MARX, KEYNES AND HETERODOXY

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Even within heterodoxy there is argument about what should and should not be included or why (Lawson 2006; King 2008; Milonakis & Fine 2009; Dow 2011). This paper proposes that important and convergent markers exist in the concerns of classical contributors to economic discourse, from the beginning of the nineteenth century to the mid-twentieth century, as well as from the more recent revival of the same issues in social science broadly. Some problems of demarcation and method will probably remain unresolved, but imprecision does not negate the analytical potential of non-mainstream traditions in political economy.

The most troubling issues in heterodox political economy can be highlighted by examining the Marx-Keynes relationship. However, older anti-orthodox contributions continue to inform these dilemmas because claims made from outside the mainstream cannot be ignored.

At first blush, Marx sits firmly in the classical tradition. He deployed its abstract, formalist and anti-empirical methodology that initially glossed over the peculiarities of individual economies. From this abstraction derives his definition of capitalism, his conception of crisis tendencies and his scepticism concerning the state's capacity to politically manage periodic economic disruptions. Each of these has given rise to debates that continue to define Marxism.

Keynes, in many respects not an economist at all, encouraged intuitive, anti-formalist analyses which allowed for experimental policies and institution building. Keynes was accordingly more optimistic about the possibilities of politics, thus also contributing to instructive and enduring controversy. Marxism, by virtue of its problematization of the relationship between the forces and relations of production seems, perhaps surprisingly, to also demand some retreat from abstract forms of enquiry and to ultimately accommodate historical specificities in capitalism.

This article examines existing strands of what has become known as heterodoxy and suggests that, though we cannot expect a complete resolution of conceptual and methodological problems in political economy, ongoing intellectual investigation of contemporary capitalism in heterodox terms has much to offer.

Heterodox Political Economy outside Marxism

An early instance of fruitful disagreement about how to conceive political economy's subject matter was the dispute, through the second and third decades of the nineteenth century, between Robert Malthus and David Ricardo. Maynard Keynes supported Malthus's side in this controversy because he agreed that vague intuitions (that is, those which legitimate inductive and empirical enquiry) were a more suitable foundation than abstraction for understanding economies and economic development. The progress of material development was irregular, decreed Malthus; so it would be unwise, even dangerous, to impute permanent characteristics to it. In particular, Keynes endorsed Malthus's observation that the 'powers of production' were sometimes unused, opening the likelihood of stagnation or crisis (Keynes 1933b). In this age of excess capacity in almost all industries, such underconsumptionism remains a potent speculation (Crotty 2002; Crotty & Epstein 2009; Goldstein 2008; Gualerzi & Nell 2010; King 1988, ch.6; Schneider 1987).

The German Historical School also offered an early departure (ultimately not discipline-defining, however, since it was the Ricardian approach that became hegemonic) from classical and neoclassical preferences for deductive reasoning. Friedrich List, Adolph Wagner and Gustav Schmoller contributed to the dissident, if latently conservative, tradition by drawing distinctly anti-liberal implications from nineteenth century developments – some of which reflected the developmentalist tendencies and aspirations in American politics (Golob 1954). List placed more emphasis than the English economists on the need to build up productive capacities and to establish wealth-generating (manufacturing) viability in the face of usually predatory competition from the rest of the world. Not only the American colonies but many mature countries (and regions within countries) have subsequently faced demands for deliberate policy and institutional means of guiding (or preserving) industrial structures in ways that suit democratic rather than internationalist inclinations. It has been discursive pressure, not technical impossibility, that has thwarted such policy experiments – as exemplified in List's idea of 'kicking away the ladder' (also Chang 2002; similarly Keynes 1933a) and in his early warning of the propensity of liberal economic policy elites to knowingly provide advice to nations and governments that would harm their economic development. Wagner became the major contributor to non-volitional, structural accounts of economic and political development when he argued, from the 1840s to the 1870s, that mature economies needed more public provision *because* they were wealthy, that is, because they experienced an increasing range of logistical problems for which private or market provision was unimaginable. Although Wagner's personal philosophical sympathies were sometimes extreme, his account has remained the most convincing explanation (*contra* Tanzi 2011) for the growth of government in the twentieth century – from about 10 percent to over 40 percent of GDP. It was Schmoller who insisted, to the derision of the liberal economists in the English classical tradition, that problems of resource allocation under conditions of scarcity could never prescribe the subject matter of Economics, because such a definition excluded so many substantive developmental, moral and political questions (Chang & Rowthorn 1995; Hodgson 2013). For these, political interventions – and distinctive institutional competences – become essential.

English variations on historical school themes soon emerged too. Arnold Toynbee's lectures on the industrial revolution – he had died ridiculously early, the same year as Marx – were also a call for empirical observation rather than abstract reasoning to guide knowledge formation and for regulation rather than competition to guide civilization. These themes reverberated through the following six or so decades, with a succession of non-orthodox and non-disciplinary contributors to economic understanding encompassing not only historians, but religious thinkers, sociologists, anthropologists and institutionalists before heterodoxy became regularized with Keynesianism and, particularly, post-Keynesianism.

The social economy tradition (previously known as Christian social thought) has understandably ancient origins but gained notoriety with the 1891 papal encyclical *Rerum Novarum* (usually translated as 'On the condition of labour'), its anti-market judgements being subsequently re-endorsed in 1931 and 1961. The churches claimed that their reflections on the costs of progress bore a status and legitimacy equal to that of mainstream analyses and were to be expected in periods of social transformation or crisis. The doctrinal instructions were insistent that economic and market principles could be modified by moral considerations (equality, duty) without damage to material outcomes, although the incursions into *laissez-faire* dogma might endure. Such conservative tirades against competition and self-interest obviously resonate in other branches of anti-liberal thought and have become central in some unlovely strands of anti-modernist, anti-capitalist and anti-globalist dissent. In any case, the themes are present also in Émile Durkheim's and Max Weber's acknowledgements that emerging societal efforts and political costs associated with the imposition of protective, stabilizing or competence-building measures, secured by appropriate organizational pacts, were not unwarranted in complex societies.

