

TALLINN UNIVERSITY OF TECHNOLOGY

School of Business and Governance

Ragnar Nurkse Department of Innovation and Governance

Lehto – Tarmo Nuut

**HOW *VULGAR* IS HETERODOX ECONOMICS? A CONTEMPORARY MARXIST  
READING OF HETERODOX POLITICAL ECONOMY**

Master's thesis

Supervisor: Prof. Rainer Kattel

Tallinn 2017

I hereby declare that I am the sole author  
of this master's thesis and it has not been  
presented to any other university for examination.

Author Lehto – Tarmo Nuut

“ ..... “ ..... 2017

The master's thesis meets the established requirements

Supervisor Dr. Rainer Kattel

“ ..... “ ..... 2017

Accepted for examination “ ..... “ ..... 2017

Board of examiners of public administration master's theses

Dr. Erkki Karo

## **Abstract**

Marxism is considered by many to be a part of heterodox economics. On the one hand, it is because ‘heterodox Marxism’ exists and is analytically used by various heterodox economists. More importantly, it is not because Marxism is a fundamentally different analytical and moral project from heterodox economics, and it is beneficial for economics to remain so. Heterodox Marxism is a school of thought subservient to the reformist ambitions of heterodox economics, while contemporary Marxism in general still argues against this approach, advocating for a revolutionary overcoming of capitalism. The issue of capitalism takes the center stage in the following discussion on economic development between the various strands of heterodox economics and contemporary Marxism, and remains the primary object of disagreement. These conclusions are drawn by going over the four parts of what could be considered a development narrative: normative, theoretical-factual, prospective, and propositional. Within this framework, both heterodox and Marxian takes on the matter are presented and compared. The inquiry ends by proposing a research strategy for Marxists that has been used exemplarily by the heterodoxy, so Marxism could reclaim its space as the third option next to the apologetic mainstream and reformist heterodox economics.

**Keywords:** political economy, development, heterodox economics, Marxism

## **Table of contents**

Abstract.....	1
Introduction .....	3
1. Structure and theoretical framework .....	6
2. Normative aspects of development: definition, actors, and commitments.....	14
3. Theoretical-factual aspects: international economic order, the development problem, and the role of innovation.....	20
4. Prospective aspects: the hardships, opportunities, and future of development .....	23
5. Propositional aspects: economic diversification and development-led globalization.....	25
Summary and discussion .....	30
Summary in Estonian .....	34
Sources .....	36

## Introduction

F. Lee (2009, 4-5) provided three categories of thought taken from religious studies in order to make sense of the contemporary intellectual milieu of economics. These are orthodoxy, heresy, and blasphemy. Heresy is understood as a partial intellectual deviation from orthodoxy while blasphemy entails the outright rejection of it. According to him, blasphemy in economics means heterodox economics. Heterodox economics has a threefold meaning. First, it is a rejection of the apparatus of neoclassical (orthodox) economic theory. Second, based on this rejection, he lists the main constitutive strands of heterodox economics: Post Keynesian-Sraffian, Marxist-radical, institutional-evolutionary, social, feminist, Austrian, and ecological economics. Thus, heterodox economics contains intellectual pluralism and the theorists in these fields are described as embracing a tolerant attitude towards one another. Finally, he remained hopeful that these constitutive parts can be taken as a coherent apparatus for criticizing the mainstream i.e., mostly neoclassical economic theory, and for drawing compatible heterodox policy recommendations (*Ibid.*, 6-7). Evidently, this ultimately ‘paradigmatic’ view of heterodox economics, emphasizing the harmony of its strands, is optimistic enough to merit further scrutiny, but is nevertheless a sentiment echoed by many (see Backhouse 2000; Howard, King 2001; Nielsen 2002; Goldstein, Hillard 2009; Dow 2015; Stilwell 2015, 7; Goldstein 2009b). Perhaps the first and most extreme discrepancy that catches the eye of the reader is the placement of Marxists in the same category as the Austrians who are all for the unhindered spontaneity of capitalism (Barry 1991; Backhouse 2000, 153-154; Garnett 2006, 523-524), but this is only the tip of the iceberg.

The gist of the issue lies in substantiating the categories of heresy and blasphemy. As was shown with the Marxian-Austrian example, Lee’s categorization leaves much to be desired. In economics, another way to go about this is to judge different schools and theories by their disposition towards capitalism. Those who exhibit unconditional reverence towards it are neoclassical economists and the Austrians, both of whom constitute the orthodoxy. Heresy is reserved for those who see faults in

capitalism and propose various ailments to ‘humanize’ it i.e., get rid of its morally undesirable tendencies, while blasphemers are those who assert that it is Sisyphean to humanize a monster. Thus, Post Keynesians are heretics, and Marxists are blasphemers, while the rest (institutionalists, feminists, social and ecological economists) can swing either way depending on the author (Sawyer 1991; Samuels 1991; Dow 2015, 71-72; Floro 2016; Barbier, Hochard 2016). This is not perfect either, as Lee (2009, 8-9; 2012, 339-341) and others (for a good overview, Goldstein, Hillard 2009, 7-8) have gone to great lengths in demonstrating the synergies that exist within his bloated category of heterodox economics consisting of Marxism, *etc.* Indeed, there are authors who embrace the pluralism of heterodox economics by adopting different analytical frames, M. Kalecki serving as a celebrated example in this regard. Much of his analysis of capitalism made use of Marxian insights on, *inter alia*, class-conflict, monopolization, and the inherent oscillations characterizing this system, producing a highly original concept of the ‘political business cycle’ (Ghosh 2016, 476-477). On the other hand, he was a contemporary of Keynes and advocated policies of full-employment, and held qualified support for capitalism on that account: if states manage to overcome the political business cycle and adopt permanent policies of full employment, it is worthwhile, and if not, then good riddance (Kalecki 2010)! Had he witnessed the triumph and pervasiveness of neoliberal hegemony, capitalism would not have qualified. What certainly emerges from these considerations is the fundamental disquiet that characterizes the relationship between the anti-capitalist Marxism and the other pro-capitalist strands of heterodox economics. Instead of trying to frame them as ‘one’, this inquiry seeks to better understand the tension that lies between the two.

For heterodox economics, this is the next logical step from overwhelmingly characterizing itself by its opposition to the object of its critique, mainstream economics (Garnett 2006, 526, 531-532). There have been innumerable accounts of such kind already, one more convincing than the other (see Reinert *et al.* 2016; Reinert 1999; 2016; Bresser-Pereira 2016; Shafaeddin 2016). In order to gain a better understanding of heterodox economics, it is necessary to confront the strife that is somewhat apparent within what is perceived to be its own ranks (see Kim 2009; O’Boyle, McDonough 2010, 5; Wolff 2011; Power 2012, 255-256). This step is compatible with Lee’s (2009, 13) characterization of heterodox economists as interested and tolerant towards one another. It also serves as a test of his claim about the ultimate theoretical coherency of heterodox economics (*Ibid.*, 7-9). Many have agreed with it, especially in the field of heterodox macroeconomics, and have demonstrated the possibilities of combining Marxist insights with other heterodox theories into coherent explanations

about various aspects of capitalism, the ‘Keynes-Marx synthesis’, theories of capitalism’s crisis and instability, critiques of the neoliberal regime, and various macroeconomic policy recommendations being the prevalent genres (see Howard, King 2001; Goldstein, Hillard 2009, 8; Sawyer 2009; Goldstein 2009; 2009a; Wolfson 2009; Dymski 2009; Moseley 2009; Hillard, McIntyre 2009; Itoh 2009; Epstein 2009; Dow 2015, 93). However, this amounts to a controversy. Most of those combinations imply a deradicalization of Marxism, disengaging it from its revolutionary function of overcoming capitalism, instead substituting it with a Keynesian, respiratory function. Having accounted for this, my inquiry departs from macroeconomics towards political economy, and within it, issues of economic development, where a similar conflict remains. The science of political economy contains about two millennia of haphazard history and thus, has various areas of focus and interpretative frames, the only constant being the analytical connection between politics and economics (Omkarnath 2016; Frieden, Lake 2004). Currently, one of its focus areas is economic development, both domestic and international in scope, and primarily understood as a struggle of the developing states, best summarized by Kregel (2016, 504-505):

The interest in development was further supported after World War II ... as a result of the separation of previously integrated European and Asian colonies into independent economic and political entities. The basic problem to be resolved was how these new national economic units could build domestic production capacities that would replace the prior colonial linkages and allow them to become self-sustaining economic entities that could support rapidly expanding populations.

By contrasting the different schools of pro-capitalist heterodox development with contemporary Marxism, this inquiry will ultimately produce an evaluation of the compatibility between them. **Given their differing inclinations towards capitalism, it is likely that the various conflicts that arise might be so fundamental that it begs the question, whether Marxism should be seen as a part of heterodox economics, or should it be viewed as a separate anti-capitalist blasphemy, and the pro-capitalist strands of heterodox economics as heresy.** Another possibility, taken by some (see Foster 2006; Epstein 2009; Patnaik 2016; 2016a), is to incorporate parts of heterodox economics into the Marxist project by filling in its ‘blind-spots’: to radicalize the heterodoxy, and not the other way around which has been the prevalent approach. These issues will be dealt with. The following strands of heterodox economics are considered:

- (1) contemporary proponents of ‘The Other Canon’ economics,
- (2) classical development economics and ‘New Developmentalism’,
- (3) Post Keynesianism with an emphasis on Kalecki,
- (4) C. Perez’s account of socio-economic history in terms of techno-economic paradigms,
- (5) institutional-evolutionary school i.e., studies of innovation and dynamic competitiveness,
- (6) modern monetary theory,
- (7) development planning.

These do not constitute the whole of heterodox development economics but are representative and sufficient enough to answer the question of this paper. I chose these strands on the principle that both macro- and micro-issues of development should be covered, because Marxism focuses on both of them. The first four strands on the list have a wider focus than the last three that are more single issue-oriented. A coherent heterodox development narrative based on three fundamental similarities – methodological realism and historicism i.e., dealing with the actual economic phenomena that are considered historical, the statist argument, and the reformist argument – will emerge from the combination of these strands (Drechsler 2016, 117-118; Lee 2009, 8-9; Nielsen 2002; Arocena, Sutz 2016, 441).

## **1. Structure and theoretical framework**

For the creation of this heterodox developmental narrative and the parallel Marxist critique of it, a structuring scheme provided by Arocena & Sutz (2016) is used. To understand the voluminous developmental insights of C. Freeman, a constitutive author in innovation studies, they created four broad categories to which these were then placed. These categories form the structure of this inquiry. The first category is ‘normative’ which will contain a discussion of what is meant by development, what the ethical ends of it are, and what type of general commitments it brings to whom. The second category is ‘theoretical-factual’. In it, descriptions and explanations of the contemporary national and international development situation are outlined. The third category is ‘prospective’. Here, the discussion centers on the trends, opportunities and challenges that the contemporary development situation entails. The final, ‘propositional’ category articulates various practical steps for economic development. As with any narrative, some substantial overlap exists between parts in order for it to



make sense, and needless repetition is avoided. For example, the first, normative chapter is partially about the ‘what’ questions of development, while the last, propositional chapter is more about the ‘how’ questions of it i.e., how to achieve the general developmental commitments already outlined in the normative part. In order to answer the ‘how’ of development with appropriate clarity, some references back to the ‘what’ questions are necessary. This robust four-part structure functions as a stage for the creation of a coherent heterodox narrative on development, and for allowing areas of contention by contemporary Marxists where necessary, and will result in findings sufficient to answer my question about the compatibility of heterodox economics and contemporary Marxism. The predominant lack of such works is all the more curious, given that the heterodox camp has demonstrated its ability to subjugate Marxian insights in the service of its reformist project, something that many contemporary Marxists would reject<sup>1</sup>.

