

**Should heterodox economics be taught in economics departments, or is there any room for backwater economics?**

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### ***Introduction***

It is highly fitting to have a panel devoted to ‘teaching economics’ in Paris. No less than 15 years ago, in 2000, in downtown Paris, a group of students from the École Normale Supérieure, one of France’s elite schools, wrote a petition asking economics teaching to be devoted to the study of real-world problems, with an instrumental use of mathematics rather than to the description of imaginary worlds based on meaningless formalizations. The students also asked for a greater amount of pluralism in the way economics was being approached. They claimed that they no longer wanted to have ‘an autistic science’ being imposed upon them, as a result of which the group got called the post-autistic movement in economics. The petition made a big splash at the time, with a few other student groups internationally making the same complaint. A large number of university professors supported the student demands. An inquiry was called by the French minister of Education, led by no less an economist than Jean-Paul Fitoussi, and in England the French movement induced the creation of the ‘post-autistic economics newsletter’, run by Edward Fullbrook (2003), which eventually became the *Real-world Economics Review* with the constitution of a World Economics Association, along with a couple of sister electronic journals.

It is also fitting that we are meeting at the OECD, since, following a reflection over the recent or current financial crisis, a 2014 OECD report complained that ‘group

thinking sometimes precluded hearing diverse and diverging views', adding that prevalent economic models and analytical approaches often favoured a silo approach in policy making ... preventing from fully grasping the complexity of the global economy and the interconnectedness between and within economies' (OECD, 2014, p. 3). This sounds like a previous self-assessment of the failures of the IMF, which also blamed intellectual capture and group-think as a cause of the strongly held belief that any financial crisis was unlikely in advanced economies (Independent Evaluation Office of the IMF 2011, p. vii). Thus it would seem that the OECD leaders would give their full endorsement to the objectives of the student post-autistic movement!

Indeed, they would also seem to agree with the newer student protest movements, in particular the Rethinking Economics group, which started as a German initiative in 2012, then spread to the UK and later to a few other places in the rest of the world. This was preceded in 2010 by the rekindling of the French student movement in 2010, with a new generation of student leaders, under the name of PEPS-Économie – For a Pluralist Teaching in Economics – which was at the origin of the manifesto endorsed by more than 60 student organizations throughout the world. This was the May 2014 International Student Initiative for Pluralism in Economics (ISIPE 2014), which called for a triple kind of pluralism: pluralism in methods, pluralism in schools of thought and an integration of other sciences or social sciences – disciplinary pluralism.

It would also seem that the manifesto of the International Student Initiative for Pluralism in Economics as well as the older post-autistic movement would get the support of Thomas Piketty, the most-talked about economist for over a year. In the introduction to his famous book, he wrote a long indictment of orthodox economics in the introduction to his famous book, complaining about its childish desire for useless mathematical elegance, its obedience to ideology, and its lack of disciplinary pluralism:

To put it bluntly, the discipline of economics has yet to get over its childish passion for mathematics and for purely theoretical and often highly ideological speculation, at the expense of historical research and collaboration with the other social sciences. Economists are all too often

preoccupied with petty mathematical problems of interest only to themselves. This obsession with mathematics is an easy way of acquiring the appearance of scientificity without having to answer the far more complex questions posed by the world we live in. (Piketty 2014, p. 32)

### ***Reform of the mainstream or the promotion of alternatives?***

Still, despite all this, and despite the Global Financial Crisis that took mainstream macroeconomists by surprise, many of them having claimed that the progress of the economic science had brought about the Great Moderation, the end of economic crises and a near-perfect understanding of how the economy works, nothing has changed in the classrooms or in academic journals. In France for instance, which is certainly one of the countries where heterodox schools of thought and iconoclastic views were always strongly present and had a vast influence throughout the world, it may be claimed that things are even worse than they were in 2000.

First, in 2010, the economic content of the social sciences being taught in high schools has been greatly modified and given a much mainstream microeconomic profile, where markets bring together households and firms through standard demand and supply curves, despite the objections of social sciences high school teachers and those of heterodox economists working in universities (Autisme-Économie 2010). Second, a study made by the Association française d'économie politique (the AFEP, in English the French Association of Political Economy), newly created in 2009, with over 600 members, has revealed, to the surprise of no one, that whereas 18 per cent of the nominations to full professorship in France were awarded to economists belonging to the heterodox traditions during the 2000-2004 period, this number had fallen to 5 per cent for the 2005-2011 period.<sup>1</sup> Third, French mainstream economists can now brag that the main figure of their darling Toulouse School of Economics, Jean Tirole, has been

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<sup>1</sup> The study was conducted by Florence Jany-Catrice. See French Association of Political Economy (2014).

bestowed with the 2014 Nobel prize in economics, thus providing legitimacy, if need may be, to abstract theorizing based on unrealistic assumptions.

It may be fitting to recall at this point that Bernard Maris, who was assassinated in the Charlie Hebdo terrorist attack of January 2015, had long been complaining about scientific taylorism and ignorant scientists or scholars. Indeed, Maris, who for a large number of years was a colleague of Tirole in Toulouse, had once written, as recalled by the magazine *Marianne*, that 'the theoreticians of industrial economics (the field of Tirole) are a sect the obscurantism and fanaticism of which are terrifying. It is not difficult to spot the taliban behind the expert, and a religious madness behind the folly of incentives'.<sup>2</sup> Twenty-five years ago, Maris (1990, pp. 62-5) was complaining that mainstream economics was hypnotized by mathematics, a complaint that would soon be picked up by Tony Lawson (2012), and Maris was objecting already then to the movement towards the micro-foundations of macroeconomics which has completely perverted contemporary macroeconomics, to the point that Willem Buiter (2009), yet himself a neoclassical economist, has argued that 'the typical graduate macroeconomics and monetary economics training received at Anglo-American universities during the past 30 years or so may have set back by decades serious investigations of aggregate economic behaviour and economic policy-relevant understanding'.