Around the same time, Thorstein Veblen, while railing against some of the rationalistic assumptions that appeared to belittle actual social behaviour (concerning, for example, the anthropological role of human labour), was adamant that spontaneous institutions unchecked by deliberation might be formally functional but still essentially dysfunctional or, as he put it, imbecilic or disserviceable (see Camic & Hodgson 2011, selection 38). An intellectual environment conducive to heterodox investigation and experimentation was therefore well-established by the time the crises of the 1930s triggered the surge of contributions to economic management possibilities and economic thinking that we now characterize as heterodox.

Joseph Schumpeter's advocacy of entrepreneurialism as a driver of capitalist accumulation is well known; less so is his recognition (1950) of a commensurate social and political responsibility to ameliorate the effects of technical change and industrial dislocation. Like many conservatives, he appreciated the wealth-creating potential of liberal economies while remaining fully aware that responsibility for social stability was a public one. Such sentiments received a democratic twist with Karl Polanyi's contributions around the same time (the final years of the second world war). Polanyi saw people's collective desire to insulate themselves from the effects of market principles as recurrent and proper; and his argument legitimated long-lasting institutional experiments such as the welfare state and incomes policies to achieve just that. We now know that these societal accomplishments are effective; but also that they disturb conventional understandings of economic behaviour and economic development – particularly in well-developed, mature economies where mere resource-allocation functions of the economy have receded and deliberately determined outcomes (ranging from employment creation and income compensation to decommodified provision) have become thinkable.

While he does not appear to have engaged the above ideas and thinkers explicitly, John Maynard Keynes was not unaware of their provenance (1931, 1938). And the final pages of the *General Theory* go a long way to explaining Robert Skidelsky's remark that Keynes was not at heart an economist at all (2009: 59, 192). Detailed discussion and internal criticism for more than a decade in Cambridge came to define the Keynesian tradition and to bear out its heterodox credentials (Clarke 2009; Kalecki 1943; King 2002; Skidelsky 2009; Wray 2008). Post-Keynesian developments have subsequently drawn the study of wealthy economies closer to the conceptions developed by these sociologically informed traditions and, more recently, those strands of analysis stemming from regulation theory, statism, comparative political economy, institutionalism and neo-mercantilism.

Interventions to resolve recurrent problems like under-employment, overaccumulation, inflation-generating distributional predicaments, and forces attempting to limit international ravelment of economies have not been unambiguously successful in capitalist economies. However – for reasons that Schumpeter, Polanyi and Keynes would all have recognized – the interventions confirm the inescapability of economic management, as much as its difficulty. Economies in which policy experiments took place – sometimes prompted by crisis conditions, sometimes as a result of political opportunity – demonstrate both evolutionary tendencies towards complexity (including extra-economic determination of economic performance and, therefore, multiple causation) and resistance to those tendencies. This has been the fate of the 'mixed economy' (Harcourt & Kerr 1980, 2009; Robinson 1972; Shonfield 1965; Holt 2013). Of course, there is huge disputation over interpretation of these tendencies and their periodic reversal, some of which aims to preserve the pre-eminence of the conventional Economics discipline (Backhouse 2005). Most liberal opposition to the evolving institutional control of modern economies has taken the form of *a priori* accusations that policies which work in practice could not possibly accord with orthodox theory.

This is an important matter for heterodoxy. An instance is discussion of Sweden's Rehn-Meidner model of corporatist national economic management. Many of the labour movement's objectives – full employment, equality, low inflation, collective control of investment and institutions able to regularize conflicts between apparently incompatible class interests – have been found to be compatible with improved economic performance, as claimed by heterodox theorists (especially post-Keynesians). Lennart Erixon has argued that 'experience-based inductive theorising' – a key feature of heterodoxy – led Gösta Rehn and Rudolf Meidner to findings later accepted by mainstream economists. These included the positive link between high wages (centrally bargained by strong unions) and productivity increases ('transformation pressure'), between the solidarity wages policy and industry-rationalizing structural change.

Such collectivist principles in turn stimulated societal mistrust of wage inequalities deriving from 'differences in people's intellectual, physical and moral abilities' (Erixon 2011: 106-107). Social development acquired an equity-enhancing and wealth-disseminating dynamic that remained anti-inflationary (because of the depressing effect on profits) and continued to impel institutional innovation. It is notable that the post-Keynesian enthusiasm for incomes policy has never been endorsed in Sweden, but this unresolved dilemma is a matter for ongoing policy experiment rather than a fundamental ideological impasse since both approaches acknowledge the limits of wage moderation as a way to control inflation (Robinson 1976).

Michal Kalecki's contributions to both heterodoxy and post-Keynesianism have been multiple. One was to demonstrate that attempts by capital to retain control of accumulation through orthodox policy means would be self-defeating: profitability-focussed or rationalistic attitudes towards management would be incompatible with justifiable investment due to their tendency to decry the costs associated with embeddedness and social capital – education, training, health, urban amenity. To maintain high levels of capital accumulation, business would need to relinquish its unmediated authority over investment decisions. A further complementarity between the principles of a Scandinavian-style negotiated economy and Kalecki's post-Keynesianism is his depiction of the relationship between the distribution of income and its level – he deduces that more equality implies higher activity and *vice versa*. His 1943 article was revolutionary in its suggestion that policy elites were not normally committed to full employment because of the latter's effects on the balance of class power. The argument remains the developed world's counterpart to List's earlier contentions. Each provides a fillip to the heterodox demands for more concerted institution building with more diverse representation.