In order to counterbalance this tendency, give a polemical voice to the Marxian side of the ensuing dialogue, and explain the core of contemporary Marxism, it is helpful to invoke and put to novel use a term coined by Marx himself, *vulgar economics*. While he fleetingly made use of this derogatory label throughout his works, the most substantive treatment of it is found on the pages of the first volume of his *Capital* (Marx 2015, 58):

Once for all I may here state, that by classical Political Economy, I understand that economy which, since the time of W. Petty, has investigated the real relations of production in bourgeois society in contradistinction to vulgar economy, [1] *which deals with appearances only*, [2] *ruminates without ceasing on the materials long since provided by scientific economy*, [3] *and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use*, but for the rest, [4] *confines itself to systematising in a pedantic way*, and proclaiming for everlasting truths, the trite ideas held by the self-

---

<sup>1</sup> Debates within the Marxist tradition have taken place, re-invigorated by the achievement of independence of the former colonies, in regards to whether a society should go through the maturity phase of capitalism before communism (Palma 2016, 393). If this was the case, then support for reforming capitalism would be more readily found among contemporary Marxists. Affirmations of such a necessity have been discredited (Patnaik 2016, 311-312). The teleological account of human history often found behind such line of thought cannot be considered characteristic to contemporary Marxism which emphasizes political struggle to achieve its desired transformations, laying no claim to ‘historical inevitability’ to bolster its ambitions (Resnick, Wolff 2006, 157). Interestingly enough, some iconic heterodox economists (Veblen, Schumpeter, and Galbraith) have argued for the ‘maturity hypothesis’ according to which capitalism will eventually eradicate itself (Dow 2015, 84-85). While the inevitable end of capitalism might be described as such, Marxists know that not all post-capitalist scenarios bring fundamental improvements to the human condition, which are likely to be resisted (Magdoff, Magdoff 2005).

complacent bourgeoisie with regard to their own world, *to them the best of all possible worlds*.

Marx had plenty of theoretical adversaries which explains his keen use of this label, designated for the works of those who we might recognize as the forefathers of today's mainstream economics. Undoubtedly, this label would stick better with the latter, but it is the object of this inquiry to understand the extent to which the above-mentioned strands of heterodox economics are implicated as well. This is used to provide a summary verdict over the relationship between contemporary Marxist and heterodox economics, and especially the dominant way in which this relationship is conceived today. For the purpose of showing how the criticism contained in the concept of vulgar economics touches upon heterodox economics, I will draw four **[marked]** *critical themes* from the above quote of Marx, and provide some examples from heterodox development economics. The contemporary focus of this inquiry requires these themes be interpreted in ways generally agreeable to the Marxist tradition of political economy as it has evolved up to the 21<sup>st</sup> century, having ridden itself of the anachronisms and errors usually associated with the original writings of Marx, and the orthodox and totalitarian interpretations of him (Patnaik 1999; 2016, 316).

The **first** of the four criticisms is about an economic science 'which deals with appearances only'. Interpreting it broadly<sup>2</sup>, it has to do with his conception of socio-economic formations (slavery, feudalism, capitalism) as having a base which consisted of productive forces i.e., available technology, and exploitative productive relations. Both greatly influenced other facets of society (politics and culture, often summarized as 'ideology') and economy (wealth distribution, demand, prices), which he thought of as 'superstructure' (Miskelly, Noce 2002, 218-219). While it has been established with reasonable clarity that he did not see this influence as deterministic (Schumpeter 2003, 10-13; Tandon 2016, 264), contemporary Marxists explain away this categorical difference with the concept of 'overdetermination' to show the mutually constitutive relations between socio-economic phenomena e.g., between capitalist exploitation and the ideology that accompanies it. Overdetermination means that all economic and other aspects of society are in a relationship of

---

<sup>2</sup> A narrow interpretation of Marx's notion of 'appearances', more akin to the spirit of his *Capital*, leads to his labor theory of value. According to it, economic value arises out of efforts of labor, not individual preferences nor the price of a commodity. Price only signifies the exchange-value of commodities on the market. Price is an 'appearance' because it covers over the fact that the qualities which make commodities valuable (use-value) are the result of labor. In here, I interpret his notion of 'appearances' more broadly in order to make his criticism more relevant for this inquiry.

mutual causation. When analyzing the economy, it is an acceptance of systemic and irreducible complexity, of mutual dependency, and of ever-present change that may or may not result in a different economic formation (Resnick, Wolff 2006, 48-51, 137), a view similar to the one held by institutional-evolutionary economists (Nelson, Winter 1982, 400-401).

By embracing the logic of overdetermination, Marxism has distanced itself from the deterministic interpretation of categories of ‘actual’ and ‘appearances’. Returning to the original quote, ‘dealing with appearances only’ in economics assumes a different meaning. An economist deals with appearances when his analysis does not show concern for the concept of overdetermination:

- (1) he accepts incomplete, non-systematic explanations of economic phenomena,
- (2) he gives isolated recommendations for the betterment of capitalism’s various ills that are unlikely to help because these are alien or hostile to established socio-economic phenomena, or similarly, he embraces problematic, yet vital aspects of *status quo* as a fact not subject to amendment, and tries to come up with fixes that might run into the same issues since he cannot get around the adverse effects of what he has embraced (Tandon 2016, 256).

Heterodox economics can be held accountable on both acts, the first of which will be discussed in the next paragraph. A characteristic example of the last pitfall comes from Shafaeddin (2016, 580-581), a proponent of dynamic competitiveness theory. Becoming competitive internationally is seen as key for successful development, but we live “in a world where large [predominantly developed country] firms increasingly dominate production and international trade”. A Marxist would immediately point towards the elephant in the room (see Suwandi, Foster 2016), while the general inclination of a reform-minded heterodox economist is to demonstrate hopeful prospects and work-arounds in spite of it (see Ernst, Kim 2002; Grabel 2009; Chaminade *et al.* 2009; Bresser-Peirera 2016; Nelson 2016; Ghosh 2016; Arocena, Sutz 2016), which appears fruitless to Marxists.

The **second** criticism of Marx might not be considered a criticism at all. Surely, worse behaviors exist than ‘ruminating ceaselessly on materials provided by a scientific economy’<sup>3</sup>. Schumpeter (2003, 31-32, 81-106), for example, did that by elaborating, *inter alia*, on Marxian notions of capitalist

---

<sup>3</sup> The term ‘scientific economy’ is bound to be loaded when Marx used it to characterize the works of authors he liked and of course, the logic of his own approach. For him, this is the opposite of ‘vulgar economics’. In this paragraph, ‘scientific economy’ is narrowly understood as an economic science that has a plausible macro-systemic framework, so as to steer the discussion towards one of the defining features of contemporary Marxism.

competition and technological progress. The issue here lies not in the act of rumination itself, but in the incomplete quality of it. As was shown before, the method of Schumpeter i.e., the eclectic appropriation of some of Marx's insights while rejecting or ignoring his general framework for the analysis of capitalism, has been preferred by many heterodox economists. This sweeping rejection creates a macro-systemic void in economic analysis that awaits fulfillment, and to an extent, is still left as such. By and large, this has been the story of institutional-evolutionary economics, a heterodox discipline that places Schumpeter, who started his most known book (2003) with a relentless critique of Marx, on a pedestal, leaving little room for the latter. That tendency was further instituted by the authors of the very influential *An Evolutionary Theory of Economic Change*, an essential piece for the discipline, in which Schumpeter steals the spotlight, while Marx gets exactly one paragraph that initially acknowledges his economic theory for being 'evolutionary', only to later discard his macro-level concepts of capitalism's contradictions and classes as 'not particularly useful' without further explanation (Nelson, Winter 1982, 44).

The consequence of this for much of the discipline is still apparent. Instead of providing the reader with similarly majestic, yet meaningful deliveries on the laws of economic life as Darwin had provided in the realm of biology, she is presented with an underwhelming micro- and meso-level analysis of how firms cope with the stress of capitalist competition (Nelson, Winter 1982, 400-401). Marxists would be struggling to find anything in the discipline of institutional-evolutionary economics to disprove their broad notions of unsustainable and contradictory nature of capitalism (Harvey 2014). A mature macro-systemic level of analysis is still developing in this discipline (Chaminade *et al.* 2009; Lundvall *et al.* 2009; Lundvall 2016, 608), although concepts such as 'global innovation system' and 'globalizing learning economy' are out there (Martin 2016, 435; Lundvall, Borràs 1998), and will be discussed later. More generally, for a Marxist, heterodox economics appears at its worst when (1) no macro-systemic framework is discernible from the analysis, and a bit less discordant when (2) it exists but nevertheless, 'global capitalism'<sup>4</sup>, a primary focus of

---

<sup>4</sup> For Marxists, 'capitalism' signifies a specific way in which societies have organized economic production and the purpose of such organization. Its organizing principle is exploitation which is derived from the private appropriation of surplus value from its creators, the workers, by the capitalist class who are defined as such by this role (Resnick, Wolff 2006, 116, 141, 144). The purpose of capitalist organization and the uniquely extreme commodification of labor and labor output that accompanies it in the market, is the endless accumulation of capital in its abstract sense (Bresser-Pereira 2016, 5; Wallerstein 2006, 23-24). The phrase 'global capitalism' is used to mark the wide scope and implications of this organizing principle, the 'world-systemic' quality of capitalism, including colonialism (Wallerstein 2006, 17). The relation between global and national capitalisms is overdeterministic, with the general manifesting in the particular, and *vice versa* (Palma 2016, 397).

contemporary Marxism, gets treated as an irrelevant variable in the ensuing analysis and policy recommendations for development. Examples of the second case are many which is to be expected. Instances of the first are found in the institutional-evolutionary literature (see Shafaeddin 2016; Nelson 2016; Fagerberg, Srholec 2007; Harold, Andersen 2012; Fagerberg 2013, 38-39; Arocena, Sutz 2016<sup>5</sup>). A more generous way of interpreting these authors is to presume that implicitly, they follow the influential work of C. Perez who portrays modern history in terms of changing techno-economic paradigms. In that case, the Marxian demand for a ‘broader view’ would be met, albeit with reservations to which I will now turn.

The **third** criticism is about ‘seeking plausible explanations for the most obtrusive phenomena’ i.e., not accounting for the same variables to a degree contemporary Marxists would, yet offering different explanations that are acceptable but incomplete. To illuminate this point, a brief foray into the basics of Perez’s (2002) account of the modern socio-economic history, described as a succession of five techno-economic paradigms, is helpful. Representing the reformist view, she makes a strong case for embracing the dual long-term nature of capitalism. On the one hand, it has the potential for ‘golden ages’ if societies have managed to address the problems and opportunities every techno-economic paradigm sets forth, by taming and cultivating these with a myriad of technological and institutional adaptations, a process that forms the first half of the roughly 45-60 year life-cycle of one paradigm (*Ibid.*, xvii-xviii, 26). However, adaptation implies unavoidable hardship, creating wealth disparities through financialization and the consequent stock-market crash, in parallel with structural shifts in the real economy (*Ibid.*, 4-5). Therefore, avoiding and overcoming the prolongation of this phase, which is the current predicament of the latest information and communication technology (ICT) paradigm (Perez 2014, 23, 28-29), assumes a great normative and practical significance (Perez 2002, 164, 171). It is likely that her call for ‘institutional imagination’ in devising ‘an adequate and enforceable regulatory framework’ and to ‘reverse the global [economic] polarization’ is echoed by all heterodox economists (*Ibid.*, 167, 170).