Thus Buiter, a former collaborator of James Tobin, is telling us that the curriculum in monetary economics and macroeconomics must be completely reformed. But what about microeconomics? Colleagues in business schools who teach marketing tell us that neoclassical microeconomics is totally useless for that purpose. Useful tools, such as price elasticity or income elasticity, do not require any knowledge of topology or

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<sup>2</sup> As cited by Hervé Nathan, in *Marianne*, 15<sup>th</sup> January 2015, <http://assoeconomiepolitique.org/marianne-13-janvier-2015-tout-le-monde-nest-pas-bernard-maris/#more-3265>. In the original French: « Les théoriciens de l'économie économie industrielle (c'est la spécialité de Tirole) sont une secte, dont l'obscurantisme et le fanatisme donnent froid dans le dos. Il n'est pas difficile de repérer le taliban sous l'expert, et le fou de Dieu sous le fou de l'incitation ».

other arcane concepts which are at the heart of advanced neoclassical microeconomics. Geoffrey Hodgson (2012, p. 103), the well-known Institutionalists, reminds us that rational choice theory, as can be found in neoclassical microeconomics, is useless because ‘models of utility-maximising behaviour can always be adjusted to fit the facts’, and thus that the ‘the assumptions of utility theory cannot be falsified’.

A different take is put forth by Bernard Guerrien (2003, p. 104), a French mathematician economist who has written a series of microeconomics textbooks which have been used by generations of French students. He claims that there is nothing worth keeping in standard microeconomics, arguing that not only is neoclassical microeconomics *unrealistic*, it is also *irrelevant*.<sup>3</sup> Affirming that ‘assumptions of standard microeconomics are not at all relevant’, he affirms that ‘it is nonsense to say ... that relevant results can be deduced from assumptions that obviously contradict almost everything that we can observe around us’. Guerrien (2003, p. 105) criticizes those who believe that ‘if we work hard, relaxing some assumptions and using more powerful mathematical theorems, microeconomics will progressively become more and more realistic’, as one adds imperfect competition, asymmetric imperfect information and game theory. The critiques of Buiter and Guerrien direct us towards the introduction of alternative theories and approaches in the economics curriculum, and not towards some superficial curriculum reform that would be similar to a minor plastic surgery.

Within INET, as is known by many participants to this conference, this choice in curriculum change between promoting alternatives or a mild transformation of the mainstream has given rise to two currents, the former being promoted by team Skidelsky while the latter was staged by team Carlin, under the name of the CORE project. I have very briefly expressed my impressions of the CORE project, following a presentation of some of its features that was made in Toronto in 2014 (Lavoie 2015a). I

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<sup>3</sup> Similarly, Lawson (2012, p. 17) claims that ‘the scandal of modern economics is *not* that it gets so many things *wrong*, but that it is so largely *irrelevant*’. This sounds like Hodgson (2012, p. 103) pointing out that for a number of economists, ‘economics itself is a formal game, with little connection with reality’.

have also made an extensive review of the revised macroeconomics textbook written by Wendy Carlin and David Soskice (2015), which, I suppose, represents their views of what a reasonable and eclectic macroeconomic theory at the intermediate or advanced undergraduate level should look like (Lavoie 2015b). My conclusion about the book – which is a commending effort at providing a clear and pedagogical tool – was the following: despite all of its refinements and some of its more realistic assumptions, for instance the introduction of an endogenous supply of money, it still appears as a defense of orthodox economics as it first got redefined with the arrival of the monetarist counter-revolution and its extension by Lucas's new classical economics, based as it is on the concept of a unique natural rate of unemployment – characterized as a strong attractor of the actual rate of unemployment and accompanied by a unique natural rate of interest.

As to the CORE project, Jamie Morgan (2014) and the (British) Association of Heterodox Economics have made a thorough analysis, concluding CORE had modified the form rather than the content of a principles course and that this was not what they were looking for. The Rethinking Economics collective has similarly issued a press release in October 2014, pointing out that CORE still seemed to rely on a single narrative and hence did not provide content that would allow students to 'engage in debate over schools of thought', reiterating once more that the collective was looking to the three kinds of pluralism already mentioned: methodological pluralism, theoretical pluralism and disciplinary pluralism.<sup>4</sup> Finally, the Post-Crash Economic Society (2014, pp. 53-4), a collective of students located at the University of Manchester, gave a more positive appraisal of the CORE program but concluded nevertheless that the students 'still fundamentally disagree with some important aspects of CORE and do not believe that it will produce the type of economists that society needs', adding that 'the monopoly of neoclassical economics and the absence of any competing theories is the biggest failing of the CORE project', while ultimately giving their blessing to the program advocated by

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<sup>4</sup> See 'Rethinking Economics position on CORE curriculum': <http://rethinkingeconomics.blogspot.ca/2014/10/press-release-rethinking-economics.html>

team Skidelsky. As reported by the *Economist* (2015), ‘two rather different questions have been posed. One asks whether courses do a good job of equipping students with the most important insights from mainstream academic research. The other asks whether young economists should learn more than just today’s favoured approach’.

### ***Only the French can criticize France***

The subject of curriculum reform in economics cannot be discussed independently from the lack of pluralism in the economics profession. How and what kind of economics should be taught cannot be looked at in isolation. There is a whole series of institutional barriers that makes difficult, if not downright impossible, an extended and substantial curriculum reform in economics. These obstacles, as recalled by Jack Reardon and Maria Alexandra Madi (2014, p. 7), include ‘university departments, associations, journals, classification systems, economics 101 textbooks’.<sup>5</sup> To these we can add the quality assessments of research that first got started in the UK, standardized or benchmark tests of student knowledge, and the self-referential behaviour of neoclassical economists. I will only deal seriously with the last of these obstacles.

