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24 February 2015

Online at <https://mpra.ub.uni-muenchen.de/62568/>
MPRA Paper No. 62568, posted 04 Mar 2015 15:23 UTC

Frederic S. Lee's contributions to heterodox economics*

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February 24, 2015

Frederic S. Lee: personal recollections

We are still coming to grips with the reality that we won't see Fred Lee, our advisor and mentor, at the next conference. It is hard to imagine that he has departed. Our e-mail boxes are emptier and our hearts are heavier. But we know that he will always be with us in the work of heterodox economists.

After graduating from the University of Missouri–Kansas City (UMKC) in 2007, we were always excited to meet and talk to Fred at various conferences, at least three times a year. He showed up wearing his checkered shirt, 3 or 4 pens of different colors in his chest pocket, holding a paper or two in his hands, either reading or commenting, and with a ton of energy to spread. He always came to the conference before the beginning of the first session and stayed until all the sessions ended. He certainly enjoyed talking to and debating with other heterodox economists—especially young ones. Whenever he found a young heterodox economist whom he had never met before, he approached her or him and asked: “Who are you? What are you working on? How did you know about heterodox economics? Are you subscribing to

* This paper is the Introduction to *Advancing the Frontiers of Heterodox Economics: Essays in Honor of Frederic S. Lee*, edited by Tae-Hee Jo and Zdravka Todorova. London and New York: Routledge (forthcoming in 2015).

the *Heterodox Economics Newsletter*?” Besides, one night at every conference we had a big UMKC dinner organized by Fred Lee. Not only UMKC students and faculty but also any friends and heterodox economists were welcomed to the dinner. We always had interesting conversations with each other as if we were a big family.

These episodes tell us only a partial view of Fred Lee. He was a heterodox economist who cared much about the future of heterodox economics and, therefore, who always tried tirelessly to organize heterodox economists, often at the expense of his time and energy for his own research. He, together with others around the world, worked hard to build heterodox economic theory, and, equally importantly, heterodox communities and networks. Because of his contributions, heterodox economists have a better chance to get hired, get published, and get recognized (although his contribution is not always recognized; nor did he expect it to be recognized). This is the legacy that Fred Lee has left to all of us—his students, colleagues, and friends. It is never too many times to repeat: Fred Lee has been, is, and will be an inspiration!

We asked Fred Lee to be our dissertation adviser because we were inspired by his lectures, research, and personal conversations. We believed that his approach to heterodox economics was something to be developed further. He taught us not only heterodox economic theories but also how to do heterodox economics in a pluralistic and integrative manner. His encouragement and support helped us to become responsible and open-minded heterodox economists.

He had a constructive vision of heterodox economics—that is, developing an integrated theoretical framework of heterodox economics drawing on various heterodox approaches. He was never hesitant of putting his vision into practice; and never afraid of entering into debate on theories. Yet, he was always ready to hear different ideas. He was not dogmatic or sectarian. Nor

was he eclectic in terms of theory. Over the years we saw him evolving, and opening up even more. He had high standards—not only for his students, but also for his colleagues and himself. He had high expectations for everybody’s involvement and efforts, he wanted to see people being energized and driven.

It is somehow mysterious that Fred Lee was able to engage in a number of projects simultaneously and persistently as if time was not scarce. Consequently, Lee’s contribution to heterodox economics goes beyond typical economist’s life-time achievements. In what follows we shall highlight his most important contributions to (1) the making of a history and identity of heterodox economics, (2) heterodox microeconomics, and (3) the heterodox analysis of social provisioning. The main argument of each essay collected in this volume is incorporated into this introduction.

Making history and identity of heterodox economics by developing theory and institutions

Fred Lee spent a great deal of his time working for others, in particular, younger heterodox economists and students, and for the community of heterodox economists. His conviction that institution building—for example, organizing and/or running social networks, conferences, and academic programs—is as important as theory building (Lee 2009, 15-18) was bequeathed to him from his mentor, Alfred Eichner. In his tribute to Eichner, Lee recognizes Eichner’s “unflagging energy to establish Post Keynesian economics in the United States” from the early 1970s towards the end of Eichner’s life in 1988 (Lee 1991, 26), which helped establish Post Keynesian economics. More importantly, Lee notes that

because of these [Eichner's] efforts we young and newly minted Post Keynesians have had a much easier time getting published, giving papers at the ASSA sessions, and even finding an academic position in which we can teach Post Keynesian economics. While these efforts often go unnoticed, I think that for Al they represented his commitment to the belief that if you think Post Keynesian economics is the best then you are in a sense obligated to push it where you go, and you must do it in a manner that will let others who follow you get published, get recognized, and to develop the discipline. (Lee 1991, 27)