Political science has been slow to deal with the deluge of anti-political commentary that has been used to justify retreats in the past few decades from previous policy achievements. Perhaps this reflects a cross-disciplinary intimidation from mainstream economic liberalism (Milonakis & Fine 2009; Palley 2012). An important exception has been the resurgence of a fairly unequivocal mercantilism (industry policy oriented towards selective industry development) from what has become known as the 'other canon' – owing much to the economic philosophy underpinning the successes of Italian city states four or five centuries earlier (Reinert 2007; Serra 1613). In Renaissance thinking the state was always central to the provision of conditions (for example, science, art, music, architectural excellence, infrastructures, schooling, governance) which amplified beneficial cooperation and facilitated commercial and trading activity. In some respects this history is not discordant with aspects of Marxism, though perhaps the anti-rationalism behind the 'modernism' is.

Karl Marx has been so far omitted from the account of heterodox political economy mainly on methodological grounds: his definition of capitalism, his conception of crisis tendencies and his scepticism concerning the state's capacity to politically manage periodic economic disruptions all exclude historical and national specificities. None of these formal elements in Marxism is discordant with the classical tradition. And most strands of heterodoxy probably appreciate the significance of these three cornerstones of Marxism, particularly as heuristic devices steering subsequent enquiry towards more empirical dimensions of capitalism. Nonetheless, unless more emphasis than usual is placed on the disruption of capitalism's defining social relations as a result of capitalist development itself, it is not easy to appreciate contemporary circumstances and simultaneously adhere to the abstractions. These are conundrums that now delineate political economy.

Table 1: Heterodox Traditions in Political Economy

Malthus	economic progress is never regular; there are no general principles
List	English trade doctrines (in Smith & Ricardo) were not descriptive, but for export
Wagner	prosperity demands state expansion, with new political (public finance) principles
Schmoller	formal understandings are incomplete, so state and political interventions are legitimate
Toynbee	no one knows their economic interest; classical writers were indifferent to cooperation
Leo XIII	winners have obligations to losers [the social economy tradition]
Durkheim	societal, anti-rational bases for economic activity are inescapable
Weber	societies must reserve the right to be anti-rational (substantively rational)
Veblen	work is not a disutility (thus a societal concern); institutions can become dysfunctional
Schumpeter	with 'creative destruction', destruction is real, creating the need for politics and policy
Polanyi	protection is anthropologically inevitable (because populations resist markets)
Keynes	scarcity is not the primordial problem; abstraction can be dangerous
Kalecki	deliberated investment is necessary; labour should not be remunerated 'rationally'
The 'other canon'	competition among producers is too destructive; producers require synergies [the renaissance tradition, neo-mercantilism]

Table 1 above summarizes the key figures and traditions in political economy's heterodox understandings of capitalism. The common factor, with immense methodological consequences, is that apparently inessential non-economic conditions are seen as crucial to economic understanding. We may also discern a steady evolution towards a more confident anti-orthodoxy.

Heterodox Marxism

For Marxian political economy, capitalism is defined by the social relations that underwrite capitalist production. These are fourfold: market allocation of resources; expected profitability as the main criterion for production (and investment); commodity production (including the 'commodification' of labour); and hierarchical or undemocratic control of the production process. It was not difficult to anticipate the resultant social and political conflicts within capitalist society and the tendencies which, perhaps autonomously, could be expected to shape them. These social relations stand in opposition, respectively, to politicized (or non-market) allocation; production on the basis of social need or political decree irrespective of anticipated profit; production outside the market on a decommodified basis (suggesting that the decommodification of labour would involve politically or institutionally determined wages and, probably, political allocation of labour to achieve substantive objectives like full employment regardless of private profitability); and democratic control of production and investment, implying political or institutional experiments to effect the changed criteria. These oppositions and the struggles they entail have defined the politics of capitalist development all through the past century.

Most observers of capitalism would be willing to concede that its notional purity has everywhere declined. That is, a 'mixed economy' has emerged to the extent that some (perhaps many) resources are allocated according to non-market principles such as those underlying public provision and official decree; that profitability has not dominated all production decisions, notably in the public sector; that (accordingly) not all production and distribution is commodified (and wages and 'labour market' policies have modified the market principle in the remuneration and allocation of labour almost everywhere); and that at least some production or investment decisions are exempt from private fiat. The point is that the extent to which these changes have occurred is also the extent to which both liberal orthodoxy and its Marxist critique have been disturbed. To this degree, heterodoxy asserts it credentials. Orthodox Marxism has to insist that the relations of production have not been seriously transformed; heterodox Marxism, if it exists, can usefully operate in the space opened by empirical observations that they have.

Clues to the political possibilities implied by Marxist analysis can be found in Marxist crisis theory. As noted earlier, Marx's theory of crisis was initially developed in abstract terms. It postulated a tendency for the rate of profit to fall (because of the technological displacement of labour, that is by a rising 'organic' composition of capital); perhaps chronic but certainly periodic overproduction and underconsumption; disproportionality (structural and inter-sectoral misalignment which market forces alone could not readily remedy); and contradictory pressures on the state and politics (that is, rectification of imbalances seems to erode the 'logic' of the accumulation process and key tenets of the market economy). (There are Marxian and Keynesian versions of overproduction and underconsumption, with Marx postulating deficiency in income and Keynes citing deficiencies in investment as the root cause of downturn or crisis.) Discussion of each of these elements, particularly the last, has been incessant and rightly raucous, though with a fair degree of consensus about the analytical worth of the Marxian methodology.

Discord intensifies at the next step – since the imaginable counter-tendencies to crisis are necessarily political and, therefore, contingent, open-ended, contested and variable across regimes. Abstraction and deductive reasoning don't help. Empirical enquiry and inductive observation come into their own. Marx's political economy loses its particularity, yet the crisis theory itself allows illicit possibilities. Conceivable state responses to crisis tendencies include expansion of markets (in the mercantilist period) and decommodified production (in the modern era), economic management and welfare state development, industry policy and public enterprise, and public decision-making able to create new politicized auspices for economic activity or to forge new 'accumulation strategies'. These represent responses to the constriction of profitable investment outlets such that accumulation can continue while becoming subject to non-market determination.