There is substantial bibliometric evidence that neoclassical economists pay little, if any, attention to the ranting of heterodox economists (Dobusch and Kappeler 2013). Or if they do, their sources usually come from blog postings. On the other hand, as recalled by Fred Lee (2013, p. 114), heterodox economists cite papers from mainstream journals and engage with what some would call orthodox frontier research. Thus, in

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<sup>5</sup> On classification systems, more specifically the way research is being evaluated today in mainstream-dominated committees, Piketty (2014)’s book would count for nothing at all since only articles published in a given list of journals are taken into account and awarded stars. Mind you, things are only marginally different from what they were already 50 years ago, when the bestsellers of John Kenneth Galbraith were also disparaged by his colleagues at MIT or at the University of Chicago. As commented by Philippe Frémeaux, a dissident member of the Hautcoeur working group, to be mentioned later, ‘it is paradoxical that academic economists, who pay so much attention to the notions of supply and demand and to incentives, turn out to be so insensitive to market signals’. See:

[http://campus.lemonde.fr/campus/article/2014/06/07/des-pistes-pour-reformer-l-enseignement-de-l-economie-dans-le-superieur\\_4434135\\_4401467.html](http://campus.lemonde.fr/campus/article/2014/06/07/des-pistes-pour-reformer-l-enseignement-de-l-economie-dans-le-superieur_4434135_4401467.html)

contrast to what is sometimes asserted, heterodox economists do practice a form of pluralism through their engagement with orthodox economics. But it takes two to tango.

While several neoclassical economists, perhaps mostly those that I have designated as being orthodox dissidents, have criticized neoclassical theory as found in textbooks and even in top-notch journals, few have been willing to endorse the complaints of student leaders or those of heterodox economists. It would seem that internal criticism is legitimate but external criticism is not (Morgan 2014, pp. 11-12). Orthodox economics is like an old boys' club, which defends its members against external critique whatever mistake they have made. Whatever happened, they close ranks. It is similar to what can be observed here in Paris if you enter into a discussion in a café: you are welcome to criticize France and the French if you are yourself French, but not if you are a foreigner or if you don't seem to have a Parisian accent!

To take a local example, John Kay (2011, p. 4), an INET advisory board member, has complained that New Classical macroeconomics relies on descriptions of 'complete artificial worlds', a 'curious combination of ideology and mathematics', which seems to replay the debates that occurred in the 1930s and that seems to ignore the lessons that were drawn from the Great Depression. Kay (2011, p. 5) appears to be even doubtful of the usefulness of contributions by New Keynesian authors, like Joseph Stiglitz, another INET advisory board member, 'who favours many of the Lucas assumptions, but gives critical importance to imperfections of information'. Kay is thus all in favour of pragmatism and eclecticism. However, when responding to the ISIPE manifesto and the document prepared by the students at the University of Manchester, Kay (2014) argues that 'their professors reject the introduction of these alternative schemes [alternative paradigms rejecting the dominant rational choice paradigm – heterodox economics] for the same good reasons that their science colleagues would reject phlogiston or creationism'. But here, as pointed out by a student from the Glasgow Real World Economics Society, Severin Reissl (2014), there is a bit of an irony: creationism and



phlogiston came to be rejected because they failed to be confirmed by empirical evidence: so why is it that DSGE models, which are based on calibration and cannot be falsified while their assumptions are contrary to factual evidence, are still being considered as the *nec plus ultra* of macroeconomics?

Robert Solow has himself been puzzled by this, wondering why young and bright economists would pay homage to such models. He has argued that with its use of calibration 'modern macro has been notable for paying very little rigorous attention to data' and that the tests that have been used have 'no power to speak of against reasonable alternatives' (Solow 2008, p. 245). But while Solow has been a harsh critic of DSGE models, before and after the Lehman Brothers debacle, this did not stop him in a letter to *Le Monde* in December 2000 from chastising the leaders of the French student movement for having complained about the lack of realism and pluralism in economics. Speaking of Solow, one of the defenders of neoclassical theory during the Cambridge capital controversies in the 1960s and one of the originators of growth accounting, it is remarkable that orthodox economists still continue to use the neoclassical aggregate production function despite the results achieved during these controversies and despite the proofs provided by Anwar Shaikh (1974) and then by Jesus Felipe and John McCombie (2013), who have demonstrated that the parameters that can be estimated from regressions on deflated values in no way measure output elasticities of factors of production but measure instead profit and wage shares.

Another anecdote concerning the lack of engagement of neoclassical economists vis-à-vis external critiques involves Alan Kirman, a highly-respected mathematician economist who has been quite critical of models based on the representative agent. Indeed, Tony Lawson (2012, p. 12) considers him 'amongst the most open-minded and reflexive of mainstream economists'. Kirman (1989) has written frequently-cited papers on the devastating consequences of the Mantel-Debreu-Sonnenschein theorem for standard economic analysis. I had an informal talk with him about this when attending an INET workshop at the Fields Institute in Toronto in 2013. Since not that many people

have worked on the Mantel-Debreu-Sonnenschein theorem, and because Kirman has long been living in France and reads French, I assumed that he had seen the book that Guerrien (1989) had devoted in its entirety to the consequences of that theorem – a book written at the same time period that Kirman was displaying his own conclusions. But Kirman had not read it, and from his email response when I provided him with the exact title of Guerrien’s book, I could see that he had no intention of giving it a look.<sup>6</sup> Obviously, it was fine to be an orthodox dissenter, but asking such a dissident to read the work of a heterodox dissenter, even one that had an extensive knowledge of the intricacies of neoclassical theory, as must be the case of Guerrien, was just asking for too much.

