Frederic S. Lee and His Fight for the Future of Heterodox Economics

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Abstract

Frederic S. Lee (1949-2014) was a dedicated captain of the heterodox economics movement over the past thirty years. In his unflinching fight for the future of heterodox economics, Lee contributed to both the development of heterodox microeconomic theory and the establishment of a global community of heterodox economists. This short tribute delineates Lee’s unique and important contribution that should be remembered and renewed in order to reproduce heterodox economics.

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“Well, in our country,” said Alice, still panting a little, “you’d generally get somewhere else—if you ran very fast for a long time....” “A slow sort of country!” said the Queen. “Now, here, you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that! (Lewis Carroll, Through the Looking-Glass, and What Alice Found There)

1. Predestined to Heterodoxy

Frederic S. Lee was born on November 24, 1949 and died on October 23, 2014 at the age of 64. After obtaining a BA degree in history from Frostburg State University in Maryland in 1972, he got interested in economics and started reading economics books, such as Robert Heilbroner’s The Worldly Philosophers, Thorstein Veblen’s The Theory of the Leisure Class, and Karl Marx’s Capital. This starting point was crucial in his entire career as a heterodox economist since his initial understanding of capitalist economy was not influenced by neoclassical thinking. While having formal training in conventional economics at Columbia University (1976-77) and the University of Edinburgh (1977-78), he was already developing a Post Keynesian-heterodox thinking by reading books and

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1 This paper was written in May 2015 and revised in January 2016.
2 This is one of Fred Lee’s favorite quotes, which appears in his course syllabi.
articles on pricing, profit mark-up, and the business enterprise. Entering Rutgers University for his PhD degree in 1978, a self-trained heterodox economist became part (and later a leader) of the heterodox economics movement. In his autobiography, Lee notes that

I entered Rutgers as a Post Keynesian-heterodox economist with an overriding interest in developing a Post Keynesian-heterodox microeconomic theory that would completely replace neoclassical microeconomic theory; and I left it [in 1983], thanks to my professors [Alfred Eichner, Paul Davidson, Jan Kregel, Nina Shapiro, among others], infinitely more capable of achieving that goal. (Lee 2004).

Lee had never abandoned this “grandiose project” of advancing heterodox microeconomic theory for the following three decades. His project was in the long process of making, while he taught at the University of California–Riverside, US (1981-84), Roosevelt University, US (1984-91), De Montfort University, UK (1991-2000), and the University of Missouri–Kansas City, US (2000-2014). After he was diagnosed with terminal cancer, Lee wished to finish a monograph, *Microeconomic Theory: A Heterodox Approach*, which would have concluded his project, but it did not happen because cancer cut his life short unexpectedly. However, he did make important theoretical contributions to heterodox microeconomics. The importance and uniqueness of Lee’s heterodox microeconomics will be discussed in the later part of this tribute.

2. Fight for the Future

During his unfortunately short professional career, Lee made unprecedented contributions to heterodox economics in terms of developing heterodox microeconomic theory, building a global community of heterodox economists, and practicing his radical ideas for social change. These three domains of Lee’s contributions fully overlap in his fight for the future of heterodox economics (see, Jo and Todorova 2015, for a more detailed account on Lee’s contributions to heterodox economics). He was, as many heterodox economists remember, a dedicated captain of the heterodox economics movement over the past thirty years. In their tributes, Fred Lee’s friends, colleagues, and students commonly recognize that he was an extraordinary heterodox economist, “a remarkable man who played a unique role in heterodox economics,” “a caring, affable, and optimistic person with seemingly boundless energy and enthusiasm,” “a wobbly through and through and a rebel worker who never abandoned the cause,” and “an inspirational teacher and wonderful mentor who taught students how to do heterodox economics in a

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3 This incomplete monograph is being edited by Tae-Hee Jo, and expected to be published by Routledge in 2017. Lee was also working on a couple of monographs: *Neoclassical Microeconomics from a Heterodox Perspective* (available at [http://heterodoxnews.com/leefs/nc-micro](http://heterodoxnews.com/leefs/nc-micro)) and *Topics in Heterodox Theory of Production: Burchardt, Circular Production, Kalecki, and Scarcity*. 
pluralistic, realistic, and integrative manner, and who cared about his students from the bottom of his heart.\(^4\)