Somewhat different understandings of crisis emerge in Keynesian and post-Keynesian political economy. Here crisis results from private control of investment (and investors' 'animal spirits'), biases in aggregate demand towards consumption rather than investment, radical uncertainty (whereby the outcome of business decisions cannot be known in advance), the tendency for the calculative preferences of finance to supplant those of industry, the discursive pressures from economic orthodoxy, and the contemporary tendency for wealth creation to exceed employment creation. As contributors to crises, these problems can also be inferred from abstract analysis, however, as post-Keynesian analyses postulate that they worsen as economies mature (Cho 2008; Dunn 2011): they thus become more susceptibile to empirical ratification.

Understandably, post-Keynesianism recognizes similar crisis responses to those supposed by heterodox Marxism; but, equally understandably, post-Keynesianism has been more explicit about policy experiments and institutional innovation. The most distinctive feature of post-Keynesianism (compared with Keynesianism) is its recognition that, despite his stellar access to policy elites, Keynes lost most of his battles (Dostaler 2007). Post-Keynesianism is thus more attuned to the malign power of capital and political difficulties than were Keynes or Keynesianism. It has also developed a more resolute understanding of capital (Harcourt 2006, Appendix 2) – capital is conceived not just as an amount of money and finance, nor as a stock of productive equipment, but as encompassing the social conditions and class relations which allow the two (financial and physical capital) to be combined in a production process. This brings post-Keynesianism close to the Marxist position on these matters. While advocating public control ('socialization') of private investment (and the requisite new political institutions, presumably tripartite, to effect it), post-Keynesian policy prescriptions are more alert to an ineradicable political obduracy in attempts to regulate (or regularize) the accumulation process than was Keynes. This is markedly so if the politicization of income distribution (to constrain inflationary conflicts), usurpation of the market elements of the 'labour market', reduction in the influence of shareholders (to expand economic democracy) and extension of decommodification (to broaden social capital and social amenity) become the agenda of a social democratic post-Keynesianism. In such circumstances, post-Keynesianism, along with institutional approaches and evolutionary perspectives, may have a beneficial influence on Marxism. As Marxism, putatively at least, allowed for 'counter-tendencies' to crisis, a heterodox Marxism apparently offers an alternative to formalistic pessimism.

Let us come to some interim conclusions. First, a distinguishing implication of heterodoxy (including post-Keynesianism) is that it has been more inclined than Marxism to accept that the 'social relations of capitalist production' are not left unchanged by many forms of regulation and intervention. Second, insofar as economies have an evolutionary tendency to become less like market economies, as they become more negotiated and institutionalized (see below), the need for an alternative to deductive reasoning is accentuated. Third, capital is increasingly unable to act in accordance with its own preferences (because autonomous control of its environment does not guarantee success in the pursuit of profit); it cannot behave rationally. Fourth, the 'logic of accumulation' hasn't determined the history or the location of accumulation. These four traits point not only to real-world trends but also to conceptual developments that need to be further explored.

Interpretive Difficulties and Paradoxes

Some distinctive linkages between the heterodox traditions canvassed above and other branches of social science, and affecting heterodoxy's relationship to Marxism, can now be discerned. First, interpretive difficulties in modern economic and social understanding are the result of new forms of *complexity*. With recognition that non-functional aspects of economies are not so dysfunctional after all, that is, that economies are unavoidably 'embedded' in their non-economic environments, there is now awareness of interactive complexity between elements of reality that formalist analyses tend to overlook. Thus multiple chains of causality can be identified as irremediable, not as distortions to be reformed away. (An obvious example of this form of complexity is the behaviour of huge notionally private corporations that in many sectors effectively 'regulate' their environments.) Multiple forms of governance similarly exist, associated with, for example, market principles, hierarchical authority, networks (of firms, industries or regulatory jurisdictions) and solidaristic communities, such as labour movements or traditionalist anti-progressivism. From these complexities emerge diverse regimes of accumulation – often undesigned – and often categorized respectively as liberal market capitalism, dirigiste governed capitalism, coordinated capitalism or corporatism (the negotiated economy). These different forms of governance regularize centrifugal tendencies of a market economy but with differing institutional linkages.

Uncertainty is a second interpretive problem central to heterodox political economy. It is not just that expected outcomes from investment decisions cannot be assured, but that the discrepancies are what enflame cycles of boom and bust, affecting development in unexpected ways. Cyclical, largely uncontrolled, development occurs because the results of business judgements are not readily calculable in advance and are not reducible to calculable risk. In economic processes, aftermaths are simply unknowable (Davidson 2009). This is why rationalism is an untenable presumption and why financial institutions periodically turn out to be dysfunctional. Society (or the polity) can establish tentative mechanisms to protect citizens; but the context is the irreversibility of the decisions taken. History cannot be re-run; humanity must live with mistakes (too little or too much investment; too little or too much stimulation). Of course the past is known, but it's an unreliable guide to the future.

Growth and development themselves pose a third set of economic challenges, with analytical implications for heterodoxy. As economies undergo *maturity*, they acquire characteristics unrecognized in abstract models, with distinctive problems and possibilities. Wealth creates paradoxes such as the observation that economic growth does not imply sufficient employment growth to eliminate social problems, as previously noted. Observations that employment creation lags behind wealth creation in rich societies, with excess industrial capacity as a destabilizing counterpart, indicate that growth is never purely quantitative, but always 'transformative' (Nell 1989, 1998). The challenges and opportunities for policy are that maturity both allows and requires unproductive (non-market-mandated) activity and decommodified consumption – developments which have not been reversed in the age of economic rationalism. Maturity therefore implies that costly though affordable and desirable advances in societal provision can be realized and, perhaps, that biases towards consumption rather than infrastructure provision or extension of needed productive capacities can be redressed.

Heterodoxy, especially institutionalism, is also able to accommodate *interdependence* between cause and effect that is a feature of an organic conception of society. An early example was Wagner's awareness that wealth was both a necessary condition and an outcome of the growth of government, subsequently extended into an argument that productive prosperity precedes individual effort and facilitates it. This view suggests that individuals do not determine their own fates and might misjudge their own interests. Biological metaphors attempt to capture these interactions between the functional and dysfunctional elements of the whole, including the permanent possibility of mistakes and the permanent need to secure public or societal bases for private activity (Olssen 2010, ch.8).