A final example is that of Paul Krugman. While being a hard-line critic of what he has called freshwater economics – New Classical economics – Krugman has had no patience for heterodox rants, which he was forced to consider due to the magic of the web. While Krugman recognizes that most heterodox authors, at least those with left-wing inclinations (meaning not the neo-Austrians), are in full agreement with him on issues tied to short-run economic policies, he tends to disparage their theoretical writings, using his position to dismiss the originality or the relevance of such authors whenever others were attempting to give them some visibility.<sup>7</sup>

Without going into any detail, a few instances can be given here. Krugman has had a few posts objecting to modern monetary theory (MMT) or neo-chartalism. While Krugman in 2011 initially felt puzzled by the high rates of interest in Spain or Italy, he later adopted the MMT explanation and terminology of currency issuer and currency

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<sup>6</sup> Personal email communication, 7 November 2013.

<sup>7</sup> Krugman (2014), as did Piketty (2014), also claims that Robinson and Kaldor had been proven wrong in the course of the Cambridge capital controversies, despite Paul Samuelson acknowledging the opposite back in 1966. In the same post he denies that marginal productivity theory has anything to do with the New Keynesian model, but elsewhere Krugman rejects or at least minimizes the contribution of Hyman Minsky on the grounds that ‘Minsky had rejected neoclassical micro theory and the marginal productivity theories of income distribution’ (Mirowski 2013, p. 292).

user, while making reference instead to the writings of Paul De Grauwe, a fellow dissenter orthodox economist. Similarly, his views on the (im)possibility of default for the US federal government gradually moved towards those of MMT, but again, without referencing MMT, whose adherents have nevertheless commented so often on his posts. When the writings of heterodox authors are brought to his attention, like in the case of Wynne Godley, to whom I have a special attachment having been his co-author, Krugman asserts that it is all old-hat, a claim that is rather ironic given that Krugman (2013; 2015b) seems to admire and to rely so much on the old IS/LM model, which is not stock-flow consistent whereas Godley's models are. Both Krugman and Simon Wren-Lewis, who is also puzzled by the heterodox insistence to claim their own identity, keep repeating that assuming models based on optimizing behaviour and rational expectations are highly unrealistic, but they keep admitting that this is the only game in town if you want to partake with the mainstream. Indeed, both Stiglitz and Krugman have recognized that they have inserted these kinds of assumptions in their models in order to get their papers accepted in the good journals even though they knew that the assumptions did not make any sense.<sup>8</sup> In what kind of scientific world are we living?

***Heterodox economics is more than a critique of the mainstream***

A radical reform of the curriculum within economics departments is unlikely because orthodox economists don't seem to realize that the heterodox critics of neoclassical or mainstream theory have more than a negative message to transmit to students and the profession. Because orthodox authors usually read writings of heterodox authors only when they are being criticized, they don't realize that heterodox authors also make positive contributions to economics, many of which are formalized, but with models based on different assumptions. If by any bad luck neoclassical economics were to disappear completely from the surface of the Earth, this would leave heterodox

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<sup>8</sup> See the statement from Stiglitz quoted in Mirowski (2013, p. 271) and the statement from Krugman quoted in Vernengo (2013, pp. 165-60), as well as Krugman (2012).

economics utterly unaffected because heterodox economics has its own agenda, or agendas, and its own methodological approaches and models.

This was pointed out by the PEPS-Économie students in their rejoinder to the Hautcoeur report (2014), the document that was prepared for the French government as a response to their remonstrations. The students noted that the authors of the report, despite their good intentions, acted as if ‘the schools of thought that are not part of the neoclassical tradition are defined as being merely critics of the latter. The students insisted, and rightly so, that ‘non-neoclassical schools have their own autonomy’, and hence criticism of the dominant paradigm ‘does not constitute the heart of their theory production’ (PEPS-Économie 2014, p. 3). The students also objected to the claim that ‘marginalism and general equilibrium theory were part of a common set of principles that ruled the thought processes of economists’, insisting that this was certainly not the case of the French Regulation School or of post-Keynesian economics. The Hautcoeur report (2014, p. 15) also mentioned in the common set of principles concepts such as opportunity costs, arbitrage and incentives, which are certainly not at the heart of these two schools of thought. Thus, as pointed out by Fred Lee (2011, p. 545), ‘heterodox economics is not defined in oppositional terms or as a “dual” to mainstream economics, but as an *alternative* to it’.

It is this key characteristic of the various heterodox schools of thought that orthodox authors don’t seem to get when they talk of pluralism. For many of them, there is a great deal of pluralism in economics, for instance in macroeconomics, as macroeconomists battle around real-business cycle models, New Keynesian models with a variety of ad hoc additions and imperfections, the Barro-Ricardian equivalence theorem, the fiscal theory of the price level, nominal GDP targeting and market monetarism, the existence or absence and the impact of the zero-interest lower bound (re-baptized as the liquidity trap), or the value of the government expenditure multiplier. Seen from this perspective, there is no point in going for a grand reform of teaching economics, since there already is enough pluralism in the classroom or in

economics departments. ‘Only tinkering around the edges is necessary’, as noted ironically by Reardon and Madi (2014, p. 7).

