

CONFLATION OF IPE WITH HETERODOX ECONOMICS? INTELLECTUALLY NEGLIGENT AND DAMAGING

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Heterodox economics and International Political Economy (IPE) have each received increased attention in the wake of yet another round of criticism of mainstream economics. The recent global financial crisis, its uneven impact across economies and transmission into the real economy, has called into question dominant mainstream economic theories, such as the efficient market hypothesis and the analytical separation of the financial from the real productive sector. It has also led to calls for the curricula of economics courses to consider real-world topics, to include economic history and to cover heterodox schools of economic thought. On the other hand, the global financial crisis:

laid bare some fundamental challenges for all contemporary IPE scholarship ... the depth and virulence of the crisis caught most scholars by surprise ... the majority of prominent international relations journals did not publish a single article on the financial crisis in the years 2008-2011 (Johnson *et.al* 2013: 1012).

IPE has also been criticised in recent years for not addressing the ‘really big questions’ of the contemporary era or the origins of capitalism, for being Eurocentric and for being too silent about the workings of capitalism (for example see, Cohen 2008, and the 2009 and 2013 special issues of the *Review of International Political Economy*).

Both heterodox economics and IPE embrace a wide spectrum of theoretical perspectives. Heterodox economics is generally considered as a field within the discipline of economics without a notable geographic concentration. On the other hand, ‘geographic factions’ of IPE scholars have been identified (Blyth 2009; Cohen 2014). Generally speaking there is a recognised American group, a British one, European IPE scholars

and a scattering of others in Latin America, Asia and Australia. The American and British groups dominate debates within IPE discourse.¹ Cohen (2014) also identifies varying disciplinary underpinnings of IPE, ranging from classical moral philosophy (British group) to political science (the Americans).

The terms ‘heterodox economics’ and ‘political economy’ are often used interchangeably. Heterodox economics is generally acknowledged as a group of different schools of economic who are united on two counts. First, they are united in their collective ontological opposition to mainstream economics. Second, they advocate for methodological pluralism. Nevertheless, the schools comprising heterodox economics are distinguishable from each other by their theoretical perspectives and different analytical concerns.

The conceptualisation of political economy, on the other hand, has assumed a polysemic nature. It’s multiple ascribed meanings range from the concern of the classical political economists with the economic surplus to the research agenda of public choice theorists and the economic advice given to policymakers. It is through this polysemy that there has also occurred a conflation of IPE with heterodox economics. This conflation can be directly traced to both the American and British IPE groups.

The American group conceptualise IPE as “a marriage of two disciplines [economics and politics] integrating market studies and political analysis into a field of inquiry” (Cohen 2011: 1). “By this ‘states and markets’ approach, IPE seeks to explain how political power shapes economic outcomes and economic forces influence political actions” (Paul and Amawi 2013: 2). Increasingly the American IPE scholars have adopted:

...neoclassical economic reasoning and liberal political philosophy at the expense of other economic and political thought ... In this way American IPE resembles quite closely the modern political economy approach ... [which] attempts to re-imagine it as aping the mainstream: thus the neoclassical and Austrian

1 Readers interested in these debates are referred to Blyth (2009), Cohen (2008, 2011, 2014) and Paul and Amawi (2013).

analytical tools are applied to issues of political interest.
(Mearman 2014: 41-42).²

Neoclassical economics is the antithesis of heterodox economics. An alternative conceptualisation, inspired by the British IPE group with its intellectual roots in classical moral philosophy in the tradition of classical political economy *à la* Adam Smith, “shows greater affinity with heterodox strains of economic thought that come together to define the object of study as ‘globalisation’ or even ‘capitalism’ ” (Paul and Amawi 2013: 2). However, British IPE is not grounded like classical political economy in explaining market exchange through a theory of value and distribution. The theoretical perspectives of the different schools within heterodox economics, with the exception of institutional economics, are explicitly framed around a theory of value and distribution.

This conflation provides implicit support to a mainstream economics antagonistic to the teaching and research of heterodox economics. It is also the motivation for this article: to articulate the differences between heterodox economics and IPE and thus the reasons why conflation is damaging to heterodox economics as well as being intellectually negligent. We consider this matter important to the future of heterodox economics and warrants debate by heterodox economists. Hence, we have written this article specifically for heterodox economists and this special issue. In doing so, we have presumed that readers have a

2 Mearman’s 2014 statement was made within the context of exploring the relationship between definitions of political economy and its teaching, primarily through the case of IPE. This discussion was informed by his earlier work (Mearman 2012, 2011) about the methodological issues arising in the classification of heterodox economics. Mearman (2012: 421) concluded that any definition of heterodox economics reflects:

a number of dimensions. These are: theoretical concepts; methodology, taken to include ontology, epistemology and methods; location within social groups within economics; areas of interest; politics and the relation to agents with economic power and finally, mindset, *i.e.* how one perceives one’s own approach to economics. HE [heterodox economics] is a fuzzy set in those dimensions. Any single economic idea, and/or the economist which holds it, will lie somewhere within that set, and somewhere on a scale on each of these dimensions.