Lee’s persistent effort to organize heterodox economists is well known. He played an integral role, amongst others, in establishing the Association for Heterodox Economics in the UK in 1999 (see, Mearman and Philp 2015), created *Heterodox Economics Newsletter* in 2004, edited the *American Journal of Economics and Sociology* (2009-2013),\(^5\) organized various conferences, workshops, and seminars both in the UK and the US, and undertook a series of work on the alternative rankings of economics journals and departments as well as on the research assessment exercise. Of course, he did not accomplish them by himself. Nor did he believe that history changes because of a hero or heroine. He was never an individualist. Instead, he believed that it is the making of a social system of work created by like-minded people that make any social changes happen. In the process of actual engagements through the system of work people find a common interest, develop a shared identity, and therefore strive to move forward together. Lee thus organized fellow heterodox economists and urged others to do the same for the future of heterodox economics. In doing so Lee was never afraid of being accused of a troublemaker or nuisance by those who, be they mainstream or heterodox economists, endorsed the status quo of their theoretical and professional position. To Lee, heterodox economists’ inaction and silence in the face of faulty economic theories and of injustice under capitalism is as sinful as mainstream economists’ endeavor to gloss over the reality. He believed that heterodox economics is far more than a critique of mainstream economic theory. He wanted to build an integrative—but not all inclusive—theoretical framework that is alternative to and independent of mainstream economics, and that is made better by theoretical debates promoting critical pluralism and intellectual dynamism (Lee 2011c, 2012b, 2012c).

Fred Lee had a deep-rooted concern with the uncertain future of heterodox economics, which was derived from his direct observation of marginalizing heterodox economics through institutional pressures (e.g., hiring, research evaluation) while studying and teaching in the US and the UK, as well as from his broad acquaintance with social and economic history. Lee warned, even before attacks on heterodox economics programs and researches became widespread, that heterodox economics would cease to exist if heterodox economists stop teaching heterodox theories to their students, stop


\(^5\) Under Lee’s editorship the *Journal* not only grew 150% in terms of submission, but also expanded its scope by attracting papers from various heterodox traditions. However he stepped down from the editor’s position against his will. In his last editorial, he writes that “it is in journals like the AJES, where the bounds of conventionality are stretched or broken, that new, provocative, and alternative scholarly contributions are made. Hopefully, another journal and its unconventional editor will arise and carry on the AJES agenda of the past four years” (Lee 2014a). As soon as the Managing Board of the AJES decided to change the nature of the journal to one that only invites papers and the papers are to be more ideologically oriented towards Georgism and less academically oriented, Lee quickly opened a discussion with major heterodox economics associations in order to launch a new heterodox-pluralist journal, and sent a proposal to several publishers. All the publishers, however, turned down the proposal.
joining heterodox associations, stop subscribing heterodox journals, stop attending heterodox conferences, and stop challenging the mainstream-oriented research assessment exercises, and stop engaging with other heterodox traditions (Lee 1995, 1996a, 2009b: 206). His warning is legitimate to the extent that while the importance of making a social system of work (qua institutions and theories) is well-analyzed and widely recognized by heterodox economists, only a small number of heterodox economists actually practice what they profess, and even fewer heterodox economists carry out what is required for the reproduction of heterodox economics. Such a grave concern, on the one hand, led him to devote his entire professional life to build an institutional basis of heterodox economists. On the other hand, he felt obliged to write an organizational history of heterodox economics, which was published as *A History of Heterodox Economics: Challenging the Mainstream in the Twentieth Century* (2009). The main objective of this book is to persuade his fellow heterodox economists and the future generation of heterodox economists that it is possible to reproduce heterodox economics, if heterodox economists in various traditions develop a better theoretical framework together and, equally importantly, “walk the walk to ensure that heterodox economics programs exist and heterodox economists have jobs” (Lee, 2014c).