A variation around this theme is to contend that while economics teaching at the undergraduate level, or even at the graduate level, may seem somewhat monolithic and devoid of realistic assumptions, this changes all when one reads research papers published in academic journals. This theme is at the core of the CORE program, as is evident from a summary of the objectives being pursued. We are told that the CORE program has as one of its objectives to close ‘the gap between what economists now know and what we teach undergraduates’.<sup>9</sup> This implies, as Carlin makes clearer in an op-ed in the *Financial Times*, that ‘we impose a curriculum that is increasingly remote from what economists now know’.<sup>10</sup> The claim, in many variants, is repeated again and again in various blogs that pertain to defend mainstream economics against the critiques of non-economists and those of heterodox economists (who are often amalgamated to the former!). The claim is that several imperfections or frictions have and are being added to the basic neoclassical model, and that these extended versions, taken as a group, provide an answer to any critique that could be made against the mainstream paradigm. Those who criticize the mainstream just don’t know what they are talking about and have not read the latest research (Wren-Lewis 2015a).<sup>11</sup> The critics would be after a straw neoclassical economist – the one who writes textbooks!<sup>12</sup> Thus, there is no need to modify the curriculum; there is only a need to put more emphasis on certain features of the capitalist economy, such as the financial sector,

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<sup>9</sup> See <http://www.inet.ox.ac.uk/programmes/curriculum>.

<sup>10</sup> See: <http://core-econ.org/wendy-carlin-in-the-ft-teaching-what-matters-in-economics/>

<sup>11</sup> I must say that I have some vague sympathy for this defense as I have sometimes been somewhat irritated by the critiques of some economic methodologists who have never themselves tried to formalize models in the heterodox tradition or who did not seem to be aware of the latest research in post-Keynesian economics.

<sup>12</sup> According to Manson et al. (2015, p. 17), ‘the insistence by the mainstreamers that the heterodox are attacking a straw man could be labelled *gaslighting*’, by maintaining that heterodox economists are unaware that the discipline is wide open to challenges and a diversity of methods.

information asymmetries or market imperfections, which would be the bread and butter of every respectable mainstream economist.

Thus, ultimately, we have what Tom Palley (2013) has called *gattopardo economics* and what Philip Mirowski (2013) has called *agnostology* in his detailed examination of how mainstream economists, as a follow-up to the Great Recession, have transformed what should have been an intellectual rout into some kind of magical victory tour. In the terms used by Krugman (2015a), what the crisis has shown 'is how successful mainstream Keynesian macro' has been. It has become nearly impossible to describe in neat terms what 'orthodox economists really think', as economic debates have become a cacophony. In macroeconomics for instance, while *freshwater* economists maintain that the Great Financial crisis was caused by a big negative technological shock in the banking sector, which was made worse by the actions of incompetent central bankers and politicians, *saltwater* economists have a field day as they introduce all sorts of frictions to the basic microfounded neoclassical model, showing that any rejection of the core doctrine of neoclassical or orthodox economics is not needed because revisions of the most doubtful elements of the doctrine have already been done by those working at the *leading edge* of the profession.

New Keynesian economists concede that heterodox economists can have some important criticisms to make, but they do not understand how heterodox macroeconomists can be objecting to the *reasonable* modifications that they are making to the orthodox model. And most of all, New Keynesians just don't see that heterodox economists have something positive to contribute to our understanding of the world that goes beyond the critique of the neoclassical model, and they don't perceive that some other tradition could have a different view of what are the key macroeconomic causal mechanisms. They don't grasp that there exists something else out there, something that James Galbraith has baptised *backwater* economics!

For instance, Wren-Lewis (2014) claims that frictions that affect the real rate of interest will impact on the *supply* of labour, and that this will explain cyclical

unemployment (although not involuntary unemployment) and the business cycle. Wage and price flexibility might make things worse, but only at the zero-lower bound. The claim quoted below exhibits a belief in the equilibrating role of interest rates and a belief in the existence of a natural rate of interest that would correspond to a full employment situation with constant inflation. As explained in detail by Sebastian Dullien (2011), these mechanisms are quite different from those that would be emphasized by post-Keynesian macroeconomists. The mechanisms are well described by Wray-Lewis, a self-professed New Keynesian specialist:

What New Keynesian theory does need is that falls in real interest rates stimulate aggregate demand (i.e., some form of IS curve), and in the basic model this comes from changing the intertemporal pattern of consumption. Is that wrong? What explains cyclical unemployment is real interest rates being at the wrong level. Movements in wages and prices get us out of a recession because they lead the central bank to reduce real interest rates. At the zero lower bound they cannot do that, and in those circumstances wage and price flexibility could make things worse. Is that wrong? Now it is true that the standard New Keynesian model assumes a labour market that clears, but a model that replaces this with labour market imperfections would not behave very differently. (Wray-Lewis 2014)

Jakob Kapeller (2013) has looked at this from a slightly different angle. He talks about *model-Platonism*, a form of immunization against critiques. Kapeller (2013, p. 216) gives the following example: 'if markets in a given case seem to work well and deliver stable outcomes, the model of perfect competition, based on fully informed individuals, serves as a reference point for corroborating neoclassical theory. But if markets fail to work well, it is supposed to be a case of asymmetric information – and thus just another instance of corroboration for neoclassical theory'. In the case of New Keynesian economics, if the economy seems to be near some kind of full employment, then real interest rates must be at their proper level, consistent with the natural rate of interest; otherwise, the actual real rate must be too low or too high. And if employment is low, then it must be because workers prefer leisure to work under the given circumstances, or it must be because the tax wedge or other frictions are too large. Within the DSGE framework, employment is low because the real wage as perceived by

workers is *too low*; within the standard partial equilibrium framework, employment is low because the real wage imposed by unions is *too high* for profit-maximizing firms. Thus any empirical work that would attempt to assess whether real wages are just right, too high or too low would always provide support to neoclassical theory.

The latest version of model-Platonism is the claim that everything that went wrong with mainstream economic theory has nothing to do with serious neoclassical researchers, but must be attributed to the knaves working for the financial press. Thus Wren-Lewis (2015b) invents the term *macromedia* to describe what he sees as the erroneous kind of macroeconomics that is being advocated in the media. Thus the beliefs that fiscal consolidation or fiscal austerity is needed and that it will do some good to the economy, that government debt generates high interest rates and slow growth as fiscal deficits subtract funds from the private sector, that quantitative easing or zero interest rates will lead to hyperinflation, that inflation-targeting is the best thing that a central bank could do, or that financial markets always get it right would all arise out of the inventiveness of some journalists looking for some good story; it would have nothing to do with the claims made repeatedly by a number of well-known academic economists, including a number of Nobel-prize recipients. The policies advocated by the IMF, the European Commission, the Cameron UK government and the troika, and given support by a long list of mainstream economists and economic think-thanks, would only be a figment of our imagination.

