

An Alternative Economics for the New Millennium: The Venice Theses

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Preamble

This paper is an attempt to establish some common ground for an alternative economics for the new millennium. It is perhaps appropriate that we are meeting in 1999 in Venice - as modern economics is also slowly sinking into the sea. Unless corrective action is taken, the heritage and potential of its earlier intellectual traditions will be lost. We have to nail our theses to the doors of San Marco and set sail for a different land, perhaps taking the best of Venice's treasures with us, to leave the elaborate and elegant formal decay behind.

Twelve Theses

1. A science is normally defined as the study of a particular aspect of objective reality. Physics is about the nature and properties of matter and energy, biology about living things, psychology about the psyche, and so on. For many economists, in contrast, their subject is defined in terms of the adoption of core assumptions and techniques, not as the study of a real object - the economy.
2. The economy is a vital part of any social system. For much of the nineteenth and twentieth centuries, 'political economy' and even 'economics' was much devoted to the scientific study of the economy. Today, however, economics has largely become a deductive exercise in mathematical technique. It has all the impairments of the 'elegant toying' against which Alfred Marshall warned in 1900. The adoption of mathematical technique, rather than the scholarly attempt to understand real world economies, has regrettably become the defining criterion of acceptance into the inner community of economic scientists.
3. Since Lionel Robbins in 1932, mainstream economics has been defined as the 'science of choice under scarcity'. Since Talcott Parsons in 1937, sociology has defined itself as the 'the science ... of social action'. However, in reality the boundaries between choice and action are unclear and this attempt to divide off sociology from economics is profoundly unsatisfactory. However, despite the conceptual weakness of this division, dialogue between economists and sociologists is regrettably conspicuous by its absence.
4. An alternative economics can use all techniques at its disposal, as long as they are shown to be viable for the study of the real object of analysis. Factual description, conceptual exegesis,

computer simulation and mathematical model all have their place, but only insofar as they add to our understanding of real economies, past or present.

5. As Ronald Coase put it in 1977, economics should be the study of ‘the working of social institutions which bind the economic system together: firms, markets for goods and services, labour markets, capital markets, the banking system, international trade, and so on.’ Accordingly, the central task of an alternative economic science is to understand the nature and functioning of economic organisations, institutions and structures. The study of real institutions requires a combination of empirical, conceptual and theoretical work. In this scientific endeavour, the study history provides a vital evaluative forum, alongside other worthwhile tests of rigour and statistical significance.
6. An alternative economics should have a strong transdisciplinary thrust. Former disciplines and subdisciplines - such as economic sociology, business economics, economic history, history of economic thought, methodology of economics, and finance - have been consigned to or beyond the fringes of departments of economics, or even entirely removed from university curricula. Within an alternative economics their status should be restored.
7. The economy is a complex system, with multiple levels of operation and emergent properties at each level. Given this complexity and emergence, it is impossible to explain or predict phenomena at one level completely in terms of those of another. In particular, ‘methodological individualism’ and the ‘microfoundations project’ have failed. The relative autonomy of different levels of analysis, including macroeconomics, has to be acknowledged. Of course, it is still important to explore explanatory links between the different levels.
8. With no hesitation, the battle of power between orthodox economics and its heterodox rivals has been lost. However, the orthodox have *not* won the battle of ideas - they have simply walked away from it, safe with their control with the academic levers of accreditation and power. Qualified academics subscribing to the above seven propositions - even those with a strong international reputation - would have great difficulty getting a senior position in any prominent department of economics in anglophone universities and elsewhere.
9. Three urgent tasks follow. The first task is to develop the conceptual foundations of an alternative economics. Theoretical frameworks are required that are sensitive to historical change and institutional variety. The aim is to explain and engage with the real world, rather than to mess in theory for its own sake. The ultimate concern should be for the operational and social value of the theory that is developed.
10. The second urgent task is to agree upon a common label for this alternative economics. This label must be sufficiently inclusive but at the same time distinctive. After thirty years, the ‘Post Keynesians’ have not established a distinct theoretical identity. Labels such as ‘socio-economics’ and ‘evolutionary economics’ have an appeal, but their problem is that they have come to include everything, even neoclassical formalism, and exclude nothing. Perhaps the best label for the future is ‘institutional economics’.
11. The third task is to attempt to establish university departments and teaching curricula under the new label. This task is especially urgent in those countries where the concerns of alternative economics have been driven beyond the academic gates (including the US, UK, Australasia and in many European nations).
12. There have been many attempts to rescue non-mainstream economics. All have failed. Let us learn from the past and accept the seriousness of the challenge. Otherwise, non-mainstream economics will be wiped out of all major universities by 2020.