These remarks, we consider germane to Mearman’s 2014 statement and important to developing an understanding of the differences between heterodox economics and IPE.

knowledge and familiarity with the debates which have defined the nature of heterodox economics.³

We assess each field against the following criteria: the conceptualisation of each field and how this fits with the nomenclature of political economy; the predominant perspectives within each field; the relationship of each field to mainstream economics and particularly neoclassical economics; and the purpose of analysis, methodology and methods, important concepts and relationships, and units of analysis. We recognise that neither field is monist. Nevertheless, we consider it is possible to delineate the over-arching features of a field for the purposes of comparative analysis. This does not, in our view, negate differences within a field or the debates that may mark a discourse.

The article is structured as follows. The next section provides an overview of the historical use of the term ‘political economy’, its progressive excising with the narrowing of orthodox economic analysis, and its contemporary appropriation. This section also discusses the traditions of political economy which can be delineated in terms of theories of value and distribution, *i.e.* price formation. Then come two sections that examine the definitions, predominant perspectives, the relationship to mainstream economics and the analytical focus of heterodox economics and IPE respectively. The final section presents a comparative analysis of the two fields and concludes.

Political Economy: Its Meaning and Core Traditions

The term ‘political economy’ can be traced back to the Greek philosopher Aristotle, who defined ‘economy’ in the context of the interplay of the triad of dual relationships within a typical household, *i.e.* master-slave, husband-wife and father-children (Everson 1988). As he observed activities associated with buying and exchange, *i.e.* money making, Aristotle questioned the rationale underlying the determination of prices (Heilbroner 1997).

Over time, the term ‘economy’ broadened in scope to include management more generally. For instance, the early French physiocrats

3 These debates have been extensively documented in, for example, Lawson (1997, 2006), Lee (2009), Lee and Lavoie (2013), and Milonakis and Fine (2009).

extended its scope by including the management of the state along with the management of agriculture. The broad units under management eventually became what we understand as classes.

With the emergence of capitalism, the meaning and discipline of political economy began to change. The early classical (English) political economists shifted the analytical focus away from international trade and agriculture as the source of the economic surplus to the production of manufactured goods, and thus political economy came to pertain to the provision of goods and services to support society and provide the state with revenue to conduct its activities, *i.e.* political economy became associated with material welfare. “Smith indicated that he saw political economy as an inquiry into the nature and causes of the wealth of nations or, as the Physiocrats had initially suggested, the *science* of the nature, reproduction, distribution and disposal of wealth” (Groenewegen 2008, emphasis added).

Misgivings were expressed about conflating the ‘art’ of political economy (legislation) with the science of political economy (the ‘laws’ of wealth which incorporated social and moral aspects of a society) which led to calls in the mid to late 1800s for the replacement of political economy with the term ‘economics’ (*ibid*). Marx was critical of its scope and method but not the name; others considered the name did not adequately convey the focus or nature of analysis.

By the end of the 19th century, ‘political economy’ and ‘economics’ were being used interchangeably, particularly by the pioneers of marginalism as they narrowed the broad-ranging concerns of classical political economy to a formal analysis of individual economic behaviour and the functioning of markets. The identification by Robbins of economics with neoclassical marginalism marked the effective removal of the social, political and moral elements of the ‘science’ of classical political economy from analyses of material welfare. “It destroyed the view classical economists had of their science” (*ibid*).

Not only was ‘political economy’ steadily excised by the orthodoxy, it has been appropriated by, for example, public choice theorists to denote the span of their research agenda (Sayer 2000); others use the term to refer to the “the specific advice given by one or more economists ... to governments or to the public at large either on broad policy issues or on particular proposals” (Mishan 1982: 13, cited in Groenewegen 2008).

The latter's blend of 'politics' and 'economics' is a long stretch from the classical economists concern with the economic surplus.

Thus, the term 'political economy', broadly speaking, pertains to the analysis of economic, social and/or political phenomena within capitalist economies which are forms of organisation in which decisions regarding production, distribution and consumption are made with respect to markets *i.e.* capitalism is a way of organising these activities around a generalised process of exchange. How are the activities of self-interested individuals coordinated so that the system does not fall into disarray? The key to this puzzle lies in understanding how markets operate. This, in turn, suggests that to explain the capitalist form of social organisation requires a vision of how exchanges take place, *i.e.* a vision of price formation.

