).

To some extent, the issue of what is dissent in economics from the editors' perspective is reflected in the names of the 17 economists covered in 17 separate chapters and set out in alphabetical order. They are: Bergmann, Buchanan, Commons, Friedman, Hayek, Hobson, Kaldor, Kalecki, Keynes, Knight, Lange, Lowe, Means, Robinson, Schelling, Sraffa, Veblen. Immediately the reader can tell that this list must be based on a different definition to "dissenting" from the one used in the Arestis and Sawyer (1992) biography (mostly autobiographies) volume. In this latter volume there is the attempt to identify some unifying set of themes that unite the "dissenters". The Holt and Pressman book does not attempt to identify any recurring theme across its 17 economists. Dissent across the whole ideological spectrum is evident, all asking questions and writing in a way that challenges contemporary core majority opinion on crucial aspects of analyses in the profession. In fact, seven of the Holt and Pressman dissenters do not appear amongst the 85 biography entries published only six years earlier.

Historians of economic thought need to understand dissenters and the nature of their dissent for two reasons. First, it situates mainstream economics at a point in historical time relative to what the dissenters are expressing. Thus, Keynes's dissent in the 1930s tells historians much about the problems of the mainstream at that time. Similarly, Friedman's dissent does this for the 1970s.¹ Second, dissent provides a perspective on economics as a science, where it is and where the options lie for its development. Over time historians of the future should be able to assess how well economists were able to address crucial dissenting concerns of the time, or to what extent were the dissenters ignored. Much more than in the past, the majority of economists in the late Twentieth Century seem less inclined to pay attention to dissenters. This at least is the impression this reviewer has gleaned from reading the Holt and Pressman book.²

The objective of this paper is to provide a HET perspective on dissent within economics over the Twentieth Century with the Holt and Pressman volume as the basis for this examination. First, the paper discusses the nature of dissent itself (which the Holt and Pressman book covers well). The next section briefly outlines significant aspects of dissent that are not included in this book. Then, the paper argues that dissent needs to be placed into some overall context, rather than the alphabetical listing used in the book. Finally, the state of dissent in economics is presented as a "compass" to gauge the dynamic nature of this "science".

The Nature of Dissent

In their short editors' introduction Holt and Pressman set out the aims of the book. Essentially it is for each author to identify in the dissenting economist they are writing about, two aspects: (i) how and why the economist dissented from the prevailing wisdom, and (ii) analyse the nature of that dissent. Since every chapter is written by different authors, the extent and sophistication of achieving these aims vary considerably, but virtually all tackle both issues.³ The chapters are not biographies, but attempts to place the nominated dissenter into some context of dissent. This is important to appreciate. A reader should not consider that the chapter on an economist in this book is adequate in understanding their total professional output or even a representative sample of it. By reading these chapters the reader becomes aware of the wide dimensions of dissent in economic sciences. It is by studying these various types of dissent that we understand the nature of dissent.

Through all the different ways that every author attempts to explain the nature of dissent and why their dissenter did it (for every author approaches the issue differently, and even using different words like "disagreement" and "difference"), the nature of dissent becomes clear in three dimensions.

The most fundamental dimension of dissent is related to scope, method and content. *Scope* of dissent with the majority of the science relates to "...distinguishing features of the phenomena with which it deals, and the kind of knowledge that it seeks concerning these phenomena" (Keynes, 1955, 2; as quoted in Latzko, 1998, 229). This is the fundamental theoretical approach to economic phenomena, to which dissenters in the book have taken various positions. They can dissent that the scope is too narrow and it requires incorporation of wider analytical tools (Buchanan, Schelling); or that the scope is philosophically limiting and it requires a wider socio-political approach (Bergmann, Kalecki, Robinson); or that the pedagogical scope prevents the teaching of economics outside the interests of the majority (Robinson, Friedman). Veblen and Hobson dissent on all three forms of this scope dimension.⁴

Dissent from the *method* of analysis is central to the concerns of some other dissenters. They argue that the static-oriented neoclassical method that dominates prevents examination of the way that phenomena have evolved over time. Here dissent crosses the great ideological divide. Hayek⁵ supports methodological individualism, but rejects the neoclassical household management model and national based boundaries. He places his own form of the Austrian model of reproduction in its place. Frank Knight's dissent is against the imperialism of the positivist methodology and "scientific social control" that this approach engenders. From the other end of the ideological divide there is a large group of dissenters against methodological individualism and equilibrium analysis in neoclassical economics (Bergmann, Commons, Hobson, Kalecki, Keynes, Lowe, Robinson, Veblen; also to less an extent Kaldor with cumulative causation).