There is no doubt that Fred Lee continued and extended Eichner's legacy in terms of theory and also of service to the community of heterodox economics. While in the UK, he played an essential role in the making of the Association for Heterodox Economics (AHE, founded in 1999). He served as the first coordinator (1999-2000) and became one of two Honorary Life Presidents of AHE (the other is Victoria Chick). Notably AHE is the first pluralist association promoting all heterodox economics traditions. In its constitution, it is stated that AHE "aims to promote open and tolerant debate in economics through pluralism in theory, method, and ideology, and to promote heterodox economists and perspectives in the academic, governmental and private spheres of the discipline of economics" (Association for Heterodox Economics 1999; Lee 2009; see also Andrew Mearman and Bruce Philp's chapter in this volume for the history of AHE and the detailed account of Lee's involvement with AHE). The aim of AHE partly reflects Fred Lee's long-time argument for building heterodox economics as a coherent and comprehensive explanation of the social provisioning process that is an alternative to mainstream economics. It should also be noted that his support for pluralism does not mean all heterodox theories are compatible with each other. In other words, Lee notes that "pluralism is compatible

with the development of a coherent economic theory in which some views get discarded” (personal communication, April 1, 2014; see also Henry and Lee 2009 and Sheila Dow’s Foreword in this volume).

Along with its successful annual conferences, AHE has also organized Postgraduate Research Methodology Workshops in which Fred Lee actively participated.¹ Therese Jefferson, a participant of the 2004 Workshop while she was a doctoral student, recalls that “one of the few economists who had critically discussed and analyzed the methodological basis of grounded theory and its potential use in economic research was Fred Lee” (see Jefferson’s chapter in this book). Influenced by Fred Lee and others at the workshop, Jefferson demonstrates in her chapter that the grounded theory approach combined with other research methods offers specific insights that cannot be found by deductive modeling.

An importance of the establishment of AHE and its workshops is that the term, “heterodox economics,” referring to a wide range of theoretical traditions alternative to mainstream economics as well as to a community of economists generating alternative theories has been received by many economists around the world.² For example, the Society of Heterodox Economists (SHE) was established in Australia three years after the AHE was formed. Major heterodox associations such as AFEE, AFIT, ASE, EAEPE, IAFFE, and URPE³ have explicitly included “heterodox economics” in their calls for papers for conferences and for journal special issues. Many authors have used “heterodox economics” in their book titles (see the list of books and journal special issues collected in the *Heterodox Economics Directory* website.⁴ *The New Palgrave Dictionary of Economics*, one of essential reference books in economics, has included an entry on “Heterodox Economics” (Lee 2008b) in its 2nd edition published in 2008. Recently, summer schools with the heading of “heterodox economics”

have been organized—e.g., Pozań Summer School of Heterodox Economics (2012 and 2013, Poland), PEF (Progressive Economics Forum) Summer School in Heterodox Economics (2011 and 2014, Canada) (Lee 2009, ch. 10; see also Chapter 2 of this book).

The above movements indicate that heterodox economics has established its identity as a pluralistic or diverse set of alternative theoretical traditions by way of making institutions—associations, conferences, workshops, summer schools, journal issues, books, and social networks. Doubtlessly, in the process of making the identity of heterodox economics, *Heterodox Economics Newsletter* (the 1st issue published in September 29, 2004) and *Heterodox Economics Directory* (the 1st edition published in 2005) created and run by Fred Lee have played an important role. The *Newsletter* and *Directory* not only promote heterodox economics, but also give heterodox economists around the world the feeling that they are part of a global heterodox economics community; otherwise they would have been isolated “loners.”⁵ In his recent book, Marc Lavoie lends credence to our observation:

I decided to adopt the denomination ‘heterodox economics’. Over the years, in particular since the late 1990s, but even more so since the mid-2000s, the term ‘heterodox’ has become increasingly popular to designate the set of economists who view themselves as belonging to a community of economists distinct from the dominant paradigm. Indeed, there is now a huge *Heterodox Economics Directory* (Jo 2013), which provides useful information to all those young scholars looking for an alternative economics. As a result, I shall speak of ‘heterodox economists’, as has been suggested in particular by Frederic Lee (2009). (Lavoie 2014, 6)

Fred Lee's commitment to heterodox economics is also demonstrated by his book, *A History of Heterodox Economics: Challenging the Mainstream in the Twentieth Century* (Routledge, 2009). He spent over 15 years to complete this book (and once he said that he did it because someone had to do it). This is the only book ever published that deals with the institutional history of heterodox economics from 1900 to 2006 in the US and UK. Essentially, the purpose of the book is to show that not only did/does heterodox economics exist, but also it offers radical (in the sense of challenging the status quo) insights into the social provisioning process under capitalism. His work on history is also coupled with other important works, such as research assessment and the ranking of economic journals and departments (Harley and Lee 1996; Lee and Harley 1998; Lee 2006; 2007; 2008a; Lee, Grijalva, and Nowell 2010; Lee and Cronin 2010; Lee, Pham, and Gu 2013). These works aim at providing the historical and empirical ground that heterodox economics is a well-articulated and robust research paradigm (independently of neoclassical economics) that should be an integral part of economics curriculum. The importance of these works is that they open up an array of positive possibilities for the future of heterodox economics.⁶ In a nutshell, for Fred Lee the notion and practice of a heterodox economics community bears a reciprocal relationship with theory development.