Political economy - as an analysis of the economic, social and/or political phenomena of capitalism - can be classified into a number of traditions according to the underlying theory of price formation. Broadly, these traditions are the social surplus approach, 'liberal' (neoclassical marginalism) political economy and institutionalism. Each tradition entails a philosophical view as to how a capitalist economy operates. How social and political aspects of societies are brought into an analysis of economic phenomena, methodologically, is integrally related to a tradition's vision of how markets work. The methodological approach of most political economy traditions is one of an open system, where not everything can be known, and 'class' is the unit of analysis; the exception to this is the tradition based upon the neoclassical theory of value and distribution which assumes a closed system and the unit of analysis is the individual.

The surplus approach is broadly synonymous with the classical political economists of Adam Smith and David Ricardo, and Karl Marx. The idea of the surplus approach is that there is an explanation of how an economy produces goods in excess of what is required for the reproduction of the socio-economic system. The accumulation of goods constitutes wealth. As such, classical political economy is characterised by close integration between the economic, social, legal and political spheres and the analysis of accumulation is the starting point.

Whereas Smith suggested a harmonious result in which classes would be mutually supportive and all individuals potentially benefit from increased labour productivity and a lower cost of product, Ricardo's result was

more pessimistic in that the wages of workers are squeezed to subsistence, and capitalists' profit is absorbed by landlords through rents. In 'correcting' Ricardo, Marx provides a theory of value which rejects the separability of civil society and the state.

No matter which labour theory of value one selects, however, within classical political economy the determination of price occurs separate from the determination of output. In other words, for prices to be determined one needs technology, output and a distributive variable (usually wages). The social, historical, cultural, and institutional features of a society are important to explaining the givens of the system.

Other solutions to Marx's problem of transforming value into price stimulated an important sub-paradigm to the surplus approach – the monopoly capital school - which is related to the under-consumptionist paradigm, originating with Malthus, where there is an inherent tendency towards lack of demand to absorb the produced output of the system. The monopoly capital school includes a power element to establish how prices change (increase) as capital (firms) becomes centralised and concentrated over time. The high rate of profit, and prices dampening demand, leads to excess output for which some form of external demand must be located (*e.g.* international trade, rationalization of the landlord class, imperialism, and so forth). In terms of the underlying method, the monopoly capital school adopts an open system and employs a class-based analysis.

A further tradition of political economy – 'liberal' political economy - is grounded in neoclassical marginalism. Here the emphasis is on the individual who is removed from all historical, social, cultural and political contexts. The idea is to first understand the market mechanism and then proceed to incorporate the influences of the various contexts upon an individual's choice. In some ways this is similar to Marx's process from the highly abstract realm of commodity and creation of value and surplus-labour time to the more concrete forms of value, its expression as direct price, prices of production and market prices. However, at the heart of the neoclassical theory of value and distribution is utility, not socially necessary labour-time. Moreover, not only is the concept of utility different from that found in the surplus approach but the method of determining price becomes centred on the simultaneous resolution of balancing supplies and demands of commodities in their

markets located within, as Marx would have designated, the sphere of exchange.

In terms of method, the behaviour of an individual within the market is assumed to be characterised by six axioms: choices for consumers are complete, reflexive, transitive, non-satiated, continuous and convex. All individual behaviours are presumed to be captured by these axioms which, combined, yield an individual's utility function. Utility functions lead to downward-sloping demand curves (*i.e.* an inverse relationship between price and quantity demanded) and upward-sloping supply (offer) curves (a positive relationship between price and quantity supplied). Market supplies and demands for goods and services are the sum of the individuals' curves, and with them equilibrium prices are simultaneously established which clear the markets. After equilibrium prices have been established, analyses can be undertaken of how features of a society can influence the result. There is a clear separation of the economic and political realms.

Keynes' work treads a middle path between the surplus approach and the neoclassical marginalist approach. It is clearly an open system in that his macroeconomic framework is cast using four expenditure groups (households, firms, government and international trade), the combination of which define the components of aggregate demand. The juxtaposition of aggregate demand with an aggregate supply schedule defines effective demand. The level of output associated with effective demand will not typically be characterised by the full utilization of resources, particularly labour. As such, Keynes created a framework which sought to refute Say's law. However, the use of concepts associated with neoclassical marginalism called into question the logical consistency of this framework. As a result, elements of Keynes came to be adopted by the liberal tradition of political economy.

Another political economy tradition is institutionalism, which examines how institutions can influence the laws of motion of the capitalist economy. Markets are viewed as a political construct, and the function of the market mechanism is more than simply balancing supplies and demands. Over time, a contract to facilitate the exchange of a commodity will evolve because of differing societal cultural and social norms. Further, the market, itself, is comprised of institutions which interact with each other in complicated ways. Hence, what drives economic performance is not how well markets allocate resources or distribute

goods and services but “the organizational structure of the larger economy” (Samuels 2008), *i.e.* the institutional structure. Social change, collective choice, the economic role of a government, and technology are characteristic of institutional analyses. Generally, it cannot be concluded that the institutionalists have an explicit theory of value and distribution, instead substituting an analysis of price determination with an analysis of power in the market.