There is no doubt that Fred Lee has been highly recognized for a range of work building institutions or social networks for propagating heterodox economics, since such a work has a direct and significant impact on others, especially young heterodox economists. Fred Lee’s influence goes much farther than that. Like Alice in the wonderland, he lived in the strange world of heterodox economics (albeit many of us do not recognize this). Thus he ran at least twice as fast as the rest of heterodox economists and, undeniably, far more faster than any neoclassical economists. Otherwise, it was impossible for Lee to make wide-ranging contributions to heterodox economics.

### 3. Theoretical Challenges

Fred Lee’s theoretical contributions are in a sense on the same ground as his work on institution building as well as his work with Industrial Workers of the World (Lee 2009a; Henry 2015). Lee took a critical attitude toward all existing theories and engaged in a number of theoretical debates since early 1980s. Specific issues he carried on were price doctrines, long-period price, the marginalist controversy, average direct costs, production schema, the theory of the firm, market competition and market governance, the surplus approach, value theory, heterodox microfoundations, and the modeling the economy as a whole. These issues were examined as part of his 30-year project of developing “heterodox microeconomic theory as a complete alternative to neoclassical economics” (Lee 2014d: Preface). He was unable to complete this project as he aimed in the beginning of his career. It is, however, clear what he wished to do and why one person took such a seemingly impossible duty. Let me elaborate on this.

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6 Fred Lee authored or edited 18 books, 56 journal articles, and over hundred book entries, book reviews, and notes of one sort or another. The complete bibliography is found on his website, http://heterodoxnews.com/leefs/publications/bibliography, as well as in the festschrift volume mentioned above.
His first economics paper, “The Oxford Challenge to Marshallian Supply and Demand: The History of the Oxford Economists’ Research Group,” was published in *Oxford Economic Papers* (Lee 1981), while he was doing his coursework at Rutgers University. In this article, Lee brought up a series of studies undertaken by Oxford Economists’ Research Group (OERG) in the 1930s and 1940s, which were largely neglected by most Post Keynesians and other heterodox economists. The striking result of OERG studies is that “the Marshallian [supply-demand] framework was inconsistent with the empirical evidence”—that is, there is no functional relationship between investment decisions and interest rates; the business enterprise does not set the price following the marginalist principles (Lee 1981: 339). Through OERG young Lee was raising a couple of fundamental questions: What if there are no conventional price mechanisms as the organizing principle of economic activities? Then what drives the provisioning process under capitalism?7

These questions remained central to Lee’s non-Marshallian heterodox microeconomics. In his PhD dissertation and in the following studies, he explored the role of price and pricing principles utilized in the real world. As a result he argued that price does not clear the market; instead, prices are administered by the going business enterprise to reproduce itself (Lee 1983, 1984a, 1984b, 1994, 1996b; Jo 2016); nor do market prices converge to the hypothetical long-period position (Lee 1985). These early studies led to a series of theoretical engagements and rejected some of heterodox theories and approaches. Lee rejected, for example, the Sraffian long-period position (Lee 1985), the Post Keynesian assumption that average direct costs are constant (Lee 1986), the Kaleckian degree of monopoly and its structural relationship with price through profit mark-ups (Lee 2012a), the Marxian labor theory of value in the conventional form (Lee, 2012c), the separation of macro from micro (Lee 2010, 2011a, 2011b), and a model of capitalist economy without production, classes, the state, state money, the banking sector, or heterogeneous inputs (Lee 2011b, 2013, 2014b).

It should be noted that Lee had a clear methodological position (that is akin to the approach taken by historians) in making his own theoretical arguments: that is, an economic theory should be historically grounded. This position is stronger than Keynes’s and Post Keynesian concept of irreversible historical time (or non-ergodicity) since the latter could be incorporated into a model that is not historically grounded. For example, an agent-based simulation model shows interactions between agents and structures, which result in path-dependent changes by changing parameters in the model. However, this is a conjectural exercise, not an actual historical process whose change is made by real acting persons. If a theory did not resemble the real world or a model was not derived from the real world, Lee rejected it even though it was advocated by other heterodox economists. This however does not mean that his position is closed to alternative explanations. He respected others’ ideas if they were historically grounded and if they deepened our understanding of capitalist economy. His methodological commitment later became augmented when he incorporated critical realism and the grounded theory