Dissent over *content* reflects the rejection of the orthodox subject matter in terms of "...independent variables which are considered to be wrong ones or not the most important ones, postulating relationships among variables that are mistaken in one way or

another." (Kurz and Salvadori, 1998, 243). Obviously, many dissenters on scope and method end up postulating different variables and are thus content dissenters. The book identifies a group of economists who are essentially dissenters over content and not with scope and method. These dissenters are:

- Friedman (on the role of money and consumption function),
- Kaldor (on tax, industry and incomes policies),
- Lange (on market socialism),
- Means (on administered prices and lexicographic consumer ranking),
- Schelling (on many areas including consumer self-control, self-control in international relations, racial segregation, global warming),
- Sraffa (on classical reproduction model).

Another dimension of dissent is whether it is based on intellectual or moral grounds. Intellectual dissent relates to practical reasons for opposition, like Keynes on the "classical" theory of self-clearing markets, Sraffa on long-period marginalist production theory, and Commons on the role of institutions in supplementing the neoclassical approach. Moral dissent is based on a philosophical view on the political or moral implications of the majority economics approach. Strong leftist political views unite a diverse group of dissenters: Bergmann and Hobson (on labour market exploitation), Kalecki and Lange (on full employment under socialism), Veblen and Lowe (on the neglected role of institutions as crucial controllers of the market system), Robinson (with all the above). On the political right there are also moral dissenters that can unite on the need for a subjectivist research program where individual choice and their relation to institutions need analysis (Buchanan and Hayek).

The intellectual/moral distinction is not a sharp one at all. The choice of the area of dissent reflects some moral position, irrespective how "intellectual" the analysis is presented. This blurred distinction does not come out in most of the chapters because the authors most often have not provided any biographical details on the dissenters' broad life experiences and how these experiences shaped their dissenting pursuits. From an HET perspective this neglect may be frustrating, but space limitation would dictate that concentration on dissent is more important than another biography (which in most cases there are some to refer to). More reference in these chapters to such biographical details from other sources, in relation to why they felt morally disposed to dissent, would have been appreciated.

The final dimension of dissent is in relation to whether the dissenters are "in-house" or external. The "in-house" dissenter maintains a strong academic economist profile within the discipline and reaches high academic status in university schools of economics and continues to publish in high-ranking journals. Their view of dissent is that they can have a stronger impact from within the profession, as long as they can be highly regarded. The five conservative dissenters in this collection are "in-house". All have achieved high status in the economics profession despite being dissenters. Three have gained the Bank of Sweden Nobel Prize (Buchanan, Hayek, Friedman), Knight finished his productive years before the award was introduced and Schelling is still highly productive. From the "in-house" radical (or progressive left) dissenters there are Keynes, Kaldor, Robinson, Sraffa, and Commons who have achieved notable academic success. All have been associated with strong reinforcing minority groupings (Cambridge, U.K.; and the US Institutionalists) established in the inter-war period when political views were generally more liberal in the economics profession (see in particular the chapter on Commons in the USA).

The external dissenter has been effectively excluded from the high ranks of the profession, with its related success and influence. Either by choice or forced to by their dissent, these "external" dissenters work from the edges of the profession and are often

considered more highly outside the professional economics ranks. This is particularly so for the two broadest dissenters in the collection, Veblen and Hobson. There is little biographical account of the dissenters but the following suffered or became marginalised for their dissent in their professional life: Kalecki, Lange, Lowe, and Means. The one remaining left-liberal dissenter, Bergmann, tends to work from the external mode, but as the most recent of the dissenters in the collection (and no biographical details at all) it is hard to judge her current status and situation.

Gone Missing

No book of the modest size of the Holt and Pressman volume can hope to cover everyone's favourite dissenter. There is ultimately some dissatisfaction by any reader with knowledge of dissenters in economics with who is left out, relative to the chosen ones. It seems surprising that the Holt and Pressman volume neglects the extremely small band of non-conservative dissenters that have been awarded the Bank of Sweden Nobel Prize: Myrdal, Simon, North and Sen.⁶ William Vickrey (1996 award) is only included in the book's dedication to recently deceased dissenters (the others being David M. Gordon and Hyman Minsky). Another extremely well-known non-conservative dissenter "missing in action" is John Kenneth Galbraith, who like Veblen is more highly regarded outside the profession than inside. His huge book output alone deserves some careful analysis of his dissent in a volume such as this. From a HET perspective, there is also the dissent of Heilbroner and his diverse output.