Although the connection between theory and community (or institution in general) is well analyzed by many heterodox economists (institutionalists, in particular), not many heterodox economists actually practice their theory. To paraphrase Marx's famous saying: many heterodox economists have only interpreted the world in various ways; the point is to change it. For Fred Lee, building a heterodox economics community and developing heterodox economic theory were akin to his work with Industrial Workers of the World (IWW). In other words, "advancing heterodox economics is not enough; the world needs to be changed as well" (Lee and Bekken

2009, 8). In this regard, Fred Lee was an extraordinary heterodox economist (see John Henry's Foreword in this book). Fred Lee's view of the community of heterodox economists as "a social system of work" is clearly addressed in his 2009 book:

For the community of heterodox economists to exist, it must be grounded in a social system of work that produces economic knowledge that contributes to a heterodox understanding of the economy and the social provisioning process. Since a social system of work implies that participants are dependent on each other for the production of scientific knowledge, how strong or weak the community is, in part, a function of how dependent heterodox economists are on each other's research and on the extent to which they work on common research goals, and, in part, is dependent on the degree of integration of their social activities. (Lee 2009, 192)

This vision of the community runs parallel to his definition of heterodox economic theory:

Heterodox economic theory is an empirically grounded theoretical explanation of the historical process of social provisioning within the context of a capitalist economy. Therefore it is concerned with explaining those factors that are part of the process of social provisioning, including the structure and use of resources, the structure and change of social wants, structure of production and the reproduction of the business enterprise, family, state, and other relevant institutions and organizations, and distribution. (Lee 2009, 8-9)

If the economy is understood as the “historical process of social provisioning,” economic theory must inquire into the system as a whole that is historically constituted by actors and their agency, durable structures, and causal mechanisms. Such an approach to heterodox economics could be articulated by taking core theoretical claims into account. In their chapter Carlo D’Ippoliti and Alessandro Roncaglia address this point. In particular, they argue that theories of price (and their historical development) embody competing (and incompatible) visions of a capitalist economy. That is, the theory of price from the heterodox perspective is anchored in the monetary-surplus production economy, whereas the neoclassical theory of price (or the market price mechanism) promotes a vision that capitalist economy is an efficient market exchange system. Two important implications follow from this. Firstly, price theories demarcate the contours of economics—heterodoxy and mainstream. Secondly, the history of economic analysis is an integral part of doing economics, since the historical development of theory is the reflection of a particular vision of economy.

The future of heterodox economics lies in the development of a distinct, internally coherent, comprehensive, and empirically grounded theory. In their chapter, Bruce Phillip and Andrew Trigg emphasize that the concept of class conflict is a core element of heterodox economic theory that enables the challenging of the ethics of distribution within the system of social provisioning. They also argue that there are commonalities within the variety of heterodox approaches to conflict over distribution, and show that the development of heterodox theory benefits from variety of approaches.

The foregoing discussions with respect to Fred Lee’s contribution to the making of history and identity of heterodox economics imply that heterodox economics is a constructive research paradigm. However, we still find many economists saying that the label, “heterodox,”

connotes merely the opposition to the mainstream, or segregates dissenting economists from the entire discipline (often with an implication that heterodox economics is inferior to mainstream economics). We would argue that such a view lacks an understanding of heterodox economics in historical context. Heterodox economics (with various streams therein) has changed over the past three decades and the further development of heterodox economics is open-ended, as we continue building theory and institutions.

Heterodox microeconomics and the foundations of heterodox macroeconomics

Let us now move onto Lee's theoretical contributions to heterodox economics. Throughout his academic career he had a "grandiose project" that was formed while doing his doctoral study at Rutgers University. His lifetime project was developing "heterodox microeconomic theory as a complete alternative to neoclassical microeconomics" (Lee 2014b, Preface; see also Fred Lee's autobiography in this book). Unfortunately, this project was only partially successful due mainly to constant interruptions, such as organizational activities described in the previous section. Although he always wished to spend more time on developing heterodox microeconomic theory, Fred Lee would never regret what he had done for the community of heterodox economics.