***Heterodox economics is not economics or is bad economics?***

A final barrier to the possibility of raising the amount of pluralism in economics departments, perhaps the foremost barrier, although it is rarely mentioned, is the presence of a large excess supply of PhD holders in economics who would like to get a job in academia. The scarcity of good jobs in academia is such that chairs and their colleagues do not accept any more to have a show Marxist, a show economic historian or a show specialist in the history of economic thought. Whenever my economics department announces the opening of a new position at the assistant professor level,



we get nearly two hundred applications. Most of them are mainstream economists. My mainstream tenured colleagues say: Why should we bother to hire a heterodox economist when over 90 per cent of the applicants are mainstream economists?

Thus today, in well-established economics departments, there is little chance that heterodox economists will be hired, unless they are somehow disguised as good econometricians. To change this trend, you need determined deans who will impose the hiring of heterodox economists, threatening to abolish the opened position otherwise; there are some historical examples of this, old ones and very recent ones, but the reality is often the opposite as was observed in its most acute version at the University of Notre Dame, with another lesser known occurrence happening at the University of Manitoba (Manson et al. 2015); deans of social sciences faculties or of business faculties, like students, are brainwashed by the economics establishment.

This viewpoint is accompanied by another belief, which is that departments of economics belong to mainstream economists. It is theirs. If there are already a couple of heterodox economists in the department, it is a generous concession, an anomaly; there is no way the department will hire a third one: the ratio is already much too high, as it is higher than elsewhere, so that the departmental assembly is not going to raise it. Also, several orthodox members fear that their department could be known as a heterodox outpost, especially if the heterodox members are active and publish a lot: with my co-author Mario Seccareccia we experienced this in our own department in the late 1990s, when it was reported to us that our colleagues were getting annoyed at being told at conferences that the University of Ottawa was becoming known as a post-Keynesian stronghold. Paul Davidson went through exactly the same experience when he was at Rutgers: the orthodox members 'didn't want Rutgers to be known as this weird place with Post Keynesians, although there were only at the time perhaps only four or five people out of 81 faculty members who could be identified as Post Keynesians or at least heterodox. They believed that it was better to be at third rate imitation of MIT, then to obtain stature as a center of Post Keynesian analysis' (Colander, 2001, p. 98).

The same happens at the level of research funds from official agencies. They are usually considered to be a 'chasse gardée': the feeling of orthodox economists is: 'why should we give *our* funds to outsiders'? This is attested in another interview of Paul Davidson when the referee who reported on his grant proposal at the National Science Foundation argued that since he was 'marching to a different drummer, if his music is different, then he ought to get his own money and not use ours' (King, 1995, p. 33). As he argues, things get even worse when money gets tight, which is the current situation in most all countries.

### ***Two kinds of pluralism***

There is no doubt that the academic economics profession is in disarray. This has been said and repeated many times in the past, by students, Nobel prize recipients, a number of past presidents of the American Economics Association, as well as in many books. Given the pathological state of the profession, what can be done to remedy the problems that have been underlined by the various student organizations? Every department, faculty, university or country finds itself in a different situation and hence there is no universal solution. Some departments still have some degree of pluralism, with different schools of thought being represented, and no one having a clear majority; some have one or two show heterodox economists. These departments can at least practice what Andy Denis (2013, p. 93) calls *permissive* pluralism, so that students are being introduced to more than one approach.

For some economists, this *moderate* pluralism is more than enough. Students would be harmed if they were exposed to an overly large range of views because they would 'remain outsiders to all the approaches taught', they would be unable to internalize any specific tradition, and hence moderate pluralism requires a good understanding of the approach that dominates the discipline, what Jack Vromen (2007, pp. 73-4) calls 'the prevailing state of the art of the profession'. For Vromen, the dangers arising from a monolithic approach can be tamed through the administration of courses in the history of economic thought or in economic methodology. The problem now is

that many economics departments don't have anybody specializing in these two fields anymore!

For others by contrast, the ideal kind of pluralism is *assertive* pluralism (Denis 2013; Kliman 2010), where different theories and approaches are contrasted to each other. In any case, it has been shown statistically that debates among economists in the main journals occur much less frequently than they used to during the 1950-1985 period (Francis 2014), despite the impression, reinforced by the Global Financial Crisis, that we do not have all the answers. Again, a neoclassical economist might say that assertive pluralism already occurs, with standard rational choice theory being compared to new behavioural economics and game theory, or with New Classical macroeconomics being compared to New Keynesian models, or even when the dispute between the Monetarists and Keynesians over the power of monetary policy versus fiscal policy is being presented, as is still the case of several introductory textbooks. Indeed, this is what the colleagues in my own department claim when our programs are being evaluated.

This is certainly a good start, but my understanding is that students wish for more than that. What are also needed are controversies across paradigms and approaches. This kind of assertive pluralism is much more demanding; it requires an effort to understand what others, who operate within a vaguely related tradition but who work in the same field, are doing. We also know that even within heterodox economics, pluralism is a difficult task. The point is made forcefully by Barbara Hopkins (2013) who argues that heterodox communities are fragmented, so that they hardly comprehend each other. She sees 'the community of heterodox economists as a network of many different intersecting epistemological communities' (2013, p. 154). I also have in mind an institutional example. In July 2012, here in Paris, three heterodox associations decided to join forces, and get together in a single conference: the French Association of Political Economy, the Association for Heterodox Economics and the International Initiative for Promoting Political Economy. The conference was a great

success as more than 700 scholars met and established ties; however, the sessions were organized along the lines of the three organizations rather than along the chosen themes: thus, except for some rare sessions, one did not confront, for instance, the ideas of French Regulationists with those of post-Keynesians or those of Marxians on a given theme. The main organizer explained to me that this would have been an ideal format, but that it was too complex to arrange.

