

## Introduction to the Special Issue on Capitalism and Heterodox Economics

Ioana Negru<sup>1</sup> and Alexandra Arntsen<sup>2</sup>

The papers in this special issue are born out of the debates within the Association of Heterodox Economics' (AHE) 2022 Annual Conference that took place. The Theme of that conference was 'Crises in Capitalism or Crises of capitalism'. The theme stemmed from debates generated already around the Global Financial crisis, on the usefulness of the current economic order and the mainstream neo-liberal approach to economics. This debate was reignited more than a decade later, as the world faced not one, but multiple economic, social, and ecological crises, of which the COVID-19 pandemic and climate crisis stands out. The conference sub-themes highlighted these in the areas of labour and precarity, identity and climate change. The conference aimed to bring together scholars globally to advance the discussions on the existing social order and the debates about systemic change. The nature of the AHE meant that the conference was heterogeneous, with participants representing a range of approaches and paradigms. The programme included Marxists, ecological economists, feminist economists, Post-Keynesians, anthropologists, activists and many more. But what, precisely, is heterodox economics? According to Lee (2009: pp. 6-7), heterodox economics

refers to specific economic theories and community of economics that are in various ways an alternative to neoclassical economics. Consequently, it is a multi-level term that refers to a group of economic theories – specifically Post-Keynesians-Sraffians, Marxist-radical, Institutional-evolutionary, social, feminist, Austrian and ecological economics – that hold to various degrees blasphemous positions vis-à-vis mainstream economics; to a community of *heterodox economists* who engage with and are associated with one or more of the heterodox approaches and embrace a pluralistic attitude towards them without rejecting contestability and incommensurability among the theories; and finally to the development of a coherent *heterodox economic* theory that draws upon various theoretical contributions by heterodox approaches which stand in blasphemous contrast to mainstream theory and from which *heterodox economics* policy recommendations can be drawn.

In other words, heterodox economics is an umbrella that covers a wide range of approaches, advanced in academia in both the Global North and Global South, rival to mainstream economics and which analyses the social provisioning process and the functioning of capitalism. Further, heterodox economics

represents a community of scholars who do not recognise or accept that their approaches are antagonistic or opposed to each other, the pluralistic spirit being essential in such academic debates.

As expressed by the AHE conference organisers, Dr Surbhi Kesar and Dr Elke Pirgrimaier in the conference call, 'some view the current economic crises as an aberration that can be corrected with existing policy tools, some view it as a reflection of the urgent need to review comprehensive welfare states, and others yet view this as a moment of significant churning that opens possibilities for a systemic shift. Despite the difference in positions, this moment warrants a serious reflection on the current conjuncture of capitalism- how it came into being, what characterizes this moment, what is the likely impact of this, where do we go from here?'

In this context, the AHE has provided a space for engaging with various intersecting inequalities, specifically in the domains of labour, identity and climate change, that characterise the current crisis-ridden moment of global capitalism and how these inequalities shape and are, in turn, shaped by a stratified global order. The important questions addressed in the conference were: How to think and act given the urgency of the situation? What is required to break free from unjust economic, social, and ecological relations? How can the heterodox community inspire solutions to intersecting crises and where does heterodoxy fall short? How can heterodox economists form alliances with others undertaking transformative action?

The analysis of capitalism has been essential since the beginnings of political economy as a discipline and afterwards for heterodox economics in the 1930s. It has been also a source of controversy over time. Unfettered markets or laissez-faire capitalism was the first stage in the development and evolution of capitalism as a system. For political economists such as Adam Smith, John Stuart Mill, Frederic Bastiat, or for Austrian Economists such as Friedrich von Hayek and Ludwig von Mises, markets have the potential to advance the common good and collective interest, and to minimise the negative effects of governmental policies. Trust in the functioning and outcomes of markets pervades also the work of neoclassical economists, in contrast with Marx's critique of capitalism that is responsible for alienation of workers and fetishism of commodities.<sup>3</sup> Indifferent of various views of markets, the analysis and critique of capitalism has been pivotal in global political economy and heterodox economics.