This broad overview of the traditions of political economy illustrates that each is framed around an understanding of how markets operate for capitalism to resolve the issues of production, distribution and consumption through a generalised process of exchange. As such, each tradition deploys a methodological framework that most accurately captures the tradition’s underlying vision of how a capitalist economy operates which is uniquely shaped by one’s “precognitive posits” through which social reality is viewed (Heilbroner and Milberg 1996: 14). Liberal political economy, grounded in neoclassical marginalism, envisages markets devoid of any social, historical, cultural, political or legal context. This narrow vision of capitalism is not shared by the other traditions of political economy – classical, Marxist, institutionalist and Keynesian.

Heterodox Economics: Its Nature and Form

The term ‘heterodox’ first appeared in the 1930s discourse of American institutionalist economics to denote economic analyses that ‘dissented’ from neoclassical economics although it was unclear if the dissent was ‘within’ or ‘from’ the orthodoxy (Lee 2009). It was not until the 1970s that heterodoxy was explicitly applied by institutionalists to mean dissent from the orthodoxy. By the 1990s it was apparent that:

there were a number of theoretical approaches that stood in some degree in opposition to neoclassical theory ... terms such as non-traditional, non-neoclassical, non-mainstream, were used to collectively represent them, but they did not have the right intellectual feel or a positive ring. Moreover, some thought that political economy (or heterodox political economy) could be used as the collective term, but its history of being another name for Marxian-radical economics made this untenable ... “heterodox” itself became increasingly used in contexts where it implicitly

and/or explicitly referred to a collective of alternative theories *vis-à-vis* neoclassical theory ... So in spite of its Institutionalist connection, heterodox economics fitted the bill and increasingly became the term of choice (*ibid.* 190).

Publication of the *Encyclopaedia of Political Economy* (O'Hara 1999), the establishment of the UK-based Association for Heterodox Economists in 1999 and its subsequent annual conferences, and the creation of the online *Heterodox Economics Newsletter* were pivotal events leading to the more widespread adoption of the term.

Heterodox economics encompasses a wide range of theoretical approaches that cast themselves as alternatives to mainstream economics, particularly the tradition of neoclassical economics which has remained the 'orthodoxy' of undergraduate economics teaching despite the 'changing face' of the mainstream (Colander, Holt and Rosser 2004). The primary schools of economic thought which fall within the rubric of heterodox economics are Austrian, ecological, evolutionary, feminist, institutional, Kaleckian, Marxian, Post-Keynesian, social and Sraffian.

Lee (2009: 7) defines heterodox economics as a 'concatenation of critiques' unified in their dismissal of the asocial, ahistorical individualistic mainstream economics approach in explaining the provisioning process which connects the individual to goods and services; unified also in their critiques of the "fictitious concepts and ... deductivist, closed-system methodology".

Lawson (2006) also identifies heterodox schools of economic thought (or traditions) as 'a coherent collective project' in opposition to the mainstream. That opposition is grounded in the mainstream's fetish for mathematical methods which hold a view of reality inconsistent with the real-world situations for which they are used by mainstream economics. Therefore, Lawson concludes that the nature of heterodoxy's opposition is ontological (because opposition to mathematical methods means opposition to that analytical method's view of reality, and issues about the nature of reality are issues of ontology). However, Lawson also distinguishes between heterodox traditions 'at a more substantive level than ontology' because of their different concerns, emphases, and questions asked (not answers or methodologies). Thus, the nature of heterodox economics – according to Lawson and with which we concur – rests on both the 'collective project's' ontological differences with the

mainstream and differences between the focus of each heterodox tradition.⁴

Heterodox schools of economic thought can be distinguished from mainstream economics on a number of counts. First, they seek to explain the real world by using the theoretical to explain the empirical and are not led by technique, eschewing the abstract for concrete constructs. Second, heterodoxy views economic phenomena, change or crisis as being embedded within a system of an extra-economic nature so they seek to explain the real world by analysing the connections between economic problems, social structures and political processes. Economic variables are not treated in isolation or the abstract. Third, heterodoxy acknowledges that for any economic issue there are different (alternate) explanations. Thus there is explicit recognition that different theories can provide different insights rather than act as alternatives, no one theory of knowledge captures reality, and a single ‘correct’ alternative is not advocated, which is in stark contrast to orthodoxy. Fourth, and probably its most fundamental analytical feature, heterodox economics seeks to analyse how the economic surplus is generated, the distribution of that surplus and for what purposes it is used (Lee 2013: 107-108). This feature, in particular, aligns the paradigms of heterodox economics with all traditions of political economy other than the liberal tradition with its neoclassical marginalist theory of value and distribution which has no place for the notion of economic surplus with its focus on equilibrium analysis.