Three significant dissenting non-conservative schools of thought that have not one representative in this volume need to be mentioned. First are the Marxists. They have made strong contributions particularly in the dynamic areas of cycles, growth and economic development: notably Rosa Luxemburg, Paul Sweezy, Paul Baran, Anwar Shaikh, Howard Sherman and Tom Weisskopf. Second is the ecological economics school. Given the large environmental concerns in the general public and the stated concern by the editors in the introduction that the public is seeing economics as becoming irrelevant, the inclusion of one notable representative from this school would have been appropriate. The list to choose from could include Georgescu-Roegen, Boulding, Schumacher and Herman Daly.

A third school of neglect is one that historians of economic thought could do well to consider worth investigation as its relevance and impact is growing.⁷ In November 1998, the Australian Commonwealth Department of Industry, Science and Resources published a book entitled *A New Paradigm? Innovation-based Evolutionary Systems*. The book states that the "...past decade has witnessed the rapid development of a radically new school of economic thought, and one that may ultimately prove very influential in policy considerations." (Bryant and Wells, 1998, 1) This innovation-based evolutionary school rejects the neoclassical mainstream. Instead it begins by recognising, through empirical studies and then by inductive systems-based theory building, that market imperfections arising out of innovation and evolution of capitalism are the key factors in the generation of technological change and growth. The list of contributors in this school must begin with J.A. Schumpeter, a very surprising exclusion from the Holt and Pressman volume. The list could continue with R.R. Nelson, S.G. Winter (or together!), C. Freeman, G. Dosi, S. Metcalfe and W.B. Arthur.

The above discussion indicates that another complete volume of "the dissent of economists" could be produced, *without* expanding on other worthy dissenters within the schools already covered in Holt and Pressman.⁸ There does seem to be a predilection in the current volume for the more established "schools of dissent" that are discussed among economists generally (Post-Keynesian, Institutionalist, Austrian, Neoclassical conservatives). Are the more marginal and more difficult dissenters unwittingly omitted?

If the answer is in the positive, then the concerns of the perceived irrelevancy of economics becomes an even more serious matter.

Context of Dissent

The alphabetical presentation of the dissenters is puzzling. There are some strange readings that follow each other, bouncing all over the place. As it happens, two of the best chapters on the nature of dissent in general (before even going on to their respective dissenters) are at the very back of the book (Ch 15 on Schelling and Ch 17 on Veblen). There is no indication of which chapters should be read on the nature of dissent itself. Other good chapters on the nature of dissent are on Bergmann, Knight, Lowe, and Means. The need is for a better organisation of the chapters. Alternatives exist: (i) Some kind of ideological context of dissent could be used (e.g. radical dissent and conservative dissent); (ii) In "schools of dissent"; (iii) In time period groupings (early years, inter-war, immediate post-war, recent dissent). Any of these alternatives would provide a better guide to the reader on the context of dissent.

The broad nature of the content covered, and the vast range of experience by authors writing each chapter, leads to some inevitable unevenness with the individual readings. However, the most uneven aspect of the book is the HET context or lack thereof. Some chapters go to some effort to place the dissenter into a context of where the dissent comes from (Buchanan, Commons, Hayek, Kalecki, Keynes, Lange, Lowe, Robinson, Sraffa, Veblen), the rest do not give such a context.

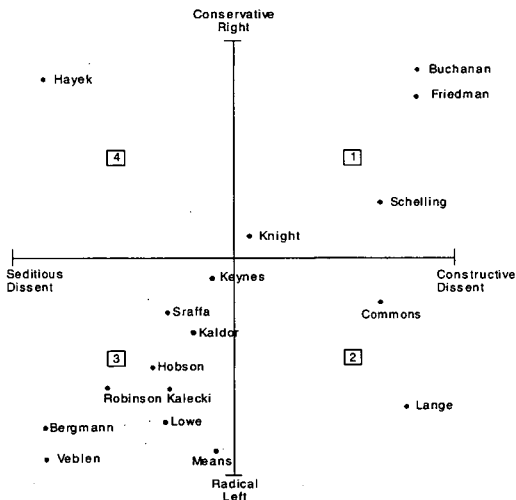
The most limiting aspect in the book is discussion of the long-term implications (if any) that these dissenters have created in the context of such dissent by their contributions to economics. The issue of whether dissenters have influenced the profession (like Keynes and Friedman), other disciplines (like Veblen), unions (like Hobson) or the general public (like Galbraith – not included) are important but left undiscussed by 11 of the 17 chapters. It certainly was not stated in the editors' aims, so maybe that is too much to expect from all the authors to cover.