A fifth conceptual issue is *emergence*. The 'emergent properties' observed in developed and changing societies and economies include institutions and capacities that, though unanticipated, affect and enable routine practices and behaviour that distinguish each epoch from its predecessors. A modern illustration is the transition of the welfare state from provider of income compensation in times of unemployment, sickness or retirement to provider of decommodified income (outside the market) for all citizens – even those in full-time employment. Today such provision (through social transfers) accounts for almost one-quarter of all income in OECD countries, though the proportion is lower in some like Australia. Emergence also implies that individual performances are determined by structures long predating individual effort; the macro-context precedes any micro-essence. These novel and adaptive propensities nonetheless form coherent patterns that can be 'discovered' while being largely unpredictable from their initial constituents (Hodgson 2000).

Finally, heterodoxy can see that productive organizations co-evolve with societal organizations – this being a feature of *evolution*. Just as mixed economies have evolved away from market models prescribing an essential scarcity, the extra-economic conditions for capital accumulation (and economic progress) have steadily become more integral, more influential. Evolution may not be towards betterment; but the 'effects of habit, example, instruction and reflection', as Darwin put it, mean that external conditions (for example, modes of regulation) produce variations in economies (regimes or social structures of accumulation) from which key features are selected and differentially reproduced (Hodgson & Knudsen 2010). Heterodox political economy, like comparative political economy, has been sensitive to the variations that start evolutionary processes and militate against general theories; even Keynes held that economies were largely 'unknowable' and that intuitive, inductive approaches were often more appropriate investigative strategies.

The intellectual setting in which heterodoxy operates is constituted by these six dimensions of modern life – complexity, uncertainty, maturity, interdependence, emergence and evolution. Each partly defines, partly implies and partly depends upon the others, so we can see that modern economies generate difficulties that underlie both ways of knowing and conceptions of wellbeing.

Controversy over the Maturity Thesis

Many dimensions of contemporary capitalism, and now familiar in heterodox analyses, were anticipated in the founding formulations, as depicted in Table 1 earlier.

Undetermined and divergent debates within heterodoxy continue with respect to the 'maturity thesis' mentioned above. The controversies nonetheless illustrate distinguishing aspects of the heterodox tradition. Some characteristics of mature economies are intuitively obvious – such as that growth will always be lower in advanced economies where it has been happening for decades or centuries (that is, high growth is less likely from a high base) or that organizational 'bigness' (public and private) may disrupt conventional expectations that yearn for competitiveness and atomistic pluralism. In the context of rich economies, economic growth is no longer an adequate guide to performance: GDP growth in OECD countries has slowed from above 4 percent annually in the 1970s to less than 2 percent in the 2000s. For the period of the postwar boom, the average growth rate was nearly 5 percent *per annum* in the rich economies and 6 percent in the high-growth (Asian) economies since the mid-1970s (Maddison 2007: 381; OECD 2012: 226). With Australia the only economy to record above 2 percent average annual growth in the period 2006 to 2012 while the OECD average was 1.3 percent, the low growth in rich economies can be seen as evidencing maturity rather than recession.

Other characteristics are specifically post-Keynesian reflections: excess capacity and the disarticulation between high growth and high employment have been mentioned. It is not just organizational size and dependence of the private sector on public sector growth that constitute maturity, but also the structure-altering and analysis-transforming implications of the empirical developments. If full employment (suitably amended to include the likelihood of irregular absences from the workforce for, notably, sabbaticals and childrearing) is accepted as a social and political priority, post-Keynesianism is as aware as Marxism of its intractability – though more prepared to broach the political and institutional possibilities created by observed counter-tendencies.

Implications of maturity that confound orthodox analyses are summarized in Table 2 below. It is intended to emphasize that heterodoxy is particularly appropriate to investigation of maturing low-growth economies where normal presumptions about 'economizing' have become redundant.

Table 2: Mature Capitalism: its Implications for Heterodoxy

Wealth Creation	Employment creation permanently lags behind wealth creation, (*i.e.* high growth is now insufficient for full employment, while low GDP growth is normal and acceptable in mature capitalism); hence 'development' issues (employment creation) persist in rich economies.
Transformational Growth	Growth changes the structure of the economy, it isn't just quantitative; social relations and cost relations are altered, modifying calculations *e.g.* through 'transformation pressure' (of wage costs on productivity).
State Expansion	The scope of politics (and conflicts associated with politicization) expand as new public institutions for deliberated decision making, and imaginative macro-stabilizing functions, emerge – including employer- and lender-of-last-resort capabilities.
Productive Capacities	Accumulation (economic activity and development of the forces of production) depend on social capital (non-economic supports), confirming economic activity as 'embedded'. The concept of employment is being revised to allow socially approved absences – much new employment will be inefficient and costly (though affordable and desirable). Infrastructure provision may be hindered by biases towards consumption.
Excess Capacity	Private prerogatives have over-extended production possibilities; market signals can't regulate unprofitable outcomes for capital (they don't prevent unwarranted/ forced private investment); scarcity is decreasingly the key economic problem.
Democratic Deficit	Elites undervalue past democratic achievements; they ignore public disapproval of austerity (structurally, not contingently); they become oblivious to effects of market 'reforms'; latent controversy over policy broadens. Elites pursue ineffective policy options (destabilizing instead of stabilizing).
Market Eradication	Successful capitalist development itself erodes market modes of regulation, *i.e.* the forces of production develop such that market relations of production are decreasingly conducive to wealth generation.