Orthodox economic analyses, and reflected in textbook economics, are overwhelmingly dominated by the normative. In Mankiw’s words: “Normative statements are prescriptive. They make a claim about how the world ought to ... Those who use economics often have goals that are normative” (Mankiw 2007: 28-29). In contrast, heterodox analysis:

is an explanation of how the social provisioning process *actually* operates, not how it is supposed to operate under hypothetical ‘ideal conditions’ ... the ethos embedded in heterodox economic theory is that the social provisioning process is to be accurately

4 Tony Lawson and the late Fred Lee have led the debate over the last two decades about the nature of heterodoxy which has forged widespread acceptance and ongoing acknowledgement by heterodox economists that opposition to the mainstream unites them. See also Footnote 2.

explained so that it can be changed (Lee 2012: 340, original emphasis).

Heterodox economic analyses explain the dynamics of capitalism's socio-economic structure through the different lenses of: the organisation of production; energy and the environment; the distribution of income; labour and employment; inflation, deflation and business cycles; the accumulation of capital; economic growth; development; poverty and inequality; financialisation and economic crises, and more.⁵

The analytical levels of heterodox analysis encompass the global, macro and micro, ranging from the household and business enterprise to the state and market institutions, monetary regimes, legal and social institutions, to non-market activities, the informal economy, and international trade. Class, gender, race, ideology, history, political decisions, path dependency, institutions, uncertainty, and other non-economic factors are important features of heterodox economic analysis with its emphasis on the evolving dynamic nature of capitalism and not at a static point in time. The relative power, relationships and institutional forms of capital, labour and the state are further important analytical features.

This is not to suggest that every heterodox school of economic thought exemplifies every one of the above features; for example, Austrian economists would not place any emphasis on political decisions, and Post-Keynesians would not emphasise class or gender. Also, as noted above, there are different views as to which problems are important, their causes and the 'best' solutions. Nevertheless, theoretical engagement and convergence, not the merging or subsuming of schools, have been observed across the heterodox schools of economic thought demonstrating a methodological openness and support for pluralism. Lee (2012) observes theoretical engagement, during the first half of the twentieth century, between American institutionalists and Keynesian economics and Marxism, and subsequently between the latter and Post-Keynesians. Engagement, integration and synthesis across heterodox schools continued during the latter part of the twentieth century and into the new millennium. O'Hara (2007: 3) sets out in detail evidence of convergence between heterodox scholars *vis-à-vis* the principles of

5 The normative - positive dichotomy marks differences between orthodox and heterodox economic analyses although it is not as clear as the distinction implies.

inquiry given the emphasis placed on “realism, holism, circular and/or cumulative causation, institutions, and the role of values and social factors in economic life” by those which may be categorised as applying an institutional-evolutionary political economy approach.

The ‘one-sided’ teaching of economics at university level has acted against the presence of these heterodox ideas and heterodox economists within the vast majority of economics departments. Hiring practices and promotion opportunities have further limited the presence of heterodox economists who are more commonly found in schools for business, finance, accounting or statistics and other social science disciplines such as sociology or political science. The more highly-ranked economics journals predominantly publish papers framed around the formal notation, and proving, of mathematical models with little discursive narrative or discussion of anything other than ‘familiar’ economy theory. Anything alternative, like heterodox economic argument, is generally not deemed to be ‘serious economics’. Research excellence rankings have also negated the recognition of heterodox economics as an equally legitimate research field which, in Australia, is classified as ‘other economics not elsewhere covered’, which is the equivalent of an ‘intellectual wasteland’. Curricula, appointments, promotions, research quality assessment exercises and elite journals have marginalised heterodox economics generally within the academy and continue to act as powerful barriers against a more widespread presence.⁶

The Field of International Political Economy

The 1970s saw the emergence of the ‘field’ of International Political Economy (Cohen 2014; Cohn 2010; Crane and Amawi 1997; Frieden, Lake and Broz 2010; Ozkan 2012; Veseth 2002). Susan Strange, an international relations scholar who trained as an economist, is credited with much of its development as a field of study (Brown 1999). Beyond

6 This situation has occurred for heterodox economists globally. We refer readers to Butler, Jones and Stilwell (2009) and Thornton (2013) as examples documenting the situation in Australia, to Lee (2009) and Lee and Lavoie (2011) for the US and the UK, to the Board of the *Association Française d’Economie Politique* (2014) for a European example and to the Canadian Association for University Teachers (2015) for a recent North American example.

these two points, there is far less agreement about how IPE may be defined, its relationship to economics and other disciplines, and the taxonomies to classify the theoretical and analytical approaches applied by its scholars.