The utopia of unfettered markets and laissez-faire capitalism has haunted North America and Western and Continental Europe since the Second World War and has been seen as a successful solution for the economies and societies destroyed by the war, despite the negative economic experiences during the two world wars. The emergence of the Economic European Community brought other priorities for the Western European countries that were Keynesian in nature: solidarity, full employment and price stability; whilst in the Global South more and more states were trying to obtain their independence and take

control over their economies and development. The same utopia of laissez-faire capitalism re-emerged as the development of neoliberal economic policies advanced by Margaret Thatcher and Ronald Reagan in the 1980s, but also with the phenomenon of globalisation. The demise of communism in Eastern Europe brought significant change with shock therapy policies such as privatisation, deregulation and transformative industrial policies. Although this recollection of economic events is very modest, one cannot ignore the capacity and ability of capitalism to reinvent and transform itself and thus it cannot be seen but in an historical context.

The 1980s and 1990s meant also a recognition that the capitalist system was going through an ecological crisis with consequences felt mostly in the developing world. Although the capitalist system was rife with problems, one can notice that items from the agenda of the left of the spectrum of politics were appearing on the capitalist/neoliberal agenda, such as climate change issues, the fetishism of Gross Domestic Product and problems of measuring it, inequality and poverty. We cannot ignore mentioning the Great crisis of 2008 that demonstrated the subordination of production to finance; as Kari Polanyi Levitt (2013 p 245) states: “In the four years which have passed since 2008, neoliberal financialization has created an economic, political and social crisis more profound than that of the 1930s because governments are now captive to financial markets and incapable of restoring the purchasing power of consumers, which is the driver of economic growth in the market economies of the West”. The same author notes the decline in the economies of the West and their stagnation, in contrast with the rising economies and democracy in the East alongside a sharp interest in the development economics of the Global South.

This special issue contains three papers that address challenges and issues of capitalism in the Global South context, focusing on the effects of COVID-19 pandemics on Latin America, indebtedness, social reproduction and inequality, conventions and the fiscal policy in Brazil. Aparicio, Rivera and Meireles in “Latin America Post Pandemic: Debt, Financial Instability and Uneven Economic Recovery” addresses the consequences of the COVID-19 pandemic on public and private indebtedness in Latin America. The paper is positioned in a heterodox economics framework, bringing structuralist and Post-Keynesian approaches to analyse non-performing portfolios, overaccumulation of debt, bankruptcy and labour force losses. The authors conclude that government policies through public spending contributed to soften the fall in economic activity and helped economic recovery in Latin American countries.

Marco Flávio da Cunha Resende, in “Conventions and the Brazilian Fiscal Policy to Face the Aftermath of COVID-19 Economic Crisis: a Post-Keynesian view”, discusses the issue of sustainable growth in a Post-Keynesian and structuralist framework, following the COVID-19 pandemics in Brazil. The Post-Keynesian view advances that economic growth is influenced by investment, which depends on optimistic expectations and conventions. The paper concludes that government investments further sustainable growth and

that the government should create an Investment Agency to evaluate public investments with a possibility to offer ‘countercyclical and intertemporally balanced’ policies based on positive expectations and conventions.

Stefania Tapia Marchina in “Valorisation of Capital and the Externalisation of Social Reproduction in an Era of Rising Economic Inequality” tackles the issues of inequality and social reproduction (interpreted as individuals’ daily and generational maintenance) in the Global South. Households are characterised by gendered relationships; and very often labour is informal, partial and divided between domestic work and family care. The author utilises critical political economy and Social Reproduction Theory to explore the relationship between social reproduction and growing economic inequalities.

#### ENDNOTES

1. Ioana Negru, Reader in Economics, University ‘Lucian Blaga’ Sibiu, email address: ioana.negru@ulbsibiu.ro
2. Alexandra Arntsen is Senior Lecturer, Nottingham Trent University, email address: alexandra.arntsen@ntu.ac.uk
3. The ideas of this paragraph are drawn from Negru, 2007.

#### REFERENCES

- Negru I (2007) ‘Institutions, Markets and Gift: Neoclassical, Institutional and Austrian Perspectives’, PhD Thesis, Nottingham Trent University.
- Polanyi-Levitt K (2013) *From the Great Transformation to the Great Financialization*, London: Zed Books.