An additional message, although not strictly derived from Perez’s model nor even clearly visible, but apparent for Marxists, is established in the implicit: imagination is best kept within the boundaries of capitalism! This points to the most crucial disagreement between the two schools, and it manifests in

---

<sup>5</sup> Fagerberg 2013; Arocena, Sutz 2016 are not direct examples of a lack of macro-systemic framework because they do not analyze any development situation directly, but highlight this in different ways.

other ways as well. A good example comes from ‘The Other Canon’ economics, a heterodox strand similar to the realist tradition in political economy (Frieden, Lake 2004, 12; Dow 2015, 75), differentiating itself by advocating for the abolition of ‘jealousy’ from the modern but still highly relevant inter-state rivalry derived from commerce, called ‘jealousy of trade’ (Reinert, S. A. 2016; Reinert 2016, 29). Their critique of neoliberal notions on development, the resultant policies, and international institutions is outstanding and agreeable to Marxists who do the same but go further (Reinert *et al.* 2016; Reinert 1999; 2016; Kattel *et al.* 2016). To them, neoliberalism is a tragic form of capitalism, equating it with ‘moral barbarism’ (Foster *et al.* 2011). Other, more humane forms of capitalism still contain the contradictions vividly apparent in neoliberalism, and the ever-present potential to relapse into less humane forms (Kalecki 2010; Wolff 2011, 110). Marxists differ from the rest of the heterodoxy because global capitalism itself, currently in neoliberal form, is thought of as the most significant and dismal factor in post-colonial development. Capitalism accounts for most of the strife that Perez attributed primarily to changing techno-economic paradigms, a phenomenon that gets incorporated into the inner-workings of the capitalist system, which has been the historic background of every paradigm she outlined (Wallerstein 2006, 2). Perez (2009, 3-4) does recognize this when she states: “It is with profit in mind that entrepreneurs and managers are constantly turning inventions into innovations; technical possibilities and discoveries into economic realities”. For Marxists, the issue here lies her reformist stance which shifts attention away from questioning the capitalist framework of development, and frames peripheral development in terms of making the best use of opportunities provided by the current and coming techno-economic paradigms (Perez 2014, 17), as if this was a sufficient substitute for not addressing the wretched anti-developmental tendencies global capitalism has consistently produced on a world scale (Foster 2006).

Finally, the **fourth** criticism has to do with (1) ‘systematizing in a pedantic way, and (2) proclaiming for everlasting truths’ (3) within a capitalist framework. The second part will be omitted since it is not in the general spirit of heterodox economists to do so<sup>6</sup>. However, the first and the last part about ‘systematizing in a pedantic way within a capitalist framework’ provide an opportunity for contemporary Marxism to directly engage with institutional-evolutionary economics, rather than

---

<sup>6</sup> Marx himself was guilty of ‘proclaiming for everlasting truths’, given his fatalistic ideas about the contradictory tendencies of capitalism, and his inability to fathom the ability of capitalism to thrive under the pressure of the many fundamental technological transformations, as was shown by Perez and understood by contemporary Marxists (Miskelly, Noce 2002, 225-226).

criticize it only for its lack of a sound macro-systemic framework which was the substance of the second criticism. For such a purpose, it is instructive to compare the ‘institutional imaginations’ of Marxian and heterodox economics for dealing with the periodic turmoil and downturns inherent in global capitalism and development, as was portrayed by Perez. The fundamental Marxian micro-solution, discussed further in the fifth chapter, is to democratize the enterprise:

In short, the unattended contributor to capitalist instability is the relationship *inside* enterprises between the workers who produce the surpluses and the employers (e.g., corporate boards of directors) who appropriate and distribute those surpluses ... Hence Marxian theory suggests the internal transformation of enterprise structures. Instead of their typical capitalist structures that split employers from employees, a post-capitalist structure would position workers as, collectively, their enterprise’s own board of directors ... The capitalist class structure of production would have been superseded by such a collectivization of surplus appropriation inside enterprises (Wolff 2011, 110).

Such a co-operative form of the enterprise is rare but possible under capitalism, and for Marxists, crucial in a post-capitalist economy, with many beneficial effects along the lines of what R. Putnam (2000) called ‘social capital’ (Magdoff, Magdoff 2005; Moyo *et al.* 2016, 500-501). In institutional-evolutionary economics, the capitalist framework of development is usually not questioned, so its imagination has boundaries. It is also harder than it was for Marxists, to pinpoint fundamental solutions, but Nelson (2016, 329) provides an indicative summary: “Successful development involves the co-evolution of technologies employed, firm and industry structure and broader economic institutions. Government policies and programs are an essential part of the picture; for better or for worse, but inevitably”. He emphasizes four crucial aspects upon which successful development is based: gaining mastery over new technologies, building up a technologically sophisticated workforce, finding new ways of organizing and managing work, and reforming the economic structure (*Ibid.*, 331-332). In addition, Harold & Andersen (2012, 25) argue for ‘inclusive development’, defined as “a process of structural change which gives voice and power to the concerns and aspirations of otherwise excluded groups”. To achieve such goals, an ambitious ‘failures framework in the context of transformative change’ is offered by Weber & Rohracher (2012, 1045-1046) to function as an instruction manual for addressing complex ‘grand challenges’. They list 12

possible failures<sup>7</sup> that are categorized under three: ‘market failures’, ‘structural system failures’, and ‘transformational system failures’.

Notice the abstract nature of all these insights. The Marxian idea of co-operatives could be categorized under ‘new ways of organizing and managing work’ and ‘inclusive development’, although not explicitly considered by the authors. Critical engagement with the micro-structures of capitalism i.e., the social exclusion and economic theft happening within a typical firm (Resnick, Wolff 2006, 2, 4-5), as a theoretical possibility to solidify one’s imagination is generally not perceived as an option by heterodox economists. In the recent heterodox development literature I encountered, no such discussions were found, and the institutional-evolutionary school offered no exceptions<sup>8</sup>. The latter tend to see different development situations as so complex and varied that nothing but specific case studies and/or general guidelines subject to interpretative overload will do (Chaminade *et al.* 2009, 365). It is this dual predilection towards the meticulously specific and the hazily abstract that paves the way for some of the most bewildering sets of categories for framing development under capitalism without ever actually confronting the latter (see Weber, Rohracher 2012). For Marxists, this is pedantic, but might prove helpful, since much of the previous advice remains relevant for development under communisms<sup>9</sup> (Resnick, Wolff 2006, 148-150).

## **2. Normative aspects of development: definition, actors, and commitments**

Development is a socio-economic transformation that is intertwined with economic growth but not synonymous to it (Ghosh 2016, 477). It entails structural change in an economy in order to provide a higher standard of living for the majority of its participants (New Developmentalism (ND) 2010). Development is genuine only if it provides for the many and keeps at it firmly (Harold, Andersen 2012, 8; Kregel 2016, 504-505). Although most often associated with the former colonies, the

---

<sup>7</sup> ‘Information asymmetries’, ‘knowledge spill-over’, ‘externalization of costs’, ‘over-exploitation of commons’, ‘infrastructural failure’, ‘institutional failure’, ‘interaction or network failure’, ‘capabilities failure’, ‘directionality failure’, ‘demand articulation failure’, ‘policy coordination failure’, and ‘reflexivity failure’ (Weber, Rohracher 2012, 1045). Naturally, the authors are worried they might have missed some (*Ibid.*, 1046).

<sup>8</sup> This does not mean that such discussions do not exist within heterodoxy, but investigative emphasis is clearly elsewhere.

<sup>9</sup> For contemporary Marxism, communism is not the end of history. Just like there are various forms of capitalism, many forms of communism are possible. The fundamental distinction is between class- and classless communism. They are all similar in that exploitation by one class of another is done away with and replaced with collective appropriation. Differences arise out of whether the surplus value is produced at all, and when it is, then how it is appropriated and distributed. For example, a communism where some people produce the surplus value but all members of society appropriate and distribute it, could exist side-by-side with a communism where some people produce the surplus and only they get to appropriate and distribute it (Resnick, Wolff 2006, 142).



periphery, developing countries, the ‘Third World’, or the ‘Global South’ who are viewed as a heterogeneous bunch (Shafaeddin 2016, 584; Perez 2014, 13), it does not end with them. Successful development implies changes in the international economic order and in the mode of conduct of the developed states that form the core of this order. Thus, it entails domestic and international commitments. Domestically, the state has a major role due to its unrivalled ability to command and influence economic life within its boundaries. As an ‘obligatory passage point’ towards the diversification of economic activities, it should enact policies and institutions conducive to development e.g., equalize income distribution, implement sound industrial policies, and invest in learning in order to provide the micro-actors of development (universities, firms, think-tanks, *etc.*) with an enabling environment (Reinert 1999; Lundvall, Borràs 1998, 13; Ribeiro *et al.* 2015, 225-226). Internationally, developmental states should ensure favorable terms of trade, and form one side of the dialogue for a more equitable system of global trade. ‘Development-led globalization’ would see the richest states help the underdeveloped ones not only by charity, but with systemic measures so as to make the former redundant (Bielschowsky, Silva 2016, 293-294). This would ultimately lead to a more equal distribution of power between the core and the periphery of the current international order. Nevertheless, development is not an altruistic enterprise for the rich, because the social and economic benefits it brings are to be felt globally (Reinert 2016, 29). This general heterodox account is also agreeable to Marxists if stated as such.

For outlining the disagreements, it is useful to start with an indicative Marxist diagnosis of the nature of development:

There is a logical connection between capitalism’s achievements and its failures. The poverty and misery of a large mass of the world’s people is not an accident, some inadvertent byproduct of the system, one that can be eliminated with a little tinkering here or there. The fabulous accumulation of wealth—as a direct consequence of the way capitalism works nationally and internationally—has simultaneously produced persistent hunger, malnutrition, health problems, lack of water, lack of sanitation, and general misery for a large portion of the people of the world (Magdoff, Magdoff 2005).

It suffices to say here that as Marxists, they view capitalism and colonialism as historically unified and analytically inseparable, with the latter having been replaced by neocolonialism (Foster 2006;

Moyo *et al.* 2016, 490; Patnaik 2016, 308). Development under capitalism amounts to continuing the famous ‘development of underdevelopment’ (Frank 1966). Thus, the primary developmental commitment is to overthrow domestic and international capitalism (Smith 2015), and only then comes the proper time for ‘a little tinkering here or there’. In these terms, heterodox economics goes straight to the latter by relying on its reformist sentiment. This fundamental difference mirrors the older split between Keynesians and Marxists which becomes relevant in the context of this inquiry because it points to what Marxists believe to be the erroneous assumptions behind the reformist stance held by the heterodoxy today. First, while it is shared by both that neoliberal policies have hurt development more than they have helped it, Marxists infer that a capitalist system always has the potential to bring about such eras of ‘fabulous accumulation of wealth’ for a few and plight for the rest. Framing the anti-neoliberal struggle in terms of a ‘Keynesian battle’ is underwhelming because not enough is done to ensure this battle would not take place again (Reinert 1999, 318). Capitalism is characterized by the ‘political business cycle’: when in crisis, Keynesian policies of increased public spending and restrictions on private capital are implemented, only to be dismantled when the crisis is averted (Kalecki 2010; Wolff 2011). Responsibility for the ever-present threat of undermining the developmental acts of the state lies on who Kalecki (2010) called the ‘captains of industry’, powerful representatives of the capitalist class looking to assert their dominance and ensure favorable terms of accumulation. Instead of part-taking in this endless reformist battle ridden with vicious backlashes<sup>10</sup>, Marxism suggests eliminating the political business cycle by overcoming capitalism, its main enabling condition.