Miller (2008) contends that IPE is a ‘central component’ of international studies. Others categorise IPE as a sub-discipline of international relations, given that it has been constructed “on familiar foundations provided by political science” (Cohen 2014: 13). It has also been suggested that IPE is a synthesis of two traditional fields, politics and economics (Crane and Amawi 1997).

Many define IPE in terms of its analytical focus. For example, Oatley (2010: 2-3) views “the central focus of international political economy as a field of study: how the political battle between the winners and losers of global economic exchange shapes the economic policies that governments adopt”. Crane and Amawi (1997: 4) consider that IPE “seeks to explain how political power shapes economic outcomes and how economic forces influence political action”. Similarly, Cohn (2010), Frieden *et.al* (2010) and Ozkan (2012) stress the ‘interaction’ and ‘interplay’ of politics, economics and markets at the global level, a view expressed in the 1980s by Keohane (1984: 21, emphasis added):

We can view international political economy as the intersection of the substantive area studied by economics – production and exchange of marketable means of want satisfaction – with the process by which *power* is exercised that is central to *politics*.

This emphasis on power and politics, we consider, is also evident in Gilpin’s statement that IPE questions:

how the state and its associated *political* processes affect the production and distribution of wealth and, in particular, how *political* decisions and interests influence the location of economic activities and the distribution of the costs and benefits of these activities. Conversely, these questions also inquire about the effect of markets and economic forces on the distribution of *power* and welfare among states and other *political* actors (1987: 10-11, emphasis added).

Dominant analytical themes are economic and political issues that transcend national borders (such as trade, finance, production, development) as well as relations between and among nation-states. The

activities of international organisations, transnational corporations (TNCs), nation-states, and social movements are at the centre-stage of analysis. Relationships, governance, politics, decision-making, cooperation and the management of conflict are of primary interest. The analytical scope is international, although not exclusively with some work focusing *within* nation-states to “understand how domestic forces influence international action” (Crane and Amawi *ibid*).⁷

According to Cohen (2014: 123) and Gilpin (2001: 14), the geographic groups and theoretical perspectives of IPE have been traditionally denoted by normative analyses (*i.e.* what the world should be to make it a ‘better’ place in which to live) and not positivist (*i.e.* understanding how the world works). However, the dominant American School stands out as the ‘black sheep’ because “normative concerns, for the most part, are downplayed ... analysis tends to concentrate on how do we understand the policies of national governments? ... How do states cope with consequences of economic interdependence?” (Cohen 2014: 16).⁸

The behaviour of the nation-state is a common feature of IPE studies and, in fact, state-centricity (*i.e.* prioritising the nation-state above other units of analysis) is observed in half of Cohen’s (2014) geographic taxonomy of IPE scholars. As Frieden *et.al* (2010: 8) note, “the role of the state is at the center of all political science; international political economy is no exception”.

Different perspectives are apparent across the IPE field. Cox (1981) draws the distinction between those perspectives using ‘critical theory’ and ‘problem-solving theory’. Gilpin (1987) identifies three broad perspectives, each displaying a wide variety of thought and all of which

7 The analytical focus on nation-states of IPE should not be confused with that of the related field of Comparative Political Economy which compares and contrasts nation-states.

8 The emphasis of the American group on positive analyses does not equate with the similar emphasis of heterodox economics because American IPE is dominated by economic liberalism (the political economy tradition of neoclassical marginalism) and has developed a high reliance on the use of neoclassical analytical techniques. We develop this point further at the end of this section and in the concluding section.

come from traditional international relations (political science) theory – liberalism, Marxism and nationalism.⁹

The nationalism perspective – also referred to as economic nationalism, realism, mercantilism, statist, state-based theory, and power politics – stresses the importance of the state or national interest to understand international relations. The state is the principal actor, markets are shaped by political power, and each state must secure its economic interests at the expense of those of other states. The international economy has no centralised authority which is constituted through the rational actions of states, through their struggle for wealth and power. Economy activity is subordinate to the state's political will. The international economy is one of unending conflict. Its form and functioning directly reflects the interests of the most powerful nation-states.

The state's primacy is not shared by liberalism which, according to Cohn (2010: 77), has tended to dominate the IPE discourse through the American and British groups. Liberalism focuses on the individual – or a wide range of actors such as the state, the corporation or interest groups because the state is seen as being influenced by many factors and viewed, by some, with 'hostility' because of the perceived detrimental impact on markets, economic growth and wealth. The international economy is also viewed as one of interdependence with strong prospects for cooperation between states, with firms being the prime mechanism to globally disseminate wealth.