The Missing Final Chapter

The introduction to the book is aptly short and to the point, because it merely provides the theme of dissent, the aims of the book and its relevance to economics (and HET). Given the diversity of dissent and the differing dimensions of this dissent, the book could do with a final chapter by the editors that pulls all this dissent together into a chapter on "the nature of dissent" as represented by the dissenters included in the volume. Many of these matters of dissent that could be included were raised early on in this paper. The further important issue that the final chapter could cover is the implications that the nature of dissent has for the state of dissent in economics.

The state of dissent can be described with the help of the diagram below. It is a four quadrant graphical space. The vertical axis relates to ideological position of the dissenter, from radical left on the bottom to conservative right on the top. At the origin lies the perfect ideological "middle ground". The horizontal axis relates to the ability of the nature of the dissent to be incorporated into the mainstream majority. Furthest to the left is "seditious dissent" which is too difficult or impossible to be incorporated into the mainstream. On the extreme left, at the bottom left hand corner would be Veblen's critique, while at the top left hand corner would be Hayek's critique. Both can never be compatible with mainstream neoclassical economics, despite the fact that both stand at opposite sides of the ideological divide.

Diagram: State of Dissent



On the diagram, furthest to the right is "constructive dissent" which can be used in a "constructive" positive manner to adapt and alter the mainstream neoclassical economics.⁹ On the extreme right, at the bottom right hand corner would be what Lee (1998, 2000) calls "progressive neoclassical economists". These are dissenters who use neoclassical tools to come to radical (social democratic or socialist) conclusions like Lange, or who argue for inclusion of certain "progressive" analysis into the neoclassical research agenda (Commons is appropriate but ideologically he is closer to the middle ground). At the top right corner would be extreme conservative ideological dissenters who use neoclassical tools for fundamentally conservative ends like Friedman and Buchanan. It is instructive to recognise that where, at the inter-war period Lange and Commons held some constructive influence, their type of analysis is much further away from acceptance now. Instead we have the accommodation of the dissent of the right in Friedman and Buchanan.

How to read the diagram: Ideologically radical dissenters are at the furthest ends of the vertical axis, with less ideological-based dissent as one comes closer to the horizontal axis. The further to the right one travels on the horizontal axis, the more the dissent can complement mainstream orthodoxy (in terms of scope, method and content) and less a threat to its hegemony. The most uncompromising non-complementary to orthodox dissent is at the extreme left.

By placing dot points roughly on this graphical space for all 17 dissenters, a pattern emerges as can be evident on the diagram. Each dissenter is placed on the diagram in terms of the state of their dissent relative to their contemporaries at the time. The radical left lie generally in quadrant 3, with the more radical extending further south-west. The conservative right lie generally in quadrant 1, with the more conservative extending further north-east. Very few of this dissenting collection lie in quadrants 2 and 4. It would be interesting to add more to this graph especially from the missing schools mentioned above to see if this pattern is reinforced or becomes diluted by greater spread of dots.

Over time, the nature of dissent varies in terms of the horizontal axis to a large extent. Keynes's dissent moved to the right significantly between the mid-1930s and the mid-1940s, many aspects of his dissent becoming incorporated into orthodoxy (leaving behind the more "seditious" elements). Then the dissent of Keynes started to move back towards the left. Commons's dissent moved to the right between the 1920s and now. While Knight's dissent has also moved about the same distance and direction as Commons over the same period. Some dissenter's contributions to economics have moved to the left, as their work is seen as more "seditious" (e.g. Lowe, Means, Kalecki).¹⁰ Movement over time in terms of the vertical scale is not so much a factor, since the ideological left/right spectrum still remains roughly the same, relative to each other (Veblen never is seen as less radical left than Keynes, despite the overall movement of society to the ideological right).

The diagram included here is a useful way to place the state of dissent into some kind of broad picture. This should help appreciate the nature of dissent in economics over a particular century (seditious or constructive; ideological position). The diagram can also show how that dissent varies over time (i.e. where to place the author now in relation to the mainstream compared to the mainstream of that author's contemporaries) and the nature of the acceptability of any such dissent by the mainstream.

Conclusion

Overall the book provides an impression that dissent has become less acceptable to the mainstream. This impression is based on the seemingly increasing difficulty dissenters have had over this century in affecting the path of the economics science. Veblen did have some influence on the USA psyche at the beginning of the century, and helped establish a growing Institutional School in economics through the inter-war period. Keynes and Friedman altered the professions' macroeconomic perspective during the middle of the century. Microeconomic change has been based on raising the threshold criteria for government intervention due to the influence of conservative dissenters of the 1960s and 1970s, but the neoclassical foundations have remained impregnable from extreme left or right positions. Impact on mainstream economics in the modern era is getting much more difficult to achieve for dissenters. This comes through particularly strongly in the Sraffa chapter, where despite even the top neoclassical economists agreeing that Sraffa is right and neoclassical economics is wrong, the textbooks still tell the wrong story and the Sraffa critique is ignored in the mainstream as if it never occurred.