For the first 15 years (1983-1998) Lee was working on the theory of pricing and price doctrines, which was published as *Post Keynesian Price Theory* (Cambridge, 1998). Lee's study on pricing and price went beyond a critique of neoclassical economic theory. It subsequently opened up a constructive contribution to heterodox microeconomic theory. In his 1998 book, in particular, Lee addresses an empirically grounded argument that the neoclassical price mechanism does not exist in the real world in which fundamental uncertainty and historical time

are inseparable (as in Post Keynesian economics); nor does the price mechanism coordinate economic activities through the market. Instead, he argues that prices are administered by business enterprises in order for them to gain access to and, ultimately, control the social provisioning process in favor of themselves (see also, Lee 1984, 1985, 1994, 1996b). This is a devastating criticism of the neoclassical supply-demand framework since virtually all neoclassical theories are founded upon it. It was also a critique of some Post Keynesian theories that were constructed without recourse to the empirical reality of corporate capitalism. Lee's distinctive and constructive contribution to the Post Keynesian price theory is that he made such a conclusion derived from historical and empirical data in line with (and at the same time maintaining a critical standpoint of) Post Keynesian-Sraffian theories (e.g. Kalecki, Steindl, Eichner, Harcourt, Sraffa, and Sweezy)⁷ as well as other empirical studies done by dissenting economists, such as G.C. Means, E. Nourse, A.D.H. Kaplan, Oxford Economists' Research Group, P.W.S. Andrews, E. Brunner, H. Edwards, G. Richardson, R. Robinson, and J. Williams, whose works were largely ignored by Post Keynesians. What is amazing is that Lee either dug up archival materials or interviewed many economists in person or by letters before the age of internet (see Lee 1998, 266-274).

If there is no such thing as the price mechanism that allocates scarce resources (products, labor power, and capital) and coordinates economic activities (demand for and supply of produced outputs and inputs) as in neoclassical economics, how is the capitalist economy organized and how are resources generated and reproduced? This is the question Fred Lee explored during the following 15 years or so (1998-2014). In particular, Lee was concerned with issues of business enterprise activities (such as, production, costing, pricing, investment, and financing), market competition, and market governance organizations (such as trade associations

and cartels) in the context of the economy as a whole (Lee 1996a, 1997, 1999, 2011c, 2012a, 2013a, 2013c; Lee and Jo 2010). These issues are not selected ad hoc; rather they are chosen because it is the effective demand for investment goods by private business enterprises qua going concerns that drive and organize other economic activities in corporate capitalism. As such, Lee's theoretical framework incorporates Marxian-Post Keynesian-institutionalist theory of monetary production and of the surplus approach as well as Sraffian circular circuit of production schema.

Lee notes that “the integrative approach produces arguments that are critical of or do not include theoretical concepts and arguments that are cherished by many heterodox economists” (Lee 2014b, Preface). As a matter of fact, his criticisms of heterodox economic theories were often dismissed and repudiated on the ground that they were critical of what was esteemed by established heterodox theorists, regardless of relevance. For example, when Lee submitted an article, “Heterodox Theory of Production and the Mythology of Capital: A Critical Inquiry into the Circuit of Production” (Lee 2014a) to a heterodox journal, one of two referees gave him a short comment including the following statement: “Obviously there are fundamental issues at stake here—I [a referee] am sure LLP [Luigi L. Pasinetti] will rightly want to have his say because his whole life time's work is threatened” (Jo's personal collection, dated December 22, 2014). The point is that Lee's theoretical position is as radical as his practice of heterodox economics—he was not afraid of challenging the theoretical status quo if a theory is inconsistent, not supported by empirical-historical evidences, or inadequate in explaining the real world. Perhaps Lee's heterodox microeconomic theory was ahead of his time.

Although Lee's theories encountered dismissal and repudiation by established heterodox economists, obviously many younger heterodox economists find that his theories are relevant

and worth further exploration and development, as evidenced by six chapters in the second part of this book. Tae-Hee Jo outlines heterodox microeconomics, which draws largely on the Fred Lee's contributions. Jo finds that not only heterodox microeconomics is an alternative to neoclassical microeconomics, but also it is often misunderstood by heterodox economists (especially heterodox macroeconomists who are mainly concerned with aggregate or structural issues that neglect the role of agency). He thus brings up two theoretical issues—investment and effective demand—that are conventionally treated as macro issues, and then argues that these are both micro and macro issues, which can be explained by the surplus approach, a theory of monetary production, and the principle of effective demand.

What is implied here is that Lee rejects the distinction between micro and macro. This is *prima facie* paradoxical since he identifies himself as a microeconomist and at the same time argues that there is no such thing as a “micro” issue (that is unrelated to the macro, and vice versa). Indeed it is a contradictory position *only if* one understands micro and macro in the neoclassical sense. Jakob Kapeller examines various methodological fallacies related to “aggregation” and “foundations” in economic thinking. Enlightened by systemism (à la Mario Bunge), Kapeller argues that relational perspectives are valid conceptual and methodological positions to advance heterodox theories. In fact, this position is not different from Fred Lee's argument for “heterodox microfoundations.” That is, by microfoundation Lee means that it is a project of linking micro and macro, rather than reducing one to the other (Lee 2011a, 2013d; Lee and Jo 2013).