The critical perspective (also called critical realism, structuralism, historical materialism or Marxism) uses the lens of class to question the way the world is organised. Market relations are viewed as inherently exploitative, international relations as inherently conflictual. Dependency theory is used to explain the persistent poverty of less developed countries. Globalisation is posited as contemporary imperialism. Dominance, exploitation and conflict, arising from capitalism's relentless

9 Others have argued that a fourth perspective – constructivism – should be added to Gilpin's typology which has tended to dominate the texts and teaching of IPE (Frieden *et.al* 2010). According to constructivism, international politics is socially constructed, *i.e.* the actors and their interests in the international economy are constructed through social interactions, they are not innate. In many respects, constructivism is more an analytical method than a different set of assumptions and assertions which distinguish the perspectives identified by Gilpin.

pursuit of profit, are the dynamic for this perspective's explanation of the international economy.

All three perspectives view the international economy through different assumptions, units of analysis, and the motivations of nation-states, TNCs and international institutions. Such epistemological and ontological differences suggest the impossibility of convergence or synthesis. Nevertheless, each perspective has experienced some transformation, although Crane and Awami (1997) suggest that the changes have been more amalgamation than synthesis. One of the approaches to emerge has been rational choice analysis, also referred to as the New Political Economy (NPE).

Underpinned by liberalism, the NPE constructs abstract models of individual behaviour which assume that an action is rational only if it maximises one's self-interest. This modelling is similar to game theory and the logic of the analysis provides the explanation for the choices which lead to sub-optimal economic outcomes. "The political sphere is seen to bear distinct similarities to the working of a competitive market ... the assumption [is] that exogenous forces do not constrain rational actors from pursuing their own self-interests" (*ibid*: 22).

The leading British political scientist Andrew Gamble (1995: 530) posits that utilisation of deductive models, game theory and rational choice as analytical tools "can make sense of the profound changes in the global economy and the state system". These are the abstractions and tools of neoclassical microeconomics. Gilpin (2001: 77) also is of the view that "the study of international political economy ... is of necessity highly dependent on the theories and insights of neoclassical economics" (2001: 77). Yet the adoption of the formalisation and quantification of neoclassical techniques – because of data requirements – leads to the marginalisation of 'big questions' and a narrowing of research topics amenable to micro-focused treatments. This is precisely the path that led to the "marked contraction of pluralism in the American school of IPE ... [and] its emerging methodological monoculture" (Phillips 2009: 85).

According to Wade (2009: 117), "the history of economics from interwar pluralism to postwar neoclassicism should send warning bells about helicoptering the model of neoclassical economics into IPE" because the model biases conclusions to, *inter alia*, "the virtues and prevalence of self-adjusting systems ... [and] biases conclusions away from the inequalities of income and wealth, go-it-alone power, network power,

and other forms of structural power”. Nevertheless, this approach – referred to as ‘Open Economy Politics’ and based on partial equilibrium analysis – now forms the ‘core’ of American IPE (Lake 2009). American IPE “dominates in terms of sheer muscle, judging by numbers and resources...Yet, paradoxically, relatively few scholars elsewhere actively seek to adopt the same demanding [methodological] style” (Cohen 2014: 129).

The Two Fields Compared

Like all fields of research, there are theoretical, methodological and philosophical distinctions *within* IPE, just as there are within heterodox economics. Comparative analyses often yield binary divisions which mask complexity and areas where there may well be overlap. Nevertheless, we posit that there are some broad characteristics delineating the field of IPE which are contrary to the nature and analytical approaches of heterodox economics. Our reasoning is set out below.

IPE scholars, like heterodox economists, are generally not monolithic. The intellectual roots, and theoretical perspectives, of IPE are most heavily grounded in the political science field of international relations rather than the social science of economics. More specifically, the analytical concerns of IPE focus on the influence of states and institutions on economic phenomena through political channels, and vice versa. Power relationships are key to these analyses.

At first blush, IPE seems quite similar to institutionalist economics. Both, for instance, do not rest on an explicit theory of price. However, institutionalist economics does not relinquish the market mechanism as the central organising feature which determines production, distribution and consumption. Institutions are also held to exert power that shapes the outcomes and economic phenomena of the capitalist system. IPE scholars, on the other hand, generally consider capitalism’s central organising mechanism to be through power relationships which determine the operation of markets and, thus, the economy. This then frames the IPE analytical locus compared to the economic and social phenomena more generally of heterodox economic analysis.

Table 1 presents a high-level synthesis of the preceding discussion of the nature and form of the two fields of heterodox economics and international political economy.