Thus, assertive pluralism is a sort of ideal goal to pursue, but in the modern world in which we live, where there is so much information and accumulated knowledge out there, specialization seems to be a necessity. We may strive to achieve some degree of assertive pluralism, but the reality is such that permissive pluralism (going beyond moderate pluralism) is a more realistic objective. We cannot expect our mainstream colleagues to spend part of their time studying this or that heterodox theory when the members of a given heterodox community themselves balk at embarking in the study of the schemes of other heterodox communities. As John Davis (2008, p. 59) puts it neatly, 'mainstream economists today know almost nothing about heterodox economics, have virtually no interest in it, and are already consumed with trying to stay on top of many developments in an increasingly more complicated mainstream'.

Thus, in practice, permissive pluralism is the way to go. This would mean that besides historians of economic thought, methodologists, behavioural economists, econometricians and agent-based modellers, there would be a fair contingent of neo-Austrians, New Classicals, New Keynesians, post-Keynesians, Marxians, Institutionalists all sharing positions in a single economics department. However, they would not necessarily be discussing the views of their colleagues in class, implying that students would thus be forced to adopt a kind of schizophrenic view of economics, putting aside what they have learned in one class when they take another class. In such a second-best world, the post-autistic economics student movement would have achieved at least a sort of schizophrenic economics, and may thus get going and attempt to attain, as a

second step, some degree of assertive pluralism, something that they may wish to call a *post-schizophrenic* economics.

But once again, reality hits us. As shown by Tom Palley (1997) with the help of a simple model, if a community of economists practices permissive pluralism while the other does not, meaning that economists keen to adopt permissive pluralism accept to hire and grant tenure to colleagues who hold diverse views, then the community advocating pluralism will progressively get wiped out of the profession. The cleansing will happen ever more quickly if the ideas defended by the community that turns down pluralism appeal to the rich and powerful, thus attracting more business funding to their kind of research or to their departments. The situation will also get worse if the community defending pluralism is fragmented and disorganized. Eventually, once the mainstream becomes dominant, whenever a conversation arises in a departmental meeting about whether the curriculum should or should not include courses in heterodox economics or the history of economic thought, all that needs to be said is that the majority of the department wishes to 'have standards that are consistent with the other economics departments across the country': the discussion then gets closed.<sup>13</sup> Thus, in the few departments where heterodox economics still rules, within the world in which we actually are, it may be more appropriate at this stage to pursue a second-best choice and act on the basis of a severely restricted kind of pluralism that would exclude mainstream economics or (in a less severe form) mainstream economists.

### ***Moving out of economics departments***

Elsewhere, heterodox economics as understood as its standing in universities is in a dire situation. The French situation, described earlier, although better than in many other

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<sup>13</sup> This justification has often been invoked in my own department: it is said that our program needs to be a clone of the most reputable economics departments. The statement in quotes is taken directly from a mainstream colleague at the University of Manitoba who was responding to the Manson et al. report of the Canadian Association of University Teachers which claimed that 'heterodox economics professors had been systematically marginalized in the department since 2006, violating both the traditions of the department up until that point and the academic freedom of the professors in question'. See: <http://www.themanitoban.com/2015/03/caut-national-union-demands-changes-to-economics-department/23176/>

countries, is highly symptomatic of what happens elsewhere in the world, with very few exceptions such as Brazil. After decades of inner battles, the French heterodox economists have regrouped and set up their own organization, the French Association of Political Economy, and a large proportion of them have come to the conclusion that the only way to safeguard a diversity of theoretical paradigms, empirical tools and inspiration from other social science disciplines is to create a new field, which has been originally called 'Economics and Society'.

The AFEP has been lobbying the French government to create this new field, or rather this new unit where career decisions are being made and where professors are chosen. This is possible in France because university professors are civil servants of the national government. In other countries, this would have to be done at the level of individual universities, as was done at the University of Sydney, where a department of political economy got created and split from straight economics. In fact, a kind of role model already exists, with the creation of international political economy in schools of political studies. The *Review of International Political Economy* has been highly successful in becoming a highly-ranked journal. There is not that much of a difference between good heterodox scholars in economics and well-known scholars in international political economy; the only difference is that being in sociology or political science they manage to get prestigious research chairs, whereas we don't.<sup>14</sup>

Although there are orthodox economists who feel that heterodox economists do belong to the economics profession, 'a significant proportion of those in the mainstream of the profession regard the challengers as not really practicing the same profession and hence belong, not in the profession, but at best, in some other profession entirely' (Manson et al. 2015, p. 14). Heterodox economists, even if they don't agree with each other about what constitutes heterodox economics, might as well accept this

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<sup>14</sup> As an anecdote, I remember reading an article about the Eurozone, being persuaded because of its style and arguments that it had been written by my colleague and many times co-author Mario Seccareccia, only realizing afterwards that the author was Eric Helleiner, a well-known scholar in international political economy and the recipient of a Canada Research Chair.

assessment, migrate and create their own field. This is a daunting task in an era of cut-backs, but one that may be inevitable in the medium run, as the discipline has become 'a distinct way of compelling adherence to an orthodoxy within the profession by way of inducements and sanctions' (*ibid*, p. 13), the word *discipline* taking here its revealing meaning of authority and castigation. After all, neoclassical authors keep praising competition, so let us have two kinds of economics departments side by side, and let the students choose. For a while, in early January 2015, it was thought that the efforts of AFEP were about to come to fruit and that the French government would announce a new field, called 'Institutions, economics, territory and society'. Unfortunately, as is now well known, it did not happen: mainstream economists launched a huge backlash and successfully pressured the government to backtrack (for now).