Protagonists of the maturity thesis (including Veblen, Schumpeter, Shonfield, Galbraith, Nell and many others from the 1950s and 1960s) advanced the argument that capitalist development itself will continue to be market eradicating. In Marxian terms, the forces of production (achieved wealth) develop such that market relations of production become discordant with or disruptive to the further progressive development of wealth: markets do not define an economy nor do they provide it with maximal conditions for wealth generation. The thesis postulates that, as capitalist trends – including the subordination of the market – are extrapolated into the future, policy designed to solve economic problems by re-asserting traditional liberal arrangements would simply prove iatrogenic (where experts exacerbate the problems they're supposed to fix). A heterodox political programme to dislodge harmful orthodox biases can be easily imagined. From post-Keynesianism, particularly Kalecki [1], we know that capital cannot reliably maximize profitability **and** its control of accumulation; therefore an optimal form of economic management is not knowable. From Marxism-inspired regulation theory, we also know that the political 'forms' most conducive to the forces of production are variable and contingent. There are therefore grounds for conceding not merely that there is a need for a specifically political state but that state activity is not always in the class interest of capital (though underdevelopment of state capacities may be). Political interventions do not negate contradictions in capitalism, but it cannot be denied that democratic opportunities are often enhanced by capitalist development.

Opportunities to specify the increased responsibility of politics in political economy now arise. Advocates of the mixed economy see the state as provider (welfare state decommodification), the state as employer, the state as guarantor of embeddedness (particularly as regulator), and the state as crisis manager (with responsibilities beyond routine macromanagement). None of these immanent public possibilities implies that the conflicts and paradoxes within capitalism (whether conceived in Marxian or Keynesian terms) can be permanently averted by policy; but each retreat from market principle confirms that economies are never purely liberal. Taxation and public spending are the most accessible registers of the expansion of state capacities envisaged in the theory of the mixed economy; the increasing organization of capital

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1 Kalecki's famous 1943 essay begins with an acknowledgement that conventional Marxism has been reluctant to accept: 'A solid majority of economists is now of the opinion that, even in capitalist system, full employment may be secured by a government spending programme, provided there is in existence adequate plant to employ all existing labour power… (1943: 322). The potential for a post-Keynesian Marxism and generally for a heterodox Marxism is therefore apparent.

(oligopolization, cartelization) is another. Government spending is still around 40 percent of GDP in the rich countries, having increased by around 20 percent over the past 40 years (albeit with large variations between countries); social transfers remain at almost 25 percent of GDP with no significant decline in the past 40 years. That such socialization of the conditions of life has continued for a century does not mean that the world is at the threshold of democratic socialism, still less does it suggest that the underlying dynamics of capitalism will cease causing crises; but it is a marker of the increasing traction of political decisions, the declining relevance of markets to private sector performance and a growing gap between productiveness and efficiency.

It is in this context that the conflict between the rights of labour and the rights of property looms as ineradicable. Conflict can prevail indefinitely though institutions to deal with it themselves evolve. Since the 1970s, as globalizing recession and financialization have reduced the membership and institutional clout of organized labour, they have also fettered productive development in the advanced economies. Financial crises, conforming largely to the scripts anticipated in post-Keynesian theory (uncontrolled or occasionally unwise private financial exuberance and innovations such as high-frequency trading, followed by debt explosions, followed by liquidity shortfalls, followed by crises in real sectors of the economy, followed by state bailouts and national indebtedness, even threatening collapse), can fetter productive development even beyond the perennial problems of employment noted above. If there is to be a ‘solution’ to the problem of financial instability, it will take the form of statist efforts to regulate speculative activity (such as existed in the postwar period) combined with ‘investor-of-last-resort’ capabilities able to delimit the declines in economic activity during slumps. These will both re-activate the struggles for labourist corporatism briefly contemplated after 1945 and the productivism re-iterated in post-Keynesianism and neo-mercantilism during the past four decades (Crotty & Epstein 2009; Davidson & Dunn 2008; Epstein 2010; Goldstein & Hillard 2009; Reinert 2013). Labour’s claim to competence in these respects has expanded, not contracted, since neoliberalism disrupted the postwar enthusiasm for Keynesian macroeconomic management experiments. Since then, to social democratic demands for full employment has been added the necessity of anti-inflationary institutions, institutions to control undeliberated structural change and institutions to deal with the lost correlation between economic growth and employment growth (Kalecki 1943; Harcourt 2007; Higgins and Dow 2013).

Little doubt exists now concerning the periodic dysfunctionality of finance for productive activity or concerning the inadequacies of state responses to its excesses (Panitch & Gindin 2010; Panitch & Konings 2009). However, because opportunities for strategic reversals emerge whenever the defining conditions of capitalism impede its productive competences sufficiently, now is surely the time for labour movements to again contemplate challenges to the globalizing and liberalizing momentum of the era since 1974. This may be characterized as a production-enhancing anti-liberal accumulation strategy, a regime of regulation which re-embeds or re-socializes capital, which de-prioritizes financial criteria and which exploits the deglobalizing domestic trends (expansion of politics) that, as noted, have occasioned the neoliberal impasse now apparent in mature economies.

Unsurprisingly, globalization remains the most acknowledged and accepted trend among both liberals and their critics. Michael Howard and John King (2004; 2008) object to the maturity thesis because they are convinced any emergent market-eradicating tendencies will remain subordinate to market-affirming ones. The long-term evolution of capitalism, they insist, is ‘type-preserving’. They have thus become protagonists for the view that markets only temporarily and contingently lost their potency as determinants of production and competition, during the ‘age of catastrophe’ from 1914 to 1945; they see social democratic political achievements as *always* transitory. Contemporary changes within capitalist organisation have reversed previously observed trends towards bigness, vertical integration and economies of scale: small-scale production and outsourcing (especially in service industries) have been facilitated by technological change (in transport, communications and computing), which has then transformed cost structures in directions which heighten market dependence. Controls on finance (the ‘repression of finance’) during this period were aberrant. The ideational aspects of neoliberalism have also been overstated, they argue – though professionals’ activities have become ‘dangerous’. (This is a view shared with Elizabeth Thurbon 2012.) Within social relations, workers are less inclined to be collectivist; self-employment has spawned a generation of employees ‘wholly committed to the market’; private housing and private pensions funds mean ordinary people have become more market dependent; the commodifying possibilities of domestic labour have expanded; and managerial discretion in the private sector has been superseded by finance-friendly rules (Howard & King 2008: 174, 195-199, 233-237).