Table 1: A Comparison of Heterodox Economics and International Political Economy

Criteria	Heterodox Economics	International Political Economy
Predominant perspectives	Post-Keynesian, Institutional, Marxian, Feminist, Evolutionary, Social, Ecological, Austrian.	Nationalism, Liberalism, Realism.
Definition and tradition of political economy	Fits most closely the classical definition. All traditions except liberal.	Most closely fits blend of 'politics' and 'economics'. Liberal tradition (liberalism).
Relationship to neoclassical economics	Antithesis. United in their opposition.	Liberalism is closely related. Adoption by dominant American IPE of neoclassical microeconomic techniques.
Convergence within the field	Pluralism in economics is a core value; engagement and integration especially Post-Keynesian, social, institutional and feminist schools.	History of 'warring' factions; some new theorising but no synthesis.
Purpose	Positivist analysis.	Overwhelmingly normative analysis with the exception being American IPE.
Methodology and Methods	Observation, models, induction. Quantitative and qualitative.	American IPE is primarily quantitative (model testing). Qualitative is apparent elsewhere.
Important concepts and relationships	Economic Surplus, price, value, distribution, class, institutions.	Power, governance, wealth, international relations, security.
Unit of analysis	Household, business enterprise, class, gender, race, nation-state, institutions, macroeconomy, global, markets, informal economy.	International organisations, nation-states, transnational firms, social movements, individuals.

Each field displays differences with respect to pluralism and convergence within the field. The perspectives of IPE have been described as very 'stand alone' with little history of engagement, integration or synthesis (e.g. Cohen 2014). This is probably not surprising given the different underlying political philosophies of each IPE perspective. The perspectives of heterodox economics, on the other hand, have shown considerable engagement and integration, especially among the Post-Keynesians, institutionalists, feminists and social economists (Lee 2009, 2010).

More significant points of difference do lie, however, across four fundamental areas: the definition and tradition of political economy; the relationship to neoclassical economics; the purpose of analysis; and, important concepts and relationships.

The theoretical perspectives of heterodox economics fit with the traditions of political economy that are framed around the social surplus approach or institutionalism. These traditions are consistent with the notion of political economy pertaining to an analysis of the economic, social *and* political phenomena of capitalist economies. On the other hand, the IPE perspective of liberalism – the dominant perspective of the field – aligns with the liberal (neoclassical marginalist) tradition of political economy. This means that, generally speaking, the field of IPE, given the dominance of the American and British groups, falls far closer to the more contemporary notion of political economy being synonymous with asocial, ahistorical economics and a definition which loosely adds 'politics' to 'economics'.

Outside of the dominant American IPE group, the purpose of analysis generally is normative, according to the IPE doyen, Benjamin J. Cohen (2014). On the other hand, heterodox economic analysis is overwhelmingly focused on the 'actual', to explain the anatomy and dynamics of the capitalist socio-economic structure so that it can be changed. The concepts of economic surplus, value, distribution, class and institutions are core to heterodox analysis, whereas the analytical focus for IPE is on relationships, power, wealth, security, politics, and governance within the international economy.

In sum, in our view, key purposive, methodological and philosophical differences *between* heterodox economics and international political economy demonstrate the intellectual reasoning why IPE should not be

classified as falling within the rubric of heterodox economics. Conflation of the two fields should not occur.

The intellectual project of IPE is not framed, nor was it ever intended, to provide an alternative to mainstream or neoclassical economics, as is heterodox economics. That is, IPE does not stand in ‘opposition’ to mainstream economics, whereas heterodox economics originates in, and is grounded in, providing an alternative to the mainstream.

The field of IPE, despite its geographic groups, is dominated by the liberal perspective which is closely aligned to the neoclassical marginalist tradition of political economy. In contrast, the other two political economy traditions of the social surplus approach and institutionalism dominate heterodox economics.

Normative analyses pervade neoclassical economics and the IPE field outside of the United States. Heterodox economic analyses are overwhelmingly focused on the actual. The influential American IPE group deploys the tools of neoclassical economics, as do some within the British group. Heterodox economics embraces a range of quantitative and qualitative analytical tools reflecting the open nature of its various schools and the rejection of general equilibrium analysis which underlies neoclassical marginalism.

It is because of these differences we contend that the treatment of IPE as synonymous with heterodox economics is damaging – for heterodoxy - on three counts. Conflation is ‘intellectually negligent’ because it ignores the anti-neoclassical nature and purpose of heterodox economics and the explicit neoclassical economics’ alignment within IPE through the dominant American and British groups. If the two fields are perceived as the same this will add fuel to the unfortunate view that heterodox economics is not ‘serious economics’ because of its political alignment. Consequently, we consider that conflation will also compound the perpetual threats from mainstream economics to the recognition and existence of the teaching and research of heterodox economics.

IPE may – at a generous stretch – stake a claim to fall under the copious umbrella of the traditions of political economy, given the progressive appropriation of the term to mean something very different than the ‘science’ of the classical political economists. Nevertheless, we do not concur that a similar claim can be made for IPE to be regarded as part of the broad church of heterodox economics, and all heterodox economists should be wary of the implications.

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