If you read the Sraffa chapter you can see why there has been no effect. The chapter is a good effort to write a "simple" Sraffa story, but it will still not be accessible to many readers unfamiliar with Sraffa. The authors' reference to a "well-known example" (Kurz and Salvadori, 1998, 256) without spelling out the example adds to the feeling that the reader is not one of the privileged who can fathom this critique out. The Lowe chapter also shows that any simple, first year textbook version of dissenters' economics is a long way off.¹¹

Even more serious is the obvious lack of unity by dissenters in the same quadrant of the above diagram. Effort needs to be made to simplify and unite much of the dissents, distilling the various dissents into some coherent and simplified group of economic techniques and applications to real problems. The efforts by Friedman and Buchanan are commendable in simplifying their own models, and success has followed. The quadrant 3 dissenters have been "left" well behind in the exposition stakes recently. The supply and demand model might have its problems (see Lowe chapter) but its simplicity is its big asset in students' acceptability. Left dissent has a long way to go before it is a "credible opposition".

As usual, the Edward Elgar book production is excellent in format and presentation, with only one mistake being spotted.¹² The index is detailed and serves a very useful purpose in such a broad ranging book.

This volume should be read to appreciate the depth and breadth of dissent in economics. No longer is economics just about the mainstream, it is also *centrally* about dissent that provides a perspective on the current mainstream and may in the future be the new mainstream. Holt and Pressman do an excellent job of having a very diverse group of authors raise the whole issue of the nature of dissent and how it applies to great intellectuals in economics over one hundred years. Much however remains for historians of economic thought to take these chapters and explain the context of dissent. Such work would help appreciate what the mainstream is chiefly representing in comparison, and how dissent affects this mainstream. Ultimately it is the effective "praxis" role of dissent that determines the value of dissension within economics.

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Notes

¹ Recently Amartya Sen was named as the winner of the recipient of the 1998 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel for his contribution to welfare economics. He is one of the "dissenters" in Arestis and Sawyer (1992) and a most significant dissenter on the present state of mainstream economics. Does this 1998 award neutralise the effect of the 1997 award to Merton and Scholes who have recently seen their financial derivative "speculative" dealings contributing significantly to the destabilisation of the USA financial system?

² A sign of this is the way many majority-based economists regard criticisms of "economic rationalism" (known as "neo-liberalism" outside Oceania) as anti-economics (see Coleman, 1999).

³ In my estimation only one chapter fails to tackle the first aspect (Commons chapter), and four fail to tackle the second aspect (chapters on Buchanan, Hayek, Kalecki, and Robinson).

⁴ Veblen and Hobson are the only two dissenters in the book that were productive even before the turn of the Twentieth Century. A reflection that dissenters were broader in their dissent at the turn of that century than at the end of it.

⁵ The 1974 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel was co-presented officially to Friedrich August Hayek.

⁶ Myrdal and Sen appear as biographical entries in Arestis and Sawyer (1992). The other three awardees mentioned in the text also did not appear among the 85 entries in the 1992 volume.

⁷ Unlike the previous two schools mentioned, where it could be argued that their impact is waning.

⁸ My knowledge of conservative dissent is much less, so I am reluctant to suggest any further worthy additions. Two Bank of Sweden Nobel awardees in this list could be Coase and Robert Fogel.

⁹ Both terms "seditious" and "constructive" dissent are used by Elizabeth Paulin in the Bergmann chapter. Other authors in the book use other words or phrases to put across the same distinction.

¹⁰ Kalecki's theory of increasing risk was regularly cited by the mainstream throughout the 1940s and 1950s (e.g. Matthews, 1959), yet in the 1990s the complete dominance of the "efficient capital market"

finance model has seen that reference to Kalecki's theory totally disappear from the standard financial economics literature.

¹¹ Robinson and Eatwell (1973) attempted to provide a left dissenter's first year textbook and this worthy effort failed to get understood by its readership. This failure is not mentioned in the Robinson chapter. Failures by the dissenter are not acknowledged in any chapter.

¹² On page 65, line 13: end section with the statement "...that [instead of THAN] the current mainstream finds unacceptable."

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