What are theoretical examples that are in line with such heterodox microfoundations? One example is Post Keynesian investment and pricing theory in the tradition of Alfred Eichner and Fred Lee. After outlining the historical background of Post Keynesian investment and

pricing theory, Ruslan Dzarasov in his chapter demonstrates that both Eichner and Lee were trying to explain macrodynamics (in Eichner) or the social provisioning process (in Lee) from the vantage point of social agency (for example, megacorps in Eichner and going concerns in Lee). Thus in Eichner's and Lee's theories of investment and pricing (although there are differences between their respective theories) the distinction between micro and macro becomes irrelevant; instead, they offer how prices and investment decisions are actually made within the business enterprise, and how such actions give rise to macro-outcomes. This is an important theoretical as well as empirical argument that escapes many macroeconomists' notice (see Lee 2010, 2011a).

In the Post Keynesian tradition, investment is linked to pricing (through profit-margins) and market competition. Jordan Melimiès' chapter articulates this issue. He points out two theoretical positions on the link between competition and profits margins—one being Kalecki's degree of monopoly principle, the other being the investment-financing tradition developed by Eichner (1976) and Adrian Wood (1975). While Lee was critical of the Kaleckian position since there is no empirical evidence that profit margins are functionally tied to the structure of the market, he developed the Eichner-Wood position arguing that going enterprises make strategic decisions on profit-margins, price, financing, and investment so as to allow them to grow and expand overtime; this is done regardless of the structure of markets or the degree of competition since enterprises are able to "manage competition" by establishing market governance organizations (Lee 2011c, 2012a, 2013a).

Lee's account of enterprise activities and market competition in the context of monetary, circular, surplus production economy is reinforced by the institutionalist notion of the going concern. Erik Dean, in his chapter, demonstrates that the business enterprise as a going concern

(composed of the going plant and the going business) is a key to understand complex and evolving nature of the social provisioning process. Examining the history of the US software industry from 1950s to 1990s, Dean argues that historical changes in the size and structure of the going concern and of the industry is not the outcome of the pursuit of efficiency as in neoclassical theory, but the consequence of the deliberate agency exercised by the going concern. Therefore Dean's study lends empirical-historical support to Lee's heterodox theory of the business enterprise as an alternative to neoclassical theory of the firm.

Since the business enterprise and other organizations are going concerns in the sense of making decisions and pursuing actions in the social and historical context, the analogous concept of the market in which going concerns operate in the real world needs to be developed. In her chapter, Lynne Chester provides an analytical framework that helps to systematically analyze real world markets. Her framework overcomes the abstract and rhetorical concept of markets in neoclassical economics, and more importantly, sheds light on essential aspects of the market—that is, structure, operation, behaviors, rules, price setting; or in Lee's terminology, “structure–organization–agency” (Lee 2013b)—which are germane to the well-being of the public in the social provisioning process.

These six chapters attest that Fred Lee's contributions are conducive to the development of heterodox microeconomic theory, and also that his legacy will continue to be influential as long as young heterodox economists develop Lee's incomplete grandiose project.⁸ In a nutshell, Lee endeavored to advance a heterodox microeconomic theory that is free of relative scarcity, optimizing individual behavior, equilibrium, market-clearing, the distinction between short-period and long-period, the split between micro and macro, and the laws of supply and demand, as all of them have no resemblance to the real world. In his alternative theoretical framework, it

is social agency in historical time that makes the entire system open (as we observe in history) by way of changing existing structures of the economy. More specifically, it is business enterprise and state's expenditure decisions generating effective demand that drive economic activities in the monetary production economy.

Advancing the heterodox analysis of social provisioning

In the course of developing heterodox microeconomic theory, Lee was influenced by various heterodox streams. Initially he was a Post Keynesian economist taught directly by Alfred Eichner, Paul Davidson, Jan Kregel, Nina Shapiro, among others. Later, while at the University of Missouri–Kansas City, Lee found that Modern Money theory was compatible with and complementary to his microeconomic foundations of macroeconomics (see Jan Kregel and Randall Wray's chapter in this volume). Thus it was inevitable for him to develop a micro-macro integrative framework with a concentration on microeconomic issues.⁹

As we observed for the past decade or so (particularly after the publication of John King's, *A History of Post Keynesian Economics since 1936* in 2002 and following debates among Post Keynesians), Post Keynesian economics has been divided into smaller groups—Fundamentalist Post Keynesians, Sraffians, Kaleckians, Kaldorians, among others (and growing discord between them). Lee was never happy about such a “sectarian” movement. Moreover, many current Post Keynesians erroneously assume that Post Keynesian economics is only macro. This is something Fred Lee could not accept, since his mentor, Alfred Eichner and Lee himself played an important role in the making of Post Keynesian economics since early 1970s (see Lee 2009). Due to such a sectarian movement (as a negative push factor) and also to broader

influences from various heterodox traditions (as a positive pull factor)—for example, original institutionalism, Marxism-radical political economics, feminist economics, and social economics—he gradually became a heterodox microeconomist, instead of staying within Post Keynesianism.¹⁰