The second relevant Marxian criticism against Keynes was about his inadequate understanding of the nature of the state and the resulting naivety of his propositions (Kim 2009, 229). Keynes saw a great role for the state in a capitalist economy, and heterodox economists argue for more for the sake of development (Reinert 1999; 2016; Bresser-Pereira 2016). This view is shared by Marxists who see the existing nation-states as potentially the most suitable structures in the struggle against global capitalism historically available (Magdoff, Magdoff 2005; Patnaik 2016, 314). They problematize the notion of the state as an impartial and willing actor, eager to be employed for the gargantuan developmental tasks ahead of it (Patnaik 2010). Instead, peripheral states of the world economy often

---

<sup>10</sup> An example of such a backlash happened recently in Brazil where a decision was taken at the end of 2016 to freeze public social spending for the next 20 years (Phillips 2016).

display extreme qualities of weakness: corruption, mistrust, incompetence, *etc.* Marxists suppose that the primary cause of the weakness of peripheral states is their low position in the international economic order which makes wealth accumulation through economically productive activities less feasible than state co-optation (Wallerstein 2006, 53). This explanation is agreeable to heterodox economists who see it as necessary to increase the capacity of the developmental states in order to diversify their economies towards increasing returns activities (Kattel *et al.* 2016, 339; Alacevich 2016, 464; Shafaeddin 2016, 584). For Marxists, the problem with such heterodox prescriptions is that these do not sufficiently address what is to be done about the systemic weakness of the peripheral states. How are they to become potent actors if they are weak enough to be subdued by private interests (Marxists often point to multinational corporations and local elites) content with *status quo*? The solution that can be inferred from heterodox development literature is twofold.

Domestically, it is assumed that with a sufficient unity of political will, the implementation and maintenance of successful developmental policies under global capitalism is possible irrespective of the general weakness of peripheral states and of the political business cycle. Often, the experience of a few East Asian success-stories are cited as evidence as long as global capitalism is not neoliberal (see Kattel *et al.* 2016; Lee, K.-K. 2009; Fagerberg 2013, 19; Perez 2002, 66; 2014, 16; Nelson 2016, 331). Thus, the neoliberal mode of international capital accumulation should be reshaped according to the idealist principles of development-led globalization, generously stretching the policy-area of developmental states (Bielschowsky, Silva 2016, 293-294). A suitable playing-field for development would be created, and peripheral states would have a genuine chance. Marxists provide a contrasting account to this:

Marxist theory sees ‘underdevelopment’ as the outcome of the operation of capitalism at the global level. It believes, therefore, that the problem in its generality cannot be overcome through a mere replication of capitalist development domestically within the ‘underdeveloped countries’. Such replication can only produce increased differentiation within these societies or increased differentiation between one underdeveloped country and another. When the latter happens, the apparent success of some countries in overcoming underdevelopment is then claimed as a success of capitalism. But what is missed is that, taking the underdeveloped world as a whole, such success of some countries invariably occurs alongside the immiserization of others (Patnaik 2016, 307).

The cases hailed by the heterodoxy as confirmation of the possibility of successful development under capitalism, are treated by Marxists as exceptions to the tendencies of the global periphery as a whole. Just because some states have managed to go from periphery to the international core does not eliminate the pressures of divergence that capitalism reproduces on a world scale (Foster *et al.* 2011; Patnaik 2016, 317). Reform of the rules of international political economy would necessitate concessions from the powerful profiteers of the current neoliberal hegemony: financial capitalists, multinational corporations (MNCs)<sup>11</sup>, and ‘kleptocratic political elites’ (Goldstein 2009b, 263; Tandon 2016, 256, 266). While the first of these crucial developmental actors has received a lot of criticism by the heterodoxy, similar engagement with the latter is absent. This is especially curious in the case of MNCs, given their overwhelming share in global trade (Smith 2015). Analysis of multinational corporations are mostly found in the institutional-evolutionary development literature, but the general ‘void of normative concerns’ emanating from this field appears stunning to a Marxist (Fagerberg 2013, 38-39). Plenty is said about how and why MNCs came to be (Nelson 2016, 329), about how powerful they have become (Shafaeddin 2016, 581-582), and even about their desire to ‘exploit international cost differentials, primarily of labor’ (Ernst, Kim 2002, 1417). Heterodox development discourse is filled with remarks about the wonderful opportunities MNCs bring: enabling knowledge transfer and enhancing local capability formation (see Ernst, Kim 2002, 1418, 1422; Lundvall, Borràs 1998, 28; Perez 2014, 16-17; Ribeiro *et al.* 2015, 225-226). Naturally, the investigative focus of empirically inclined institutional-evolutionary economists is then to inquire whether the MNCs have established their organization sufficiently, and what could be improved upon to maximize profitable interactions for development (Fagerberg 2013, 17). Only Marxists are left wondering if they would go about this the same way when analyzing the institutions of slavery or feudalism:

The result [of big domestic firms from the international core extending abroad] was an enormous expansion of monopoly power, as giant monopolistic and oligopolistic corporations were able to take advantage of low wages, capital shortages, and weak states

---

<sup>11</sup> Marxists insist on the term ‘multinational corporations’, not ‘transnational corporations’ or ‘global network flagships’ preferred by the heterodoxy (Nelson 2016, 329; Ernst, Kim 2002, 1418). The financial and administrative headquarters i.e., the most significant centers of capital accumulation and control of MNCs are usually in the core areas, associated with particular states (Suwandi, Foster 2016; Shafaeddin 2016, 581). Thus, in decisive respects MNCs are national, while the rest of their operations are multinational. Using the terms preferred by the heterodoxy would obfuscate this important quality even more than ‘MNC’ does. For the sake of clarity, only ‘MNC’ will be used in the following.

all over the world to leverage their profit margins—siphoning ... massive amounts of surplus from countries in the global South (Suwandi, Foster 2016).

An efficient MNC makes good use of the neoliberal investment regime and ensures favorable terms of accumulation by co-opting the corrupt political elites of the peripheral states, ‘dividing and ruling’ amongst them by means of ‘runaway shops’<sup>12</sup> and subcontracting in order to get the lowest possible cost for the production of commodities that seldom involve significant ‘knowledge transfer’, but require lots of menial labor (Foster *et al.* 2011; Tandon 2016, 256, 263). Such practices are an endemic part of global capitalism, a system that requires perpetuation of underdevelopment in the periphery for the sake of its own stability<sup>13</sup> (Patnaik 2016, 320), yet polarizes and threatens the members of international core with a prospect of peripheralization (Itoh 2009, 209-210; Foster *et al.* 2011). Evidently, these Marxian considerations negate the heterodox vision of strong developmental states in the periphery renouncing their misery under the aegis of humanized capitalism. First, there are powerful actors (core-state elites, MNCs, financial capitalists, corrupt political elites of the periphery) who have demonstrated their resilience in clinging to their status under the neoliberal hegemony. Second, the historical experience of the few East Asian cases, including the period of *dirigiste* regimes<sup>14</sup> before neoliberalism, shows this formula might work for the minority while the majority of the people in the global periphery see little improvement in their material conditions. Third, even if some developmental gains are made, these remain open to revision by the hostile forces produced by capitalism. Instead, Marxists argue for altering the ‘class orientation of the state’ towards the working majority, withering away capitalism in the process of development (Patnaik 2011).

---

<sup>12</sup> ‘Runaway shops’ or factories are mobile production units of MNCs which change location when the cost of operation in one place rises significantly over the cost of some alternative location (Wallerstein 2006, 80).

<sup>13</sup> More on why exactly this is so in the fourth chapter.

<sup>14</sup> Patnaik (2016, 320) refers to ‘*dirigiste* regimes’ when discussing the widespread developmental focus of new post-colonial states before international neoliberal hegemony in the 1980s. While it is agreed that these were better in increasing the welfare of the many than the following era of neoliberal policies (Reinert 1999, 320; Kattel *et al.* 2016, 336), it is also shown that the failures of these regimes contributed to their demise (Kattel *et al.* 2016, 344; Shivji 2016, 243; Palma 2016, 400).

### **3. Theoretical-factual aspects: international economic order, the development problem, and the role of innovation**

There are general similarities between the schools when describing and explaining the contemporary development situation. First, it is agreed that the category of ‘developing states’ should be analytically separated at least into three (Shafaeddin 2016, 584; Perez 2014, 13; Itoh 2009, 209):

- (1) the least-among-less developed countries mostly found in Africa,
- (2) the relatively better off than the previous but still lacking in international competitiveness, found in Latin America, Middle East and South Asia,
- (3) the ones who increasingly obscure the line between the developing and the developed states, with China getting the most attention in this regard.

Both infer that this distinction reflects the asymmetric core-periphery split of international trade, based on the international division of labor, itself a residue of colonialism. Within the international core, profitable ‘increasing returns activities’ or ‘quasi-monopolistic production processes’ are found, while the periphery is predominately engaged in ‘decreasing returns activities’ or ‘competitive processes’ (Reinert 2016, 28-29; Wallerstein 2006, 27). This fundamental distinction in economic activities consolidates the strength of the core and the weakness of peripheral states. Both schools criticize the neoliberal policy prescriptions of international financial institutions, and the dominant free trade and investment regime, seeing these as hostile towards development (Kattel *et al.* 2016; Patnaik 2010; Tandon 2016). Marxists think of neoliberalism as neocolonialism because the systemic effects it has had on the majority of developing countries – drain of economic surplus, de-industrialization, decrease of policy-area, and increase of absolute poverty – are identical to the effects of colonialism, albeit achieved with different means (Patnaik 2010; 2016, 309-311; Shivji 2016, 243-244; Suwandi, Foster 2016).

Beyond that, fundamental differences are apparent<sup>15</sup>. Heterodoxy offers various descriptions of the contemporary nature of development from multiple angles, but never from the angle of global capitalism, as Marxists would have it. For example, ‘The Other Canon’ economics and ‘New Developmentalism’ see the contemporary developmental problem in terms of the existence of wrong but powerful mainstream ideas that have contributed to state-inaction, weakness, and a hostile international trade regime (Reinert 1999; 2016; Kattel *et al.* 2016; ND 2010), not in terms of capitalism as a historical system having always been characterized by divisions of wealth and misery, accompanied by ideological apologists convinced of capitalism’s supremacy or at least, of its reformability (Patnaik 2016, 308-309; Resnick, Wolff 2006, 4-5). C. Perez (2002, 63-65) sees the developmental problem in terms of changing techno-economic paradigms which tend to effect the periphery last, yet soon undercut some of the benefits the periphery might have accrued from latecomer technology diffusion because the next paradigm is already happening elsewhere, and not in terms of addressing the desirability of such recurrent mechanisms of instability and inequality to begin with. Institutional-evolutionary school sees the development problem in a lack of dynamic competitiveness (Shafaeddin 2016), of innovation and adaptation (Arocena, Sutz 2016, 445), and of learning (Lundvall, Borràs 1998, 14), not in the workings of an abysmal economic system harshly punishing those unable or unwilling to adhere to these demands of capital (Palma 2016, 406-407). Such plausible but incomplete explanations are a result of a confined analytical focus alien to Marxists.