Denial of the maturity thesis requires that all these developments be seen as immanent in twentieth-century capitalism. So interventionism is weakening over the *longue durée*. 'Market-mimicking' arrangements and market disciplines in the public sector have become familiar; so has the often frenetic activity of government 'reformers' (to reform-away past interventions). Increases in public sector spending and decommodified provision are therefore insufficient to balance the neoliberal priorities of macroeconomic management (away from full employment and equality, towards a more dogmatic monetary policy stance with deflationary biases). For these reasons, as political agencies regulate and preserve markets, neoliberalism does not require erosion of the size or capacity of the state (King 2012: 253, see also Cahill 2012: 113; Panitch & Gindin 2012: 15-21). The 'inefficiencies' associated with selective, modernizing industry supports, and which gave to public choice theory its alibi for accusations of 'state failure', were real; so neoliberalism is not seen as aberrant but as affirming the necessities that always characterized capitalism. It's inevitable and predictable.

Furthermore, the anti-maturity writers claim, the political and economic forms most conducive to wealth, accumulation and the development of the forces of production are indeed knowable (and more or less unchanged from the depictions in orthodox Marxism). This suite of claims gives Howard & King their pessimistic tone; but different lessons can be garnered from the comparison of Marxism and post-Keynesianism.

Convergent Concerns in Marxian and Keynesian Political Economy

Keynesians and Marxists mutually claim an intellectual political economy legacy, from Adam Smith and the classical period, entailing a joint commitment to understanding the course and conditions of capitalist accumulation. They would also probably define capitalism in similar ways – by reference to the underlying class roles of capital and labour, bourgeoisie and proletariat, investors and those, such as workers, bearing the brunt of decisions taken elsewhere. Such obvious complementarities have nonetheless often been unsettled by significant differences: Marx and Keynes have not shared Smith's rejection of mercantilism (for its elevation of deliberative possibilities for trade, commerce and wealth production), nor Ricardo's celebration of abstract method; and Keynesians have been less reluctant than Marxists to develop the political implications of their analyses.

From these broad starting points derives Marxism's and Keynesianism's shared identification of tendencies to cyclical development. Booms and slumps are routinely encountered and endogenously generated. And, though there are discrepancies concerning causes, noted earlier (deficient income versus deficient investment), a conception of the boom-recession cycle affirms the macro-foundations of economic activity central to each tradition. The two traditions initially differed on whether political forces can override crisis tendencies sufficiently to 'manage' capitalist development, but even here there is a convergent incredulity that the policies implied by economic rationalism or neoliberalism or market fundamentalism could ever improve macroeconomic performance.

Questions concerning political responses, political possibilities and political responsibilities have been seen, in formal terms, as intractable. Yet post-Keynesianism's openness to rapprochement in the debates indicates not only that political economy is able to take a stance on counter-cyclical strategies but also something methodologically significant in the movement from capitalism-in-general to specific cases of 'what is to be done'. Recently the existence of a Marxist Keynesianism has been affirmed (Katiforis 2004; Palley *et al* 2012: 3), disrupting the usual presumption that formal depictions of an economy will suffice in contemporary circumstances. Past debates and contested interpretations now enrich heterodoxy and heterodox policy as never before.

Radicals have typically prioritized the divergences between Marx and Keynes in discussion of their respective political economies. The most significant differences are clearly methodological – reflections of ever-present divisions in political economy between abstract and empirical approaches. However, some characterizations, including Joan Robinson's, have encouraged misleading evaluations. Her utterances were sometimes along these lines: 'Marx represents revolutionary socialism ... and Keynes the disillusioned defence of capitalism' or 'The burden of Marx's propaganda is that capitalism is pernicious and should be destroyed ... of Keynes', that it could be made fairly tolerable if people had a little sense'.

Much analytical support for a less caricatured version of the differences can be found in both Marxist and Keynesian political economy, including elsewhere in Robinson's own contributions. In the same essay she noted: 'The best defence of capitalism as an economic system can be made on the basis of Marx's analysis' (1955: 1, 6, 8). It is obvious from the context that Robinson wanted to draw attention to Keynesians' awareness that capitalism was chronically prone to stagnation as well as to Marxism's capacity to acknowledge the dynamic and wealth-creating capacities of capitalist economies (even while the latter's overall purpose was to attack exploitation and crisis tendencies and to demonstrate, in impressive detail, that it could not last forever). Each of these – Keynesianism's suggestion that the problems of capitalism were partly resistant to amelioration, and Marxism's suggestions that capitalism was not wholly negative – of course contradicted received interpretations by both proponents and critics.

The post-Keynesian tradition which followed has sought confluences rather than cul-de-sacs in the multiple streams of heterodoxy of the past century. Accordingly post-Keynesians have avowed that 'when Marx and Keynes examined the same issues, they usually came up with the same answers, adjectives excepted' (Harcourt 2012: 24, 132, after Sardoni 1987). It follows that more scope than has been investigated so far exists for combined intellectual efforts in political economy.

Less evident, though more important, is the putative and under-explored commonality between the conceptions of capital in Marxism and post-Keynesianism, and between each of them and the classical tradition. The possibility of a heterodox Marxism was noted above; but, together with the classical approach, the heterogeneous character of capital demands that non-abstract, empirical and qualitative methods be accepted within Marxism too – despite Marx's initial reluctance to embrace a controversy that featured well in pre-Marxian, historical school political economy. That capital could enhance the productivity of labour was a 'Marxian' idea that had been adopted earlier by the physiocrats and, of course, by Adam Smith. Once capital is seen as something that exists *qua* capital some of the time but not at other times (see Cannan 1894), hopes for a rationalist or calculative stance towards it are compromised. Marx certainly focused on the heterodox idea of capital as a product of social conditions which allow labour and finance and other resources to be combined in a production process, but the foundations were laid by his antecedents (Hennings 1987; Shaikh 1987).