In his heterodox microfoundations of macroeconomics, Lee was putting together compatible heterodox theories to build a general theoretical framework that could offer a comprehensive and realistic understanding of corporate capitalism. In doing so he revived and promoted the concept of the social provisioning process that was originally conceptualized by institutional economists (notably, Gruchy 1987, 21).¹¹ In Lee’s general heterodox framework, the social provisioning process means “a continuous, non-accidental series of production-based, production-derived economic activities through historical time that provide needy individuals and families the goods and services necessary to carry out their sequential reoccurring and changing social activities through time” (Lee and Jo 2011, 859). More specifically,

[t]he social provisioning process is a view of economy, which stresses the flow of goods, services, incomes, and both tangible and intangible resources taking place in historical and social context—cultural values, class/power relations, norms, ideologies, and ecological system. Economic activities under capitalism, such as production, consumption, employment, and exchange, are part of the provisioning process, which is controlled by the ruling capitalist class empowered by (and at the same time creating) a particular ideology, norm, cultural value, and class ethos. (Jo and Lee 2015)

In contrast to the narrow neoclassical definition of economics, which is centered on rational choices given scarce resources, such a broad heterodox view of economy and economics has potential for integrating various heterodox theories that are concerned with explaining corporate capitalism in historical context. In light of Marxian, institutional, Post Keynesian, and other heterodox economics, the social provisioning process is theoretically equivalent to the monetary, circular, surplus production economy. Therefore, the theoretical core of heterodox economics, in Lee's vision, is composed of three organizing principles: the theory of monetary production, the surplus approach, and the principle of effective demand. Lee has shown that these theoretical cores can be augmented by Sraffa-Leontief input-output matrix, Marxian social accounting matrix, institutionalist social fabric matrix, and Post Keynesian stock-flow consistent modeling (Lee 2011b, 2012c) as well as a critical realist-grounded theory method (Lee 2002, 2005, 2015a, 2015b).

In particular, Lee has developed a heterodox surplus approach that is consistent with his commitment to a general heterodox framework rooted in various heterodox approaches. His surplus approach, however, does not mean to return to the classical surplus approach. In place of classical (and Sraffian) surplus approach, Lee proposes a heterodox surplus approach that integrates Leontief input-output analysis, Sraffian circular production schema, and Keynes's principle of effective demand in a selective manner. Therefore in his surplus approach, self-replacing economy, the total product, and the long-period price (and convergence to this) are not "assumed givens"; instead, it is capitalist class agency that determines the volume and composition of the social surplus, which in turn drives the production of basic goods, employment, income, and the total social product. Class conflict is explained in the production process of the social surplus—that is, the ruling class agency drives the production and

distribution of surplus goods. Whether there is an inverse relationship between wages and profits, a point central to the Marxian-Sraffian analysis is an empirical issue, not something that is taken for granted from the heterodox surplus approach developed by Lee (Lee 2012c, 95).

This suggests that the concept of labor commanded and the exploitation of labor are restricted to the Sraffian and classical social surplus approach. In particular, workers are not exploited in the labor theory of value sense in that they get less than what they produce. Rather, they are directed by the ruling class to produce surplus goods and services for them and as a by-product produce their own goods and services. The end result is the same but the analytical narrative is different. (Lee and Jo 2011, 871, fn. 15)

An important implication for the development of heterodox economics can be drawn from this. While many heterodox economists criticize neoclassical economics, they often refrain from challenging heterodox theories. If heterodox economists wish to move their approach forward, it is imperative for them to engage in theoretical debates, which would promote critical pluralism and intellectual dynamism within heterodox economics (Lee and Jo 2011, 870; see also, Lee 2012c). A focus on the social provisioning process sets the tone of a general framework encompassing various strands in heterodox economics. In a tactical sense, this promotes cross-communication among compatible theories and, thereby, challenging theoretical sectarianism and dogmatism.

Another implication is that, as Nuno Martins argues in his chapter of the book, the heterodox surplus approach, as opposed to the demand-supply framework, would help better analyze present socio-economic problems (in particular, distribution and inequality) since it

uncovers the complicated process of reproduction and allocation of surplus (and incomes) under capitalism.

The social provisioning process in connection to various heterodox theories analyzing the capitalist economy is, however, still in need of further articulation and elaboration. For example, while the production process is well articulated in heterodoxy (and also in Lee's framework), households and consumption need further attention.¹² In her chapter, Zdravka Todorova builds on Lee's conception of the economy as a whole and offers a theoretical formulation of consumption as a process that is part of social provisioning under capitalism. In other words, consumption is viewed as a process in conjunction with other delineated processes that constitute social provisioning. As a result of this formulation, an analysis of consumption could start with any institution, not just the household or the individual consumer. For that reason heterodox economic analysis of consumption should not be limited or reduced to either an aggregated macro analysis or a micro theory of consumer choice.