To them, the rise of MNCs is a sign of increasing concentration of capital which has fundamentally altered the power-relations between global labor and capital towards the latter, and the nature of international capitalist competition (Foster *et al.* 2011). ‘Global labor arbitrage’ is a substitution of high-wage workers in the core with low-wage workers in the periphery by the MNCs which benefit the most out of it, while destabilizing the core and impeding wage-growth in the periphery (Smith 2015). Far removed from Marx’s original notion of relentless capitalist competition causing volatility in the capitalist class (Goldstein 2009a, 113), the long-run tendency of capital has been towards increasing monopolization in which the existentially threatening ‘price warfare’ has given way to cost-cutting and increased sales efforts (Sweezy 2004; Foster 2006). Again, the increased security

---

<sup>15</sup> Here, ‘fundamental’ means that the ways in which these schools interpret the factual aspects of development differ because they have different opinions about the general importance and effects of the predominately capitalist framework of development.

and profits resulting from that are felt most by the MNCs and their lackeys, and not by the developmental actors (Magdoff 2006; Suwandi, Foster 2016). This ongoing monopolization tendency is one of the contributors to capitalism's crises which range from periodic to prolonged, and eventually, terminal (Sweezy 2004; Wallerstein 2006, 27). Capitalism is considered in crisis during a no-growth situation because then it becomes more difficult to valorize capital and thus, the driving motive of exploitative entrepreneurship is fading. The basic argument is that eventually, the respiratory forces of capitalism – periodic Keynesian policies and spending, innovations, new markets, relocation of production, financialization, sales efforts, and primitive accumulation<sup>16</sup> – will run their course against the crisis tendencies of capitalism – overproduction/under-consumption, financial fragility, and increasing costs of production/falling rates of profit (Foster 2006; Magdoff 2006; Goldstein 2009b, 263-264; Wallerstein 2006, 78-83; Moseley 2009, 142; Patnaik 2016a). This pessimistic account of contemporary international political economy as increasingly MNC-centric and unsustainable portrays the global periphery as a place from which ever greater surpluses get extracted by means of net payments to foreign investors and soaring rates of international exploitation of their workers, in addition to unequal exchange due to concentration of less profitable economic activities (Foster 2006; Smith 2015; Itoh 2009, 206-207; Tandon 2016, 266-267).

Thus, Marxists would argue that the heterodox developmental diagnosis is incomplete because it omits capitalism from serious consideration. The overarching institutional-evolutionary concepts such as 'globalizing learning economy' and 'global innovation system' are plausible descriptions but these highlight aspects of the totality of international political economy that Marxists think should not be treated as central in terms of development. If deficiencies in learning and innovation are 'measures of the peripheral condition' tied to the 'power aspects of development' (Arocena, Sutz 2016, 445; Lundvall 2016, 608), then altering the latter is a precondition for overcoming peripheral qualities. Heterodox economics identifies this systemic problem only in certain forms and excesses of global capitalism. Marxists draw different conclusions from the fact that the secular trend during

---

<sup>16</sup> 'Primitive accumulation' is a term used by Marxists in order to explain how the capitalist situation of dispossessed masses faced with a minority class of wealthy and powerful capitalist class came to be. Answers center on the effects of colonialism and the similar nature of the preceding socio-economic formations, slavery and feudalism. Contemporarily, the term is used to denote some of the devastating acts of appropriation by the interests of capital in the global periphery which vitalize global capitalism by extending the avenues of capital accumulation (Patnaik 2010). One contemporary occurrence of primitive accumulation is when big foreign capital buys large portions of land from a weak peripheral state in order to establish large-scale farming or resource extraction. Often, this transaction is corrupt and will exclude compensation for the destruction of environment and of local peasant communities informally tied to the sold off land (Moyo *et al.* 2016, 488, 491, 494).



the centuries of global capitalism has been towards the divergence of national and international distribution of wealth (Piketty 2014; Fagerberg, Srholec 2007, 2), and think the systemic problem is the whole of historical capitalism. The desirable potential of innovations to improve the human condition is deprived by the ‘power aspects’ of a system that places innovation in the service of capital: “The imperative of the endless accumulation of capital had generated a need for constant technological change, a constant expansion of frontiers – geographical, psychological, intellectual, scientific” (Wallerstein 2006, 2). Giving innovation the primary function of capital-valorization e.g., increasing productivity for more profit, leads to perverse developmental consequences:

According to the core capitalist view propounded by the WTO, the World Bank, and the IMF, rural (mostly peasant) production is destined to be transformed into advanced capitalist agriculture on the model of the rich countries ... Consequently, the kind of reduction in peasant population currently pushed by the system points, if it were effected fully, to mass genocide (Foster *et al.* 2011).

Likewise, the organizational innovation of big domestic firms to MNCs has been great in terms of increasing their ability to capture value from the exploitation of peripheral labor, but underwhelming in terms of their developmental impact (Smith 2015). Paradoxically, capitalism as a system with its abstract and unending goal of accumulation “has produced more goods, inventions, new ideas, and technological advances than in all of previous history”, yet remains just as resilient in provoking the rhetorical questions of such kind: “But what has this enormous progress and development of productive capacities created as far as the living conditions and relations of the people on this earth?” (Magdoff, Magdoff 2005) Although innovation forms an integral part of the capitalist economy, it is not subdued by it completely due to the unpredictability and variety inherent in innovations. Some innovations can have revolutionary implications for a capitalist economy e.g., increasing communication and coordination capacity provided by the ICT paradigm that strengthens the ability of the many to challenge global capitalism (Tandon 2016, 267).

#### **4. Prospective aspects: the hardships, opportunities, and future of development**

Thus far, reformist ideas have been attributed to heterodoxy, and revolutionary ones to Marxism. Their thoughts on the hardships, on the opportunities, and on the future of development differ because of it. Both agree that neoliberal globalization is bad for development, and on the need to overcome it.

A fundamental obstacle in this is the profound misunderstanding of political economy that mainstream economics holds. In overcoming it, heterodox economists share Keynes's conviction about the primacy of ideas, and tend to treat this as an archetypal uphill battle in which they assume the position of an intellectually superior underdog against the established orthodoxy (Kim 2009, 230; Reinert 2008; Lee 2009). After the proper truths are established through reason, neoliberalism will give way to developmental capitalism, and the periphery will prosper. Marxists complicate the achievement of this prospect in similar ways they did with reforming capitalism. In addition to bad mainstream ideas, there are interests of capital, as conflictual as they might be, that have co-opted the decisive institutions of this battle (Wallerstein 2006, 27-28; Kim 2009, 229-230). Marxists think it not feasible to expect that in a system driven by the profit-motive, they be permanently swayed by heterodox ideas, and become more interested in genuine development of the periphery than turning tangible profits for themselves (Hillard, McIntyre 2009, 197; Tandon 2016, 266). Expectedly, heterodox economics is more optimistic.

Still, it points to a myriad of hardships that the contemporary development situation normally entails: developmental institutions are weak, economic diversification and innovation are difficult, free trade and hawkish intellectual property rights regime are hindering (Nelson 2016, 330-331), poverty is pervasive and taming inequality tough (Harold, Andersen 2012, 9), financial fragility high (Grabel 2009), politics authoritarian and populist (Alacevich 2016, 464), the current ICT techno-economic paradigm indifferent towards national development efforts (Kattel *et al.* 2016, 339), *etc.* Then, the general idea is 'we have to start from somewhere' i.e., to highlight and exploit opportunities within the current predicament, however wretched it might be. These opportunities are always found: developmental weaknesses can be overcome, diversification and innovation are difficult but not impossible, international trade treaties offer some favorable exceptions for the poorest, and are not set in stone, inequality and fragility can be addressed with politics and policies, political cultures can shift, and the opportunities of techno-economic paradigms utilized (Harold, Andersen 2012; Nelson 2016; Shafaeddin 2016; Alacevich 2016; Perez 2014). Marxists would see the above list of developmental hardships as symptoms of global capitalism, and the next list of opportunities as a paragon of false hopes, because these opportunities are thought unattainable under the same fundamental system that produced the hardships:

To sum up, the stability of capitalism requires that the value of money be kept stable at the core by preventing any inflationary threats to it. For this, not only must substantial global labour reserves be maintained, but in addition income deflation must be imposed to ensure that supplies of commodities subject to increasing supply price are obtained to meet the growing demand generated by capital accumulation without any actual increase in their output (for any such increase in output would bring into play the phenomenon of increasing supply price). Meeting these requirements for the stability of the value of money under capitalism precludes the overcoming of underdevelopment (Patnaik 2016, 320).

This is the summary of Patnaik's anti-developmental 'value of money' argument which implies that a bulk of heterodox propositions aiming to raise the peripheral standard of living would be incompatible with the current logic of global capitalism, as these would disrupt the dependence of the international core on cheap peripheral commodities, and cause another downturn in global demand. While this reasoning is not alien to heterodoxy, it points to another possibility of their reformist project ending up with abrupt consequences, dealing a blow to the already fleeting international solidarity required for genuine development (Epstein 2009, 239). On the other hand, the existence of an increasing 'global reserve army of labor', used as a disciplinary instrument against labor by MNCs, exerts a downward pressure on wages everywhere, causing demand-restraint, and contributing to stagnation of capitalism (Foster *et al.* 2011). Either way, a crisis-ridden future of global capitalism seems likely (Wallerstein 2006, 89; Moyo *et al.* 2016, 499-500), and much of the energy that should go to fulfilling developmental agendas is diverted to crisis-management of capitalism. Thus, what Marxists consider developmental opportunities, are the revolutionary openings caused by 'intensifying internal contradictions' of global capitalism manifesting in the increasing concentration of wealth to some economic actors in the international core, and in the increasing revolutionary consciousness of the global South (Tandon 2016, 266). Additional opportunities are seen in the revolutionary potential of some innovations (*Ibid.*, 267).

## **5. Propositional aspects: economic diversification and development-led globalization**

It has been established that the heterodox developmental agenda is about changing the two features of the development situation: homogeneity of peripheral economies, and neoliberal rules of

international political economy. Marxists considered these changes feasible only when global and national capitalisms were done away with. Besides this fundamental difference, developmental suggestions converge, with heterodox economics having the advantage of being more elaborate on most propositional aspects. Institutional-evolutionary, the Other Canon, and classical development economics argue for an ‘activity-specific’ view of development, saying that the object of economic diversification is to go from predominately decreasing-returns activities towards increasing-returns ones (Bielschowsky, Silva 2016, 293; Reinert 2016, 4). Doing so involves emulation, innovation, and various policies ranging from import substitution and capital controls to creating ‘virtuous circles of domestic growth’, possibly by means of the ‘big push’<sup>17</sup> advocated by classical development economics (Shafaeddin 2016, 578; Reinert 1999, 320; Kattel *et al.* 2016, 342-343; Alacevich 2016, 459). Marxist recognize that the nature of economic activities is important (Wallerstein 2006, 27), and their equivalents of the following heterodox propositions revolve around the concept of ‘delinking’. The aim of delinking is to overcome the peripheral reliance on export of primary goods, the proceeds of which get used by the local elites for luxury goods usually imported from the core (Patnaik 2016, 320-321). This ‘extraverted model’ is to be replaced by an ‘autocentric model’ where the determining linkage is between the ‘production of the means of production’, and the ‘production of goods for mass consumption’ (Shivji 2016, 246). The ambitions of providing full employment and income equality require restrictions on the pace of technological change. Such restrictions are necessary because increasing labor productivity too swiftly keeps down employment growth and creates wealth-inequalities which make the developmental shift more difficult (Patnaik 2016, 315).