Controversy over the meaning of capital has come to almost define post-Keynesian political economy, thanks largely to Geoff Harcourt's efforts to expand on Joan Robinson's and Piero Sraffa's critiques of the orthodox conception of capital as an independent factor of production to which profit is a legitimate 'return' (for summaries see Kurz 1987; Pasinetti & Scazzieri 1987; Harcourt & King 1995; Harcourt & Cohen 2003; Harcourt 2006, Appendix 2). The underlying issues expose rich sources of potential overlap between contemporary Marxism and Keynesianism (implying also, of course, that some neoclassical propositions be abandoned; see Veblen 1908).

These political complexities invite, perhaps compel, us to acknowledge that most problems in political economy have a long-term provenance, not merely for the past 40 years (the decades of unemployment) but for centuries. We know that unemployment – induced by structural change clearly impervious to domestic liberalizations and to which the preferences of policy elites are largely indifferent – has been revealed as a 'classical' phenomenon. It is less an indication of policy failure than a reflection of a structural tendency in capitalism for wealth to be generated at a much faster rate than employment. Employment creation is a logistical as well as political challenge. The problem is one that Marxism and Keynesianism should be equally able to address: both traditions allow that most markets are 'out of equilibrium' for most of the time (see Simpson 2013: 7). Though Marxists have held that 'Capital does not invest in order to boost gross domestic product ... [but] to expand itself via the capture of shares of global profit' (McNally, 2011: 37), this need not imply that Marxian analyses have no responsibility for the political possibilities created in the processes of capital accumulation.

Against the stream, heterodoxy can easily acknowledge that liberal reforms do not lead to small states and do not promote accumulation, though they do favour some destructive activities (for example, finance-led activities) rather than others (productive, wealth-generating activity) and they goad the reformers into dissembling and dissimulation on the question of taxation and regulatory enhancement (Quiggin 2011). Keynesians have always been alert to 'over-valuation of the economic criterion', that formalist and rationalist economism can lead to the loss of state capacities, the destruction of civilization and moral decay (Keynes 1938: 446), but they have not really been ahead of Marxist scholarship in fleshing out the implications of excess capacity, overaccumulation and underconsumption, themselves markers of the vagaries of privately coordinated investment. In the 1960s and 1970s, Marxists led discussions of the problems for capital in finding outlets for profitable investment, sometimes conceding that these had Keynesian derivations too (see, for example, Mattick 1969). Perhaps even Schumpeterian scholars have been as concerned with the likelihood of cost-cutting 'forced investment' (overinvestment in a low-growth environment) whereby enterprises cannot afford to re-invest in hard times yet cannot afford not to (Schumpeter 1927, 1950). These contingencies are what make capitalist economies normally 'transformational' (Nell 1989, 1998).

The Marxian version of these portents is that the forces of production impose changing demands on the relations of production, that is, capitalist social arrangements alone no longer support wealth generation (though they once did). The Keynesian rendition is that 'the economic problem' (resource allocation in conditions of scarcity) is not the permanent problem of humanity and unregulated markets are increasingly ineffective for nurturing production and capital accumulation. Both renderings imply that new sources of high-quality employment require extended political capacities; so that the nexus between crisis and policy constitutes a set of problems to be resolved, both intellectually and practically. Not only are 'counter-tendencies' to crisis imaginable, so too is a heterodox alternative to formalistic pessimism. Contemporary political economy must now accept that state activity that is in the interests of capital is never wholly in the interests of capital but may present what evolutionary theorists refer to as emergent opportunities (Hodgson & Knudsen 2010).

The Marxian contention (and observation) that capitalism generates recurrent contradictions is not incompatible with the more conservative – and republican – idea that state capacities, and political interventions to extend them, can never proffer permanent resolutions. However, neither proposition of itself delimits the scope for national innovation, democratic determination and international diversity that had until Keynes been associated mainly with pre-capitalist mercantilism. The social settlements and class compromises after 1945 – which frustrated endorsement of market supremacy and then began a long transition towards institutionalisation of conflicts – exemplified the possibilities of politics. Their refutation in the past four decades therefore represents an assault on democratic human achievement of considerable moment (as argued by Erik Reinert 2007: 295).

Though we know that neither Marx nor Keynes fully elaborated labour’s alternative role in the politics of capitalism, Kalecki *was* more aware of the potential of political capacity; and there are grounds for arguing that Marxism and Keynesianism now expect the economy will be forced to re-assert state capacities, to de-globalize, for economic reasons.

Conclusion

Political economy has much to offer current understandings of the human condition. We know about secular stagnation and the destructive effects of too much competition. We know that forty years of unemployment and underemployment are evidence of not just of slow growth in demand, impediments to growth or accumulation but of the permanent possibility of stagnation, secular transformations in all capitalist economies and ultimately transformational growth.

Neoliberal globalization (since the mid-1970s) has not been able to forge a successful regime of accumulation because it has deliberately or otherwise helped consolidate long-term unemployment, increasing inequality, manufacturing decline and elite indifference to the transformational context of slowing economic growth (now lower in the OECD countries than at any time since the early nineteenth century – Maddison 2007: 380). In addition productivity growth is generally slowing, public sectors are generally increasing, decommodified welfare transfers are continuing to expand, while infrastructure deficits and democratic deficits threaten to disrupt democratic achievement almost everywhere. We are also witnessing the dismantling of mechanisms for transmission of wealth from (ever-fewer) high productivity sectors to everyone else. Collective constraints on these processes that once existed have been undone by those claiming institutional achievement was economic slothfulness.

The heterodox paradox now appears to be that formalist and anti-formalist conclusions can converge. For the intellectual aspects of this task to be satisfied, we now need to apportion to Marxism a task it has historically been ill-disposed to embrace: to allow serious, progressive engagement with the counter-tendencies to crisis it always knew were possible, thereby bringing it into a politically open-ended, institution-building dialogue with post-Keynesianism.

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