

**Comment and Reply**

***Commenting on "Heterodox United vs. Mainstream City? Sketching a Framework for Interested Pluralism in Economics"***

**W. Robert Brazelton**

This comment relates to Leonhard Dobusch and Jakob Kapeller's (2012, 1035-1058) meaningful and provocative paper, "Heterodox United vs. Mainstream City? Sketching a Framework for Interested Pluralism in Economics," published in this journal, and pertaining to their views on the post-Keynesian movement and its major interests (problems) and solutions. My commentary particularly concerns columns 1 and 4 of their Table 1 (Dobusch and Kapeller 2012, 1039), titled "paradigmatic aspects" and "Post-Keynesian paradigm" respectively, which I condense to the table below for the sake of simplicity. Also, for brevity, I refer to "paradigmatic aspects" simply as *problems* and to "post-Keynesian paradigm" as *solutions* in this comment.

Paradigmatic Aspects (Problems)	Post-Keynesian Paradigm (Solutions)
(a) Central problem	Unemployment
(b) Solution to	Full employment
(c) Level of analyses	Macro-level (economic aggregates, money)
(d) Actor conceptions	Animal spirits and procedural rationality
(e) Central property of markets	Effective demand
(f) Archetypical sciences	Engineering (technical solutions)
(g) Archetypical individual	J.M. Keynes
(h) Typical applications	Economic policy (monetary/fiscal)
(i) Examples of idiosyncratic terms	"(Fundamental) uncertainty"

As a post-Keynesian colleague of the authors, however, I have one major disagreement in terms of emphasis in their publication, as previous works of mine may indicate (Brazelton 2005, 2013; Brazelton and Whalen 2011). For example, on point (a) above, I would disagree that unemployment was the major factor in which most post-Keynesians are interested, at least currently. Unemployment is certainly a factor of importance for a number of economic, social, and political reasons, but it is not, I believe, the major factor of interest to many post-Keynesians, and for one important reason. To me, the major factor is "money and financial instability," in light

of the research of L. Randall Wray (1992, 1998, 2013), Paul Davidson (1993, 1996), Charles J. Whalen (2011), Hyman Minsky (1982), and myself (Brazelton 2005, Brazelton and Whalen 2011). The reason to emphasize "financial instability" is that the financial crisis of 2007-2008, and its ongoing effects, was caused not by unemployment. Rather, unemployment was caused by the financial crisis and the ongoing socio-economic multipliers (my term), which still have relevance as to the effectiveness of economic analysis and policy (Bernanke 2013; Brazelton 2013; Whalen 2011). After the financial crisis, the unemployment resulting from it and the socio-economic multiplier might have been alleviated by fiscal policy, retaining benefits, or by such more extensive employment intervention as "the-employer-of-last-resort" program discussed by L. Randall Wray (1992, 1998, 2013) and Pavlina Tcherneva (2013, 30), among others. Thus, referencing point (b) above, full employment is a most appropriate goal, but there are problems involved which have been partially caused by the "financial crisis" and "financial uncertainties" that followed it. I am in agreement with point (c), mentioning money (see (a) above) in terms of the macro-level solution. I also concur with the basic premise of point (d). In regard to point (e), I am inclined to agree with the caveat that the major problem is money (as in (a) above), but that fiscal and labor policies (point (b)) are also important, as I believe Dobusch and Kapeller correctly recognize. On point (f), I have no disagreement except that the authors' term "engineering: technical solution" is rather vague (which probably in reality is, but there may be debates over what is necessary and what is meant, although not in this case). As for point (g), it certainly is Keynesian, especially in its emphasis on "liquidity preference," "marginal efficiency of capital," and the so-called "liquidity trap." Of course, in terms of the "trap," one must recognize the difference between illiquidity and insolvency. To me, "illiquidity" may be a short-term problem awaiting forthcoming funds, whereas "insolvency" may be long-term with little to no chance of "forthcoming funds" (back to point (a) again). On point (h), I have no other problem except to add the need for financial reforms if the major causes for unemployment have been financial crises, including the crises of 1929 and 2007-2008. Concerning, the last point (i), "fundamental uncertainty" is central, in my opinion, based on the works of authors mentioned above.