Todorova's micro-macro integrative approach implies that the concept of the social provisioning process transcends a conventional individualistic or holistic analysis by incorporating the historical interrelationship between agency, organization, and structure, and that any economic activity should be explained in a larger social context beyond the narrow market mechanism. Of these three analytical constituents of the social provisioning process, it is agency as socialized, class-based individuals vested in the acting persons or organizations that create, maintain, and reproduce structures over historical time (Lee 2011a, 17; 2011b, 1304-1305). The role of agency is central to the dynamics of the social provisioning process and, therefore, makes Lee's analysis distinctive from both holistic (in the sense of concentrating on given structures) and individualistic analyses.

Conventionally, market competition is viewed as a structural issue in both mainstream and heterodox economics—that is, the structure of the market determines price and quantity in neoclassical theory, or the degree of concentration or monopoly is proportional to the level of profit-markup and price (in Post Keynesian theory). However, if market competition is interrogated in the context the social provisioning process, the market structure-competition logic is replaced by the regulation-competition logic. In his chapter, Tuna Baskoy, drawing upon Lee’s contribution to Post Keynesian theory of competition, argues that in the real world market competition is regulated mainly through the market governance organizations—e.g., trade associations and cartels. That is, competition and control are two sides of the same coin. Therefore, not only do market structure and the market price mechanism have little relevance in the real world market, but also both stability (induced by control) and instability (induced by competition) present themselves as a consequence of strategic activities undertaken by the business enterprise. The conventional market structure-competition theory in this respect obscures and legitimizes the appropriation of profits by dominant class agency in the capitalist social provisioning process (see Lee 1998; 2011c, 2012a, 2013a, 2013c; and also Melimiès’ chapter in this book).

The regulated competition thesis derived from the social provisioning perspective implies that there is no competitive equilibrium in the historical process. History is replete with examples of competition and control taking place either simultaneously or consequently. This is one of the arguments addressed by Bruno Tinel in his chapter. Through the writings of Nibert Elias, a German sociologist who is not well known to heterodox economists, Tinel argues that the formation of the modern state even before the emergence of capitalism shows that bellicose competition led to the monopolization of power (that is, military force and taxing authority),

which was maintained by the control of “pacific” competition in the name of “democracy.” Thus the state under capitalism or feudalism has always been embedded in the process of social provisioning. If this is the case, a model of the economy without the state is either misleading or deficient (Lee 2011a, 2011b).

Even though the state is included in the account of the economy as a whole, its role is often misguided by creating a false analogy that the state is a household (especially in the mainstream analysis of economic policies in the name of “sound finance”). As Huáscar Pessali, Fabiano Dalto, and Ramón Fernández argue in their chapter that, if fiscal policy is framed in the state-as-household analogy it legitimizes fiscal austerity and a scaled back welfare system as we have observed in many economies across the world. The social provisioning process perspective coupled with the surplus approach and the theory of effective demand eradicates such false reasoning. In his model of the economy as a whole, Lee demonstrates that the state’s deficit expenditures help generate private business enterprises’ profits by way of creating a demand for government goods and services—that is, “the more the state spends, the more profits (given tax rates) the capitalist class receives” (Lee 2011b, 1296). Thus the causation runs from spending to revenue (taxes and profits), rather than the reverse. What this implies is that it is not the lack of resources but the lack of effective demand by the ruling class (both the capitalist class and the state) that hinders the development of the provisioning process.

How is the structural dynamics of the social provisioning process explained? Henning Schwardt in his chapter provides a broader framework in which technology and institutions developed and maintained by acting agents play an integral part in the historical changes in the social provisioning process. He, in particular, singles out five development effects—Smithian, Veblenian, Schumpeterian, Arrovian, and Solovian effects—that interact with each other and,

hence, form a development path a provisioning process can take. A path is determined in a circular and cumulative manner; and also it is open-ended since a particular path is determined by agency embedded in historically formed institutions. Therefore, Schwardt's chapter shows a way to advance heterodox theory concerning the dynamics of the social provisioning process.

Concluding remarks

In this introductory chapter we have striven to delineate Fred Lee's wide-ranging contributions to heterodox economics focusing on the making of the history and identity of heterodox economics, on heterodox microeconomic theory, and on the analysis of the social provisioning process.

What do these contributions mean for heterodox economics? Throughout his intellectual life Fred Lee has shown to many heterodox economists that the development of heterodox economics is made possible by unselfish and ceaseless efforts to build both theory and institutions. The opposite is also true. If heterodox economists stop making historically grounded theory, stop engaging with each other and with other heterodox traditions, stop participating in scholarly activities, stop teaching heterodox theories to their students, there will be no future for heterodox economics—that is, “Death by Failure of the Will to Live” (Lee 1995, 2).