Structural transformation of the economy necessarily involves the ‘agrarian question’ i.e., the issues of food production, land ownership, and fate of the peripheral peasantry. In the writings of Kalecki, convergence between the heterodoxy and Marxism on these issues is apparent. He argued that overcoming underdevelopment must involve modernization of agriculture in order to increase the agricultural output at least in proportion to increasing money supply. Not doing so would lead to food inflation which would hinder industrial growth from the demand side. It would also hinder industrial growth from the supply side because a backward agrarian sector, due to its low productivity, commits a lot of labor that cannot be employed in the service of economic diversification. Agrarian

---

<sup>17</sup> Creating a virtuous circle of growth entails setting up multiple increasing-returns industries with linkages between them. The ‘big push’ means that such a structural change should be established simultaneously, requiring lots of resources (Kattel *et al.* 2016, 342-343, 347).

modernization should involve investments in technology, land reform empowering the peasantry, and public policies geared towards incremental increases in productivity (Ghosh 2016, 479-480). Marxists would see land reform eventually pave way for co-operative forms of production (Patnaik 2016, 314). This is considered a moral and economic imperative, the latter because capital formation would generally be more efficient this way than in the form of a typical capitalist enterprise:

Co-operativism remains an important method for overcoming the shortcomings of peasant production, in terms of scale and position against monopolistic markets, while enhancing its many unique advantages in terms of labour absorption, versatility in production, low energy requirements, regard for ecological balance and popular participation (Moyo *et al.* 2016, 501).

Another related myriad of issues are about development financing. Kalecki insisted on non-inflationary development due to its damaging effect on the already low real wages of peripheral workers (Ghosh 2016, 480). Such a concern also makes it necessary that the burden of financing development should fall on the rich by means of progressive taxation (*Ibid.*, 481). Marxists do not think it possible to achieve the latter under an economic system that empowers 'the rich' by giving them options and incentives to use the economic surplus appropriated from the workers to overturn any policy hurtful to their immediate interests (Wolff 2011, 109-110). There is a general preference for domestic capital over external resources in both schools, and capital controls are advocated for this reason. While the heterodoxy sees foreign finance as a complement to internal funds, only to be used when it helps with the realization of the developmental agenda (Kregel 2016, 514), Marxists see capital mobility as a reflection of the power of capital that inherently seeks to expand for the sake of itself, and are therefore wary of the long-term success of taming it under global capitalism (Epstein 2009, 238). Nevertheless, capital controls are a vital developmental instrument that can shift power away from international capital towards peripheral states, and can have transformative consequences for capitalism (*Ibid.*, 239, 241-242).

When external resources are viewed with suspicion, the primary concern of development finance becomes how to mobilize domestic resources in a difficult situation. 'Modern monetary theory', described by Kregel (2016, 514) as a mixture of Keynes, Minsky, Knapp, and Lerner, provides an astounding solution to this. First, the developmental state should embrace 'monetary sovereignty' by

adopting a flexible exchange rate i.e., untie the fixed value of its fiat currency from other currencies, and by imposing an inescapable tax-liability on its citizens (Nersisyan, Wray 2010, 16). Then theoretically, unlimited amount of currency can be issued and used for payment by government without a threat of bankruptcy because no external commitments are involved (*Ibid.*, 19). In a fiat monetary system, such a threat is entirely derived from either pegging one's currency to others, or by borrowing foreign currency for which there is a decreased need when a state is monetarily sovereign. In other words, "government spending is limited by what is offered for sale, not by revenues" (Mosler 1998, 175-176). Thus, inflation is the true limit of government spending because it signals that the total spending is more than what the economy is able to produce when employed at full capacity (Nersisyan, Wray 2010, 20). While no such precise propositional ingenuity can be derived from contemporary Marxian discussions on money, its critique about the dogmatism and authoritarianism of the current monetary systems suggest it would embrace monetary sovereignty as a developmental alternative (Lucarelli 2010; Mann 2013). Marxists would only argue that communism, free from the political business cycle, 'captains of industry', and the 'sound money' dogma they adhere to, would accommodate monetary sovereignty better than capitalism.

A developmental state needs to plan for the wide array of tasks ahead of it. Planning is used to address the demand- and supply-side issues of development. Any discourse on economic planning usually starts from shunning 'commandism', bureaucratization, and a general lack of democracy that accompanied it in the Soviet Union, China, and elsewhere (see Magdoff, Magdoff 2005; Chandrasekhar 2016). On the other hand, neoliberal capitalism is characterized by the extremities of decentralized planning taking place within individual enterprises, and some indicative central planning. There ought to be a balance between centralized and decentralized decision-making, and between the indicative and controlling forms of planning (Chandrasekhar 2016, 524-525). While the heterodox paradigm of planning is characterized by an appeal to letting the market coordinate most of the activities in the competitive sector of the economy (Bresser-Pereira 2016, 3), the Marxian paradigm remains more ambivalent towards the effects of market-coordination. In some ways, it leads to the abandonment of the communist project because capitalist markets create inequality, and should thus be incrementally replaced with planning-arrangements (Magdoff, Magdoff 2005). Then again, small-scale markets have existed under every socio-economic formation, and can work as an effective instrument against the 'rigors of a control regime' that are generally associated with economic planning (Patnaik 2016, 315; Wolff 2011, 111).

These domestic efforts need to be accompanied by arrangements of international political economy different from the current, neoliberal ones. The heterodox proposals for a development-led globalization start by replacing the core-centric Bretton Woods institutions with more democratic arenas of dialogue found in the United Nations (Bielschowsky, Silva 2016, 293). A more equitable global trade is to be achieved by increasing the area of preferential treatment for the periphery, stabilizing prices of seasonal commodities subject to terms-of-trade deterioration, assisting with their industrialization, providing a sufficient policy space for them to enact measures for national development, and resolving their detrimental debt repayment issues in the spirit of solidarity (*Ibid.*, 293-294). Developing countries themselves can start by increasing ‘South-South integration’ to achieve more stability and bigger markets for their produce without subjecting themselves to trade deficits they tend to experience when associating with the economies of the international core (*Ibid.*, 294). For this, they need to revoke their existing trade and investment agreements with the core, and create alternative institutions for regional integration such as the Bank of the South that was established for development lending purposes by a prominent group of South American states (Grabel 2009, 257-258). Thus, global capitalism can be changed for the better.

Except for the last part, all of these propositions for a more equitable international economic order are echoed by Marxists, albeit more radically, with Tandon (2016, 256) for instance, arguing for the ‘decoupling imperative’ by which it is meant that the current structures of neoliberal globalization should be abandoned and replaced with regional and local ones: global value chains should give way to regional and local markets and organization of production, foreign banks and other key developmental industries should be nationalized, dollar-dependence replaced with strong regional currencies, *etc.* This task ought to be furthered by going after the structures of historical capitalism itself. The prevalent form of exploitative capitalist enterprise should be replaced by the co-operative, thus eliminating the source of a class-distinction between the dispossessed laborers and the interests of capital, which is considered incompatible with genuine development (Wolff 2011, 109-110; Moyo *et al.* 2016, 500). Workplace democracy should be accompanied by local and central democracies entering into power-sharing agreements:

Macro-level property socialization and economic planning would emerge from and be accountable to the micro-level collectives appropriating the enterprise-level surpluses they would use to enforce that accountability. At the same time, the micro-level enterprise

collectives would have their production and distribution decisions constrained by the macrolevel (social) needs, priorities, and planning mechanisms (possibly co-existing with market mechanisms) (Wolff 2011, 110-111).

Although much of the struggle against global capitalism is about empowering the local and national structures, international solidarity must accompany these efforts. For this reason, contemporary Marxism still echoes the original call of Marx for a ‘new International’ union of workers (Foster *et al.* 2011). Neoliberal globalization has created “... a world without borders to everything and everyone except for working people” (Smith 2015), which has caused an immense power-imbalance in the labor-capital relationship, thus making such calls at least as relevant as these were in the 19<sup>th</sup> century. Such a fundamental overhaul would then make possible a more equitable international economic order because capital would be socialized and subject to a democratic process wherein moral and developmental concerns would more likely triumph over the damaging profit-motive that was in the nature of private capital, making any other rationale for economic activity secondary by default. The proposals of the heterodoxy would become more feasible in this context.

## **Summary and discussion**

Given the harmful influence of orthodox thinking in economics, empowering alternative strands of inquiry by means of combining and coalescing them under the banner of ‘heterodox economics’ remains a welcome approach in a political sense. However, justice is done only if these non-orthodox strands of economics are not entirely alienated from their analytical and normative substance. The purpose of this inquiry was to check whether contemporary Marxism, considered by many as a part of the heterodoxy, has been the object of such an appropriation. Does ‘heterodox Marxism’, subservient to the Keynesian and Schumpeterian roots and ambitions of heterodox economics (Dow 2015, 76, 93), exist? I conclude it has been forced into existence partially by the politics of opposing mainstream economics, and partially by the expanded prevalence of reformist attitudes in the niche of alternative economic thought, basing this on the following findings in the field of development economics.

(1) Normatively, a fundamental disagreement about the morality and viability of capitalism as a framework for development exists. Heterodox pleas for its reform were met with Marxian revolutionary pessimism.



(2) Descriptively, the nature of the developmental problem is understood differently. Marxist reasoning saw the necessity for development arise out of the damaging effects of historical capitalism established globally by means of colonialism and neocolonialism. Heterodox economics found such causes in the various aspects of this system (neoliberal ideology and regime, uneven spread of technological progress, and weak peripheral capabilities) without seeing these as symptoms of global capitalism, but as individual ills to be addressed directly with a possibility of success.

(3) Thoughts on developmental prospects diverge. Heterodox economics followed the rationale of finding developmental opportunities and possibilities for reform in a capitalist system irrespective of its ills. Marxian rationale was to go the other way around and to radically change the capitalist system which would then provide genuine opportunities for the periphery.

(4) Most common ground is found in the propositional category. Marxism expanded and radicalized the proposals of heterodox economics by suggesting steps for deposing capitalism for the sake of development.

While similarities were found in all of the above categories, these are not sufficient to cover the fundamental strain between heterodox and Marxian economics about the issue of capitalism. Over the course of this inquiry, it became clear that anti-capitalism is still an inalienable part of Marxism, while all the strands of heterodox economics discussed here conduct their analysis and recommendations on the assumption that capitalism in general is not a problem. Irrespective of which might be the case, the area of agreement is bound to be precarious. If their compatibility is judged only on the basis of their views about mainstream economics, then one might appear interchangeably similar to the other. If it is judged by their substance, as was done in this inquiry, the issue of capitalism is likely to infest key parts of the discussion, as it happened here. Judging by the latter, the term ‘heterodox Marxism’ suggests that somehow, this issue has been overcome. At one point, some Marxian scholars must have renounced their analytical and moral aversion to capitalism, and retracted their critique of Keynesian reformism, yet still decided to call themselves Marxists. This never happened. Instead, perhaps heterodox economics has taken a critical turn and embraced the analysis and moralism of Marxism? No such tendency was evident in the heterodox development literature.