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7 At the Association for Evolutionary Economics Annual Meetings in conjunction with the Allied Social Science Associations (January 3-5, 2016, San Francisco, USA), Tae-Hee Jo delivered the Presidential Address on behalf of Frederic S. Lee, President-in-Memoriam. The title of the Address was “What if there are no conventional price mechanisms?” This paper will be published in the June 2016 issue of the *Journal of Economic Issues*. 
approach into his theoretical framework in the 1990s (see Lee 2002, 2016). With such theoretical and methodological positions in place, Lee’s study on pricing and price doctrines gave birth to a seminal book, *Post Keynesian Price Theory* (Lee 1998). In the last chapter of this book, he outlines the empirically grounded pricing model combined with the circular production schema, which formally displays that economic activities are driven by decisions to produce surplus goods and services (that is, effective demand in the context of a capitalist monetary production economy), rather than by the price mechanism (see, Jo 2016). While this conclusion is congruent with the core of Post Keynesian, Marxian, and institutionalist economics, it is a theoretical framework that breaks with boundaries set by existing theories, both neoclassical and heterodox. On this Lee notes that:

The pricing foundation developed in this chapter will not win the approval of all Post Keynesians, in part because it does not include particular cherished concepts and in part because of its methodological and theoretical orientation. However, if Post Keynesians todays are to advance their analysis of capitalism, they must not continue to be constrained in terms of theory and method of analysis accepted by their teachers and mentors and their teachers’ teachers and mentors. (Lee 1998: 230)

Lee’s study on price and pricing was not the end but the half-way through towards his grandiose project. Expanding on his theory of price and production, he moved on to broader issues, such as market competition and market governance, the social provisioning process, and the social surplus approach. These issues became essential part of his micro-macro model of the monetary production economy (see, for example, Lee 2010, 2011a, 2011b). Unlike most heterodox macroeconomic approaches dealing mainly with aggregate variables or structural tendencies of the economy at the aggregate level, Lee’s disaggregated empirically-grounded framework explains the interactions amongst agency, structures, and organizations. In this framework strategic actions (or agency) are the key to understand the dynamics of capitalism. Strategic actions, such as pricing, investment, financing, production, and employment are not predicated on relative scarcity and, thereby, on the price mechanism. That is, productive activities are not constrained by scarce resources, but by business enterprises’ and state’s decisions to produce surplus goods and services (Lee 2012c; Lee and Jo 2011). Thus Lee’s micro-macro integrative framework is designed to offer non-Marshallian microeconomic foundations of heterodox economics. With this theoretical vision of the whole economy in place, it is possible to examine specific issues concerning agency, structure, or organization in the context of interdependent and embedded economy. This is the general agenda for heterodox microeconomics that he dealt with, and that are in need of further articulation.

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8 These models have been developed further in the following years, while his original ideas are presented in his 1998 book.
4. Conclusion

While fighting against cancer, Fred Lee was able to deliver three presentations for different audiences in 2014; one at the University of Missouri—Kansas City in April, another at the Association for Heterodox Economics conference in July, and lastly at the International Post Keynesian Conference in September. The title of all three presentations was “The Role of Microeconomics in Heterodox Economics: A View of a Heterodox Micro Theorist.” This title indicates what he was and what he wanted to say to his students and fellow heterodox economists. As a heterodox microeconomist Lee challenged the neoclassical price mechanism that is theoretically incoherent and empirically invalid. At the same time he was critical of any heterodox theories that do not add to our understanding of how capitalist economy actually works. He urged heterodox economists that they build a better theory which goes beyond the conventional micro-macro divide, question the status quo of capitalism by examining underlying causal mechanisms and agency, and communicate with others in different theoretical traditions so as to make heterodox economics more pluralistic and integrative. At the same time he fought tirelessly to build institutions under the conviction that the future of heterodox economics lies in the strategic (and unselfish) actions of present heterodox economists. This is Fred Lee’s unique and most important contribution that should be remembered and renewed, if heterodox economists are concerned with the future of heterodox economics.

References


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