Deans of economics faculties opposed the new section on the grounds that pluralism was already quite present; but at the same time they opposed it claiming that the new section would only incorporate leftists and misfits, despite the fact that as many as 300 professors had vowed to move to the new section, including the most renowned heterodox professors, a move also supported by the *Appalled Economists* (*les économistes atterrés*), a group of French economists who have systematically opposed neoliberal and austerity policies in Europe. As the AFEP president, André Orléan (2015a) pointed out in his letter to *Le Monde*, there is some irony in the claim 'that declares 300 academics to be "failures" or "frustrated" while at the same time opposing their departure with the utmost vehemence'.

But the most negative reaction to the proposal came from the newly anointed Jean Tirole, the same Tirole who had been called a taliban by his former colleague Bernard Maris, as recalled earlier in the text. Tirole (2015) wrote a private letter to the State secretary for Higher Education arguing that neoclassical economics was already highly pluralist and highly interdisciplinary, while AFEP was promoting 'knowledge relativism, which is the antechamber of obscurantism'. Tirole argued that AFEP members were trying to evade peer evaluation, as they are 'in trouble with the

assessment standards that are internationally acknowledged' and as they had failed in their efforts to get their works 'validated by the major scientific journals that prevail in the discipline'. Tirole continued by claiming that 'modern economics, like the other great scientific disciplines, is permanently questioning its assumptions, confronting models to data, and dropping out theories that fail the test of reality'. Orléan (2015b) responded by pointing out that neoclassical interdisciplinarity really meant the colonization of other fields by an extension of their standard models and that it was a well-established fact that the so-called best international economics journals were guilty of a substantial amount of inbreeding and self-citation. He further asked why mainstream economists had not anticipated and described the causal mechanisms that had led to the Great Financial Crisis, pointing out that by contrast these mechanisms had been analyzed by heterodox economists and even by researchers from other fields before the crisis. Indeed, Orléan (1999) himself has written a remarkably prescient book nearly ten years before the onset of the Great Financial Crisis.

## **Conclusion**

Teaching and research, at least beyond first-year introduction, is essentially carried out by the same persons. The issue of teaching in economics cannot be discussed independently of what occurs around the assessment of research excellence in economics. In our field, in contrast to other fields in the social sciences, what really counts are publications in scholarly journals, with these journals, again in contrast to what happens in many other social sciences, being ordained in a very hierarchal manner. As Fred Lee (2006, p. 16) puts it, 'the ranking process essentially ensures that top departments publish in quality economic journals and quality journals publish economists from top departments' – a circular argument.<sup>15</sup> The notion of quality is proving to be highly useful to preserve the quasi-monopoly position of mainstream economics as we just saw in the case of Tirole. After all, how can a scholar be opposed

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<sup>15</sup> Vicky Chick has informed us that the Conference of Heads of University Departments of Economics (CHUDE), in an email dated 1st of March 2015, has indicated that it does not endorse any journal ranking and that journal articles ought to be evaluated on their own merits. This is surprising since the UK has been at the vanguard of research appraisal based on rankings.



to *excellence* in scholarly research? But as Manson et al. (2015, p. 14) point out, 'if one believes in a narrow range of scholarly output in one's discipline, then contributions outside that range may never qualify as excellent'. An overly strict standard of excellence, limited to the ruling paradigm, only enforces the dominance of the mainstream while restraining the expansion of knowledge, as came to be evident with the advent of the Global Financial Crisis. And this has damaging repercussions on the teaching of economics and on the success of the discipline to attract and retain students. Indeed, one of the reasons invoked to turn down the proposed new section in France was that the number of students in departments of economics was already shrinking.

A large number of student associations have called for more pluralism in the teaching of economics. The problem is that pluralism is understood in a very different way by mainstream and heterodox economists. As Davis (2008, p. 61) sees it, what appears to be the case is 'an increasing tolerance for new approaches within the mainstream, combined with a continuing, shared intolerance toward heterodox economics'. Orthodox economists feel that they are already responding to the demands of the students because they have the impression that contemporary research is providing 'a cross-paradigm fertilization of ideas *within* a more internally divided mainstream' (ibid, p. 59), through game theory, new behavioural economics, experimental economics, new institutional economics, transaction costs economics, new growth theory, environmental economics, and so on. All that remains to be done from that standpoint to fulfill the desires of the students is to find some way to incorporate all this in a neat way in the textbooks and in the classrooms, sprinkling along the way some economic history and history of economic thought to show how improved economic theory has become. Pluralism does not extend to other traditions in economics or to other ontological commitments. And this misunderstanding can be symbolized by the propositions brought forward within INET by what I have called the Carlin team and the Skidelsky team.

Heterodox economists are caught between the devil and the deep blue sea. The generalization of benchmarking and research 'quality' assessment exercises makes it ever difficult for heterodox economists to gain traction inside standard departments of economics and hence to offer the kind of pluralism that the students have been asking for. Heterodox economists are first and foremost economists, but the dominant powers see their work as bad economics or something else than economics. The alternative is thus to move on and wherever possible, create an alternative discipline, be it called 'political economy', 'economics and society' or 'heterodox economics', where mathematical methods and econometrics would still be relied upon when required, but where alternative economic traditions and approaches would be given proud of place. After all, even in universities where there are economics departments, there are economists working in business schools; so there would be nothing odd in having heterodox economists being located yet in another department. For instance, where the economics department is within a business school, a department of heterodox economics could be located within a faculty of arts or social sciences, or within a school of public or international affairs.

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