The most feasible way of explaining how heterodox Marxism came to be, is by eclectic appropriation. By separating its analytical side from its normative-propositional side, discarding the latter, and embracing some aspects of the former, a 'safe' version Marxism has been created. Many contemporary Marxists would find it impossible to agree with such a version, because the inalienable part of Marxism has been alienated. Eclectic appropriation is not automatically wrong, but its consequences must be considered. The marginalization of Marxism during and after the Cold War is a known fact, and if heterodox Marxism came to represent the bulk of contemporary Marxian thought today, the ranks of those fundamentally critical of the morality and sustainability of historical capitalism would diminish even more. For many, this would be a cause for celebration because these issues are considered settled. Contemporary Marxian discourse on development demonstrated the vitality of arguments to the contrary, while heterodox economics fell silent on these issues. If genuine doubt exists, all opinions should be represented. For this reason, Marxism is best kept separate from heterodox economics.

Essentially, heterodox Marxism is Marxism through a Keynesian and Schumpeterian filter, and if the remaining part of it proves useful to the project of heterodox economics, then it is likely to be used regardless of what Marxists might think of it. Instead, the practical implication of this inquiry is entirely directed at Marxists. Marxism provides an analytical and moral framework fundamentally different from the reformism of heterodox economics, and by virtue of such a grasp, shares an equal standing with heterodox economics, and the orthodox mainstream. To overcome its ostracism from the academia, politics, and public debate, the Marxist blasphemy could make its own use of the same approach that brought about the heterodox version of it. It would benefit from more eagerly seizing the findings of various strands of heterodox economics in order to articulate the communist alternative with additional clarity. In this regard, my inquiry pointed towards a couple of leads. First, institutional-evolutionary economics, due to its micro- and meso-focus could serve Marxism well in terms of providing its imagination with precision. Given a Marxian moral compass, innovation studies would receive a sense of direction that could be used in picturing worthwhile innovation systems under a communist socio-economic formation. Second, the proposals of modern monetary theory could be shown to fit better into the framework of communism than capitalism. Third, the nature of shifting techno-economic paradigms would probably change under the communist framework, given its diminishing effect on the profit-motive that has so far driven this process, and so would the ways in which the disruptions it brings be addressed. The task of Marxists would then be to suggest how

the nature of shifting paradigms would change, and what benefits would the communist framework bring in adapting to these. Finally, the proposals of the Other Canon and classical development economics about virtuous circles of growth and how to make these happen would remain just as relevant under communism as they are under capitalism, again providing a chance for Marxists to show how their framework would be more conducive to such proposals.

## Summary in Estonian

### **Kui *vulgaarne* on heterodoksne majandusteadus? Heterodoksne poliitökonoomia kaasaegse marxismi pilgu läbi**

Lehto – Tarmo Nuut

Minu uurimus keskendub heterodokse ja marxistliku majandusteaduse kaasaegsele suhtele. Uurimusküsimusega tahan teada, kas need on koos käsitletavad kui üks, heterodoksne koolkond, või eraldi. Küsimusele vastan nii, et võrdlen heterodokset ja marxistlikku majandusteadust ühes poliitökonoomia uurimisvaldkonnas, arengumajanduses. Heterodoksne majandusteadus on paljude uurimisharude kogum, milles on tuvastatav ühine analüütiline suund ja praktilised ambitsioonid. Valisin heterodoksest majandusteadusest seitse esinduslikku haru, et võrrelda neid kaasaegse marxismiga ja teha kindlaks, kas marxism on osa heterodoksest projektist. Poliitökonoomia on uurimismeetod ja –valdkond, mis põhineb poliitika ja majanduse vaheliste seoste uurimisel. Arengumajandus on poliitökonoomia üks haru, mille põhiküsimus on, kuidas vaesed riigid rikkamaks saaks ja jääks, mis on majandusliku arengu vahend ja eesmärk. Kahe majandusteaduse võrdlemise alused võtsin ühest majandusliku arengu teooriate komponentide ja struktuuri käsitlest (Arocena, Sutz 2016). Selles on näidatud neli arengudiskursuse osa: normatiivne, kirjeldav, tulevikku suunatud ja praktiline. Need kategooriad moodustavad minu uurimuse analüütilise ja narratiivse vormi. Nende kaudu esitan heterodokse ja marxistliku arusaama arengust ja lahendustest selle probleemidele, näitan sarnasusi ja erinevusi ning vastan uurimisküsimusele.

Paljud heterodoksed majandusteadlased arvavad, et heterodoksne ja marxistlik majandusteadus sobivad kokku ühe projekti alla, millel on reformistlik analüütiline sisu ja neoliberalismi-kriitiline moraalne kompass. Selle arvamuse tõeväärtuse kontrollimiseks kasutan Marxi mõistet *vulgaarne majandusteadus*, milles sisalduva kriitika tõlgendan tänapäevaselt ümber ja suunan heterodokse majandusteaduse poole. See harjutus võimaldab ilma valdkondlike piiranguteta aimata heterodokse

ja marxistliku majandusteaduse vahelisi vastuolusid, millest kõik järgnevas majandusliku arengu teemalises arutelus taas esinevad. Lisaks aitab mainitud termin avada kaasaegse marxismi tähtsaid tunnuseid: *ülemääratus* ehk süstemaatilisust ja taandamatut keerulisust tajuv ontoloogiline seisukoht, globaalse kapitalismi keskne makrofookus, sisulise demokraatia keskne mikrofookus ja kommunismi ideaal. Uurimistöös järeltan, et heterodokset ja marxistlikku majandusteadust on kasulik käsitleda eraldi, sest tegu on kahe erineva projektiga. Keinsistliku ja schumpeterliku taustaga heterodoksne majandusteadus erineb kaasaegse marxismi pessimismist ja revolutsioonilisusest piisavalt, et hoida need majandusteaduse mitmekesisuse tagamise eesmärgil lahus. Järgmised leiud kinnitavad seda järeldust.

(1) Heterodokse ja marxistliku majandusteaduse vahel on põhimõtteline normatiivne erinevus, mis seisneb nende suhtumises kapitalismi. Heterodokssed lootusrikkad reformipüüdlused kohtusid marxistliku reformipessimismiga.

(2) Arenguprobleemi mõistetakse erinevalt. Marxistide jaoks on arenguvajadus globaalse kapitalismi aastasade pikkuse juurutamise tulemus, mis on loonud tänase rahvusvahelise perifeeria kolonialismi ja neokolonialismi kaudu. Heterodoksed majandusteadlased näevad arenguprobleemi globaalse kapitalismi spetsiifilistes tegurites (neoliberaalne ideoloogia ja režiim, ebahühtlane tehnoloogia levik ja perifeeria nõrkus), mitte globaalses kapitalismis tervikuna.

(3) Selle tagajärjel näevad heterodoksed majandusteadlased arenguprobleemi lahendust globaalse kapitalismi tagajärgedega vahetult tegelemises, mitte selle süsteemi põhimõttelises muutmises, mida kaasaegne marxism peab majandusliku arengu eeltingimuseks.

(4) Paljud ettepanekud majanduslikuks arenguks on kahe koolkonna vahel sarnased. Marxism laiendas ja radikaliseeris heterodokse majandusteaduse ettepanekuid nii, et päevakorda asetuse ka kapitalismi ületamine.

Viimaks soovitan marxistidel oma teisejärgulise staatuse ületamiseks võtta eeskuju heterodokse majandusteaduse erinevatest harudest selleks, et enda revolutsioonilist ülesannet paremini täita. Sama on teinud heterodoksne majandusteadus marxismiga.

## Sources

- Alacevich, M. (2016) “Albert O. Hirschman”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 336-351.
- Arocena, R., Sutz, J. (2016) “Reading Freeman when ladders of development are gone”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 441-455.
- Backhouse, R. E. (2000) “Progress in Heterodox Economics”, *Journal of the History of Economic Thought* 22(2), 149-155.
- Barbier, E. B., Jacob, P. H. (2016) “Development, ecology and the environment”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 651-665.
- Barry, N. P. (1991) “Austrian Economics: a Dissent from Orthodoxy”, *Companion to Contemporary Economic Thought*. David Greenaway, Michael Bleaney, Ian M. T. Stewart (Eds.), London and New York: Routledge, 68-87.
- Bresser-Pereira, L. C. (2016) “Developmental capitalism and the developmental state”, *EESP/FGV, March 2016 version*: <http://www.bresserpereira.org.br/papers/2016/347-Developmental-capitalism-Developmental-State.pdf> (30.12.2016)
- Chaminade, C., Lundvall, B.-Å., Vang, J., Joseph, K. J. (2009) “Designing innovation policies for development: towards a systemic experimentation-based approach”, *Handbook on Innovation Systems in Developing Countries: Building Domestic Capabilities in a*

- Global Setting*. Bengt-Åke Lundvall, K. J. Joseph, Christina Chaminade, Jan Vang (eds.). Cheltenham and Northampton: Edward Elgar Publishing, 360-379.
- Chandrasekhar, C. P. (2016) “Development planning”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 519-532.
- Dow, G. (2015) “Marx, Keynes and Heterodoxy”, *Journal of Australian Political Economy* 75, 69-98.
- Drechsler, W. (2016) “*Kathedersozialismus* and the German Historical School”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 109-123.
- Dymski, G. A. (2009) “Does heterodox economics need a unified crisis theory? From profit-squeeze to the global liquidity meltdown”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 66-84.
- Epstein, G. (2009) “The case of capital controls revisited”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 238-249.
- Ernst, D., Kim, L. (2002) “Global production networks, knowledge diffusion, and local capability formation”, *Research Policy* 31, 1417-1429.
- Fagerberg, J. (2013) “Innovation – a New Guide”, *TIK Working Papers on Innovation Studies*: <http://www.janfagerberg.org/innovation-a-new-guide/> (11.12.2016)
- Fagerberg, J., Srholec, M. (2007) “Catching Up: What are the critical factors for success?”, *Globelics Working Paper Series 7*: <http://www.globelics.org/article/catching-up-what-are-the-critical-factors-for-success/> (13.02.2017)
- Floro, M. S. (2016) “Feminist approaches to development”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 416-440.

- Foster, J. B. (2006) „Monopoly-Finance Capital“, *Monthly Review* 58(7): <http://monthlyreview.org/2006/12/01/monopoly-finance-capital/> (25.12.2016)
- Foster, J. B., McChesney, R. W., Jonna, R. J. (2011) “The Global Reserve Army of Labor and the New Imperialism”, *Monthly Review* 36(6): <http://monthlyreview.org/2011/11/01/the-global-reserve-army-of-labor-and-the-new-imperialism/> (22.11.2016)
- Frank, A. G. (1966) “The Development of Underdevelopment”, *Monthly Review* 18(4), 17-31.
- Frieden, J. A., Lake, D. A. (2004) “Introduction: International Politics and International Economics”, *International Political Economy: Perspectives on Global Power and Wealth*. Jeffrey A. Frieden, David A. Lake (eds.), London: Routledge, 1-16.
- Garnett, R. F., Jr. (2006) “Paradigms and Pluralism in Heterodox Economics”, *Review of Political Economy* 18(4), 521-546.
- Ghosh, J. (2016) “Michal Kalecki”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 475-484.
- Goldstein, J. P. (2009) “An introduction to a unified heterodox macroeconomic theory”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 36-53.
- Goldstein, J. P. (2009a) “A Keynes-Marx theory of investment”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 112-126.
- Goldstein, J. P. (2009b) “Heterodox macroeconomics and the current global financial crisis”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 263-268.
- Goldstein, J. P., Hillard, M. G. (2009) “Introduction”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 3-23.