Essays collected in this festschrift for Fred Lee are on the optimistic side. Indeed, the objective of this volume is to demonstrate that heterodox economics has transcended the criticism of mainstream economics and, more importantly, that constructive developments are in the making by way of cross-communications among various heterodox approaches.

The community of heterodox economists has lost Fred Lee, one of its fervent leaders, who has been at the center of the heterodox movement for the past three decades. He, however, has left us his theories, institutions, and goodwill that will continue developing in the work of economists who are concerned with establishing an alternative critical theory to the status quo.

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Notes

¹ Fred Lee attended all the workshops except one in 2007. His presentations were mainly on the grounded theory approach: “Grounded Theory and the Empirical Opportunities for PhDs in Economics Today” (2001), “Grounded Theory and Economic Research” (2002), “Grounded theory in Heterodox Research: Pricing Theory” (2004 and 2005), “Grounding Theory in Historical Evidence” (2009), and “Critical Realism, Method of Grounded Theory and their Applications to the UK Research Assessment Exercise” (2014). Fred Lee’s critical realist grounded theory approach is the ontological and methodological basis of his heterodox theory. Trained in history before he got interested in economics, he emphasized that any historical analysis ought to be theoretical, and that any theory ought to be historically grounded. He also wanted to see heterodox economists engaging in various research methods, both quantitative and qualitative methods. For his methodological standpoint, see Lee (2002, 2005, 2012b, 2015a, 2015b).

² Before 2000s “heterodox economics” was mainly used by institutionalists in a narrower sense (for example, Ayres 1936; Dorfman 1970; see Lee 2009, 189-190, for other references).

³ Association for Evolutionary Economics, Association for Institutional Thought, Association for Social Economics, European Association for Evolutionary Political Economy, International Association for Feminist Economics, and Union for Radical Political Economics, respectively.

⁴ <http://heterodoxnews.com/hed/works>

⁵ Not until I [Jo] took over the *Newsletter* in 2010 did I realize that a single issue required about 2 hours of work every day. Heterodox economists highly appreciate such a service to the community of heterodox economists.

⁶ In his response to Andrew Mearman and Bruce Philp’s question on the history of AHE, Fred Lee says that “If you think I really liked devoting the last 15-20 years working on ranking journals and departments and on the RAE, you got to be kidding. I would have rather worked on developing heterodox microeconomic theory. I put my own research aside and did research that benefited others—others can do the same” (Jo’s personal record dated July 24, 2014).

⁷ Like other early Post Keynesians trained in 1970s and 1980s, Lee had never agreed to the separation of Sraffian economics from Post Keynesian economics, although he was theoretically critical of Sraffian concept of the long-period position and the convergence to this position.

⁸ In his Preface to the unfinished manuscript, *Microeconomic Theory: A Heterodox Approach*, Lee notes that

the microeconomic theory presented in the following pages is incomplete because the possible contributions of ecological, feminist, and social economics as well as other heterodox approaches are largely absent and because not all subject areas are covered, most notably distribution of income and workplace control. Their absence in the book is not due to unimportance on their part, but to recognition by me that my grandiose project is indeed too grandiose for me to complete.

⁹ If Lee had enough time, he might have moved onto such issues as financialization as it pertains to enterprise's investment-financing behavior. This is hinted in a personal conversation with Ruslan Dzarasov and John King. See their chapters in this volume.

¹⁰ Also note that in 2000 Fred Lee made a contract with Routledge to write a book on *Post Keynesian Microeconomic Theory*. Later he changed the title to *Microeconomic Theory: A Heterodox Approach*.

¹¹ As President-Elect of the Association for Evolutionary Economics, Fred Lee organized the 2015 AFEE-ASSA program with the theme of "Theorizing of the Social Provisioning Process under Capitalism." An interesting and important question raised by Lee in this call for papers is "Can institutional economics look beyond the ideas of Keynes, Kalecki, Sraffa, and Marx edifice and engage with other 'institutionalist' traditions such as the related research programs of the Social Structure of Accumulation, Social Ecological Economics, French Régulation and French Convention schools?" This implies that Lee was envisioning a broader heterodox economics community in which various heterodox traditions work together. To this end, Lee also organized several joint sessions among heterodox associations—that is, AFEE-URPE, AFEE-ASE, and AFEE-IAFFE.

¹² In a personal conversation between Lee and Todorova (July 27, 2014), Lee notes that "in a sense neoclassical economics got right that the end of economic inquiry is consumption." That is to say, if social provisioning is the object of study in heterodox economics, consumption and provisioning for human needs should be fully analyzed in the context of the social provisioning process.