In closing, I found Dobusch and Kapeller's article to be an interesting and important contribution to the proper study of post-Keynesianism. I hope that they will continue their useful work in this field of economic analysis. My disagreement with their argument relates only to their emphasis on "unemployment" (point (a)) as the major problem for post-Keynesian research. Instead, the key interest for post-Keynesian, in my opinion, is money and the ongoing ramifications of the "financial crisis," especially since this crisis caused the current unemployment, not the reverse. Socio-economic policies to reduce both the financial crisis and unemployment will remain crucial for the maintenance of the economic, social, and political system in which society exists, as I believe Dobusch and Kapeller realize. I thank them for their insight.

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### Practicing Pluralism: A Rejoinder to W. Robert Brazelton

Leonhard Dobusch and Jakob Kapeller

We have to thank W. Robert Brazelton for his interesting and insightful comment on our article, "Heterodox United versus Mainstream City? Sketching a Framework for Interested Pluralism in Economics," published in a recent issue of this journal (Dobusch and Kapeller 2012). We thereby interpret professor Brazelton's contribution as an extension of our original paper because we sense a general, mutual agreement between our views on the role of pluralism in economic discourse. However, Professor Brazelton specifically questions whether a focus on the problem of unemployment (as depicted in Table 1 of our original paper, which is partially reproduced in professor Brazelton's comment) is adequate to describe the current and main focus of the post-Keynesian paradigm. In detail, he claims that the focus of post-Keynesians has shifted from the problem of unemployment to the problem of financial (in)stability.

There are, of course, various routes available for defending our original description. First, it seems necessary to mention that we wanted to supply a sensible, but still idealized conception of post-Keynesian economics that is applicable to different historical periods of post-Keynesian theorizing. From this perspective, choosing unemployment as the central theoretical problem seems straightforward since unemployment has played an important role in post-Keynesian theorizing

throughout its entire intellectual history. However, this argument should not imply a rough rejection of professor Brazelton's suggestion. Evidently, monetary theory and the analysis of financial markets have always been among the primary theoretical interests of post-Keynesian scholars, and thus would also represent a valid choice. In this context, we opted for unemployment because we interpreted it as the most continuous idea in post-Keynesian economics since its foundation.

A second argument in favor of our original description is indirectly made by Brazelton himself, when he states that "unemployment was caused by the financial crisis and the ongoing socio-economic multipliers" (Brazelton 2013, 1034). Now, if financial instability is of primary theoretical interest exactly because financial instability represents an important factor causing unemployment, then the focal role of unemployment for identifying and isolating interesting and important economic problems remains untouched.

However, more interesting than such exercises in defending a description are, from our point of view, the implications of Brazelton's suggestion in the light of our original research question: namely, how to organize and practice a form of pluralist discourse in economics in a productive manner. In this context, current and critical research on financial markets seems to be inspired by a variety of heterodox traditions: Charles Kindleberger (1978) and John Kenneth Galbraith ([1955] 2009), both authors of classic books on this issue, are commonly regarded as institutional economists. Hyman Minsky himself used concepts from evolutionary theory and heavily drew on insights originally contributed by Joseph A. Schumpeter (see also Kapeller and Schütz 2013, this journal). The classic article on financialization and finance-led capitalism by Robert Boyer (2000) was published in *Economy and Society*, a journal with a rather Marxist orientation. We deem it obvious that post-Keynesian analysis of financial markets and financial (in)stability has and will benefit from studying and incorporating these arguments. One of the intentions of our original paper was to emphasize that one may effectively broaden a traditional economic approach by sensibly incorporating results from other strands of economic thought (for a detailed description of what this kind of "sensitivity" practically implies, see our original article). We, therefore, take professor Brazelton's suggestion — that is, to see financial stability as the central problem in post-Keynesian theorizing — as an indication that the kind of "broadening of individual traditions" we tried to inspire with our article is already happening.

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