- Grabel, I. (2009) “Neo-liberal finance and third world (mal)development”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 250-260.
- Harold, J., Andersen, A. H. (2012) “Learning, Innovation and Inclusive Development: New perspectives on economic development strategy and development aid”, *Globelics Thematic Report 2011/2012*. Aalborg: Aalborg Universitetsfrotlag.
- Harvey, D. (2014) *Seventeen Contradictions and the End of Capitalism*. London: Profile Books Ltd.
- Hillard, M. G., McIntyre, R. (2009) “Historically contingent, institutionally specific: class struggles and American employer exceptionalism in the age of neoliberal globalization”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 189-199.
- Howard, M. C., King, J. E. (2001) „Where Marx was right: towards a more secure foundation for heterodox economics“, *Cambridge Journal of Economics* 25, 785-807.
- Itoh, M. (2009) “Unequal exchange reconsidered in our age of globalization”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 200-210.
- Kalecki, M. (2010) [1943] “Political Aspects of Full Employment”, *Monthly Review Zine*: <http://mrzine.monthlyreview.org/2010/kalecki220510.html> (17.12.2016)
- Kim, S. H. (2009) “Keynes’ bourgeois socialism”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 227-237.
- Kregel, J. A. (2016) “The effective demand approach to economic development”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 323-335.
- Lee, F. (2009) *A History of Heterodox Economics: Challenging the mainstream in the twentieth century*. New York: Routledge.

- Lee, F. S. (2012) “Heterodox Economics and its Critics”, *Review of Political Economy* 24(2), 337-351.
- Lee, K.-K. (2009) “From capital controls and miraculous growth to financial globalization and the financial crisis in Korea”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 211-224.
- Lucarelli, B. (2010) “Marxian theories of money, credit and crisis”, *Capital & Class* 34(2), 199-214.
- Lundvall, B.-Å., Borràs, S. (1998) *The globalising learning economy: Implications for innovation policy*. Luxembourg: Office for Official Publications of the European Communities.
- Lundvall, B.-Å. (2016) “Innovation systems and development: history, theory and challenges”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 594-612.
- Lundvall, B.-Å., Chaminade, C., Vang, J. (2009) “Epilogue: which way now?”, *Handbook on Innovation Systems in Developing Countries: Building Domestic Capabilities in a Global Setting*. Bengt-Åke Lundvall, K. J. Joseph, Christina Chaminade, Jan Vang (eds.). Cheltenham and Northampton: Edward Elgar Publishing, 380-386.
- Magdoff, F. (2006) „The Explosion of Debt and Speculation“, *Monthly Review* 58(6): <http://monthlyreview.org/2006/11/01/the-explosion-of-debt-and-speculation/> (25.12.2016)
- Magdoff, H., Magdoff, F. (2005) “Approaching Socialism“, *Monthly Review* 57(3): <http://monthlyreview.org/2005/07/01/approaching-socialism/> (25.12.2016)
- Mann, G. (2013) “The monetary exception: Labour, distribution and money in capitalism“, *Capital & Class* 37(2), 197-216.
- Martin, B. R. (2016) “Twenty challenges for innovation studies”, *Science and Public Policy* 43(3), 432-450.

- Marx, K. (2015) [1867] *Capital: A Critique of Political Economy. Volume I. Book One: The Process of Production of Capital*. Frederick Engels (ed.): <https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf> (05.01.2017)
- Miskelly, M., Noce, J. (2002) *Political Theories for Students: 1<sup>st</sup> Edition*. Gale Group.
- Moseley, F. (2009) “Marx, Minsky and Crotty on crises in capitalism”, *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 140-150.
- Mosler, W. (1998) “Full Employment and Price Stability”, *Journal of Post Keynesian Economics* 20(2), 167-182.
- Moyo, S., Jha, P., Yeros, P. (2016) “The agrarian question and trajectories of economic transformation: a perspective from the South”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 487-503.
- Nelson, R. R. (2016) “Economic development as an evolutionary process”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 323-335.
- Nelson, R. R., Winter, S. G. (1982) *An Evolutionary Theory of Economic Change*. Cambridge: The Belknap Press of Harvard University Press.
- Nersisyan, Y., Wray, L. R. (2010) “Does Excessive Sovereign Debt Really Hurt Growth? A Critique of *This Time Is Different*, by Reinhart and Rogoff”, *Working Paper No. 603*, Levy Economics Institute: [http://www.nowandfutures.com/large/critique\\_of\\_Reinhart\\_and\\_Rogoff-wp\\_603.pdf](http://www.nowandfutures.com/large/critique_of_Reinhart_and_Rogoff-wp_603.pdf) (30.12.2016)
- New Developmentalism (2010) “Ten Theses on New Developmentalism”: <http://www.tenthesesonnewdevelopmentalism.org/> (28.12.2016)
- Nielsen, P. (2002) “Reflections on critical realism in political economy”, *Cambridge Journal of Economics* 26, 727-738.

- O'Boyle, B., McDonough, T. (2010) „Critical realism, Marxism and the critique of neoclassical economics“, *Capital & Class* 35(1), 3-22.
- Omkarnath, G. (2016) “Indian development thinking”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 212-227.
- Palma, J. G. (2016) “The dependency school and its aftermath: why Latin America’s critical thinking switched from one type of absolute certainties to another”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 228-239.
- Patnaik, P. (1999) „The *Communist Manifesto* After 150 Years“, *A World to Win*. P. Karat (Ed.), Delhi: Leftword Books 68-86.
- Patnaik, P. (2010) „The Paradox of Capitalism“, *Monthly Review Zine*: <http://mrzine.monthlyreview.org/2010/patnaik221010.html> 2010 (22.10.2016)
- Patnaik, P. (2011) “Lessons from the Indian Experience”, *Monthly Review Online*: <https://mronline.org/2011/08/29/lessons-from-the-indian-experience/> (01.04.2017)
- Patnaik, P. (2016) “Marxist theory and the “underdeveloped economies”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 307-322.
- Patnaik, P. (2016a) “Capitalism and Its Current Crisis”, *Monthly Review* 67(8): <http://monthlyreview.org/2016/01/01/capitalism-and-its-current-crisis/> (30.11.2016)
- Perez, C. (2002) *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Cheltenham: Edward Elgar Publishing.
- Perez, C. (2009) “Technological revolutions and techno-economic paradigms”, *Working Papers in Technology Governance and Economic Dynamics* 20: <http://technologygovernance.eu/files/main//2009070708552121.pdf> (10.12.2016)
- Perez, C. (2014) “A New Age of Technological Progress”, *Owning the Future*. Chuka Umunna (ed.) London: Policy Network & Rowman & Littlefield International, 19-31.

- Phillips, D. (2016) “Brazil senate approves austerity package to freeze social spending for 20 years”, *The Guardian*: <https://www.theguardian.com/world/2016/dec/13/brazil-approves-social-spending-freeze-austerity-package> (28.03.2017)
- Piketty, T. (2014) *Capital in the Twenty-First Century*. Cambridge: The Belknap Press of Harvard University Press.
- Power, M. (2012) “A History of Heterodox Economics”, *On the Horizon* 30(3), 253-259.
- Putnam, R. D. (2000) *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster Paperbacks.
- Reinert, E. S. (1999) „The role of the state in economic growth“, *Journal of Economic Studies* 26(4/5), 268-326.
- Reinert, E. S. (2008) *How Rich Countries Got Rich ... and Why Poor Countries Stay Poor*. Delhi: Anthem Press India.
- Reinert, E. S. (2016) “Giovanni Botero (1588) and Antonio Serra (1613): Italy and the birth of development economics”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 3-41.
- Reinert, E. S., Ghosh, J., Kattel, R. (2016) “Introduction”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, xiii-xxxvi.
- Reinert, S. A. (2016) “Economic emulation and the politics of international trade in early modern Europe”, *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 42-62.
- Resnick, S. A., Wolff, R. D. (2006) *New Departures in Marxian Theory*. London and NY: Routledge.
- Ribeiro, L., Britto, G., Kruss, G. Albuquerque, E. (2015) “Global interactions between firms and universities: a tentative typology and an empirical investigation”, *Developing National Systems of Innovation: University-Industry Interactions in the Global South*. Eduardo

- Albuquerque, Wilson Suzigan, Glenda Kruss, Keun Lee (eds.). Cheltenham and Northampton: Edward Elgar Publishing, 221-245.
- Samuels, W. J. (1991) "Institutional Economics", *Companion to Contemporary Economic Thought*. David Greenaway, Michael Bleaney, Ian M. T. Stewart (Eds.), London and New York: Routledge, 105-118.
- Sawyer, M. (2009) "The central core of heterodox macroeconomics", *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 24-35.
- Sawyer, M. C. (1991) "Post-Keynesian Macroeconomics", *Companion to Contemporary Economic Thought*. David Greenaway, Michael Bleaney, Ian M. T. Stewart (Eds.), London and New York: Routledge, 184-206.
- Schumpeter, J. A. (2003) [1943] *Capitalism, Socialism & Democracy*. London and NY: Routledge.
- Shafaeddin, M. (2016) "Competitiveness and development: a Schumpeterian approach", *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 570-593.
- Shivji, I. G. (2016) "Revisiting the debate on national autonomous development in Africa", *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 240-255.
- Smith, J. (2015) „Imperialism in the Twenty-First Century“, *Monthly Review* 67(3): <http://monthlyreview.org/2015/07/01/imperialism-in-the-twenty-first-century/> (24.12.2016)
- Stilwell, F. (2015) "Heterodox Economics and Political Economy", *Journal of Australian Political Economy* 75, 5-10.
- Suwandi, I., Foster, J. B. (2016) "Multinational Corporations and the Globalization of Monopoly Capital", *Monthly Review* 68(3):

- <http://monthlyreview.org/2016/07/01/multinational-corporations-and-the-globalization-of-monopoly-capital-from-the-1960s-to-the-present/> (24.12.2016)
- Sweezy, P. M. (2004) [1987] "Monopoly Capitalism", *Monthly Review* 56(5): <http://monthlyreview.org/2004/10/01/monopoly-capitalism/> (24.12.2016)
- Tandon, Y. (2016) "Development as the struggle for liberation from hegemonic structures of domination and control", *Handbook of Alternative Theories of Economic Development*. Erik S. Reinert, Jayati Ghosh, Rainer Kattel (Eds.), Cheltenham and Northampton: Edward Elgar Publishing, 256-269.
- Wallerstein, I. (2006) *World-Systems Analysis: An Introduction*. Durham: Duke University Press.
- Weber, K. M., Rohracher, H. (2012) "Legitimizing research, technology and innovation policies for transformative change. Combining insights from innovation systems and multi-level perspective in a comprehensive 'failures' framework", *Research Policy* 41, 1037-1047.
- Wolff, R. D. (2011) "The Keynesian Revival: a Marxian Critique", *Alternate Routes: A Journal of Critical Social Research* 22, 103-114.
- Wolfson, M. H. (2009) "Methodology and heterodox economics", *Heterodox Macroeconomics: Keynes, Marx and globalization*. Jonathan P. Goldstein, Michael G. Hillard (eds.), New York: Routledge, 54-65.