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'Economic Theory ten years after the crisis: Just tweaking around the edges?' and/or A bit of repair at the seams?'

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‘Economic Theory ten years after the crisis: Just tweaking around the edges?’ and/or A bit of repair at the seams?’

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Abstract

It is my intention to address, primarily within the scope of mainstream macroeconomic theory, three of the questions making up the main theme of the conference, namely: “How a very problematic theory continues to survive and dominate both the policy and the academic scene. What are the processes in the economy and the society that sustain its dominance? What is the condition of the economic Orthodoxy (particularly under its current form of the New Macroeconomic Consensus, that is the hybrid of mild neoliberalism with conservative New Keynesianism)?”. A good many orthodox economists hold the view that there is no necessity for a paradigm shift. On the contrary, a mere “evolution towards a more pluralistic discipline” would suffice. Hence the title of my talk.

Biographical Note

Born in 1946 Vassilis Droucopoulos is Emeritus Professor of Industrial Economics of the Department of Economics of the University of Athens. He holds a BA from the Athens School of Economics and Business, an MA from the State University of New York and a PhD from the University of Edinburgh. He was successively Lecturer at Laurentian University, Ontario, Canada, at the University of Edinburgh and Professor at the Technical University of Crete and the University of Athens. He served as Director General of the Centre of Planning and Economic Research (1994-1997) and as from 1998 a member of the Monetary Policy Council of the Bank of Greece (1998-2006). He has taught post-and undergraduate courses in Industrial Economics, Macroeconomics, International Business, Mathematics and Statistics and Political Economy, and supervised several Ph.D. dissertations and post-graduate theses. His research interests include areas of Industrial Economics and Political Economy on which he has published in English and Greek.

Note: This is a plenary speech delivered at the 9th International Conference of Political Economy "10 Years after the Great Recession: Orthodox versus Heterodox Economics", September 7th 2018, Athens, Panteion University.

‘Just tweaking around the edges?’ and/or ‘A bit of repair at the seams?’: an overview of macrotheory’s recent travails’

Vassilis Droucopoulos

> “[…] the power of the status quo was greatly reinforced if the prevalent teachings of the social sciences were presented, not as politically based and oriented views, but as eternal truths discovered with no purpose other than the pursuit of truth by a class of men, working in certain institutions which guaranteed both impartiality and authority.” Eric Hobsbawm, “Partisanship”, On History, Weidenfeld & Nicolson, London, 1997.

We are witnessing the tenth anniversary of the economic crisis.

I would like to start rather unconventionally by referring to a well-known term in the macroeconomic lingo, namely ‘hysteresis’. This phenomenon, which inflicts long - term damage, was recorded in many empirical studies. Overall, it has been shown that recessions have a lasting impact with near permanent adverse effects. Potential output and NAIRU (whatever these terms might signify) do not reach their pre-crisis levels for a long time.

After a full decade in the realm of the crisis one would have expected that this ought to have triggered the genesis of a fundamentally alternative economic approach, if not theory, but to no avail, as will be reasserted in my presentation. In other words, we are facing a kind of hysteresis much more akin to the Greek etymology of the term that is a lateness or tardiness; though with no clear end in prospect for reasons that will be further explored.

In this vein, let us recall two familiar historical events:

a. The Great Depression of the 1930s that nurtured the Keynesian Revolution, and
b. The stagflation of the 1970s that led to prominence supply-side economics and monetarism, stimulated the revival of classical economics and in turn, ushered neoliberal economic policies that, by and large, still persist. This totality forms the only credible game in town, according to its devotees.

In what follows, I draw on statements which originate from papers, speeches, interviews etc. of, mostly, eminent orthodox macroeconomists, interspersed with my views and comments.

> “I always have a quotation for everything - it saves original thinking.” Dorothy L. Sayers, Have his carcase, 1932.

Key Questions and Suggested Answers

Four key substantive questions will be addressed in turn.[1]

Question 1. *What was considered to be the state of macrotheory by mainstream economists sometime before the eruption of the ten-year-old crisis?*

Two distinguished and influential members of this pack speak their mind.

[1] Questions 3i and feature 4 in “The Main Theme and Scope of the Conference”.

I start by quoting an appropriate excerpt from the Presidential Address to the annual meeting of the American Economic Association in early 2003 by Robert Lucas, the 1995 laureate of the so-called Nobel prize in Economics: "My thesis in this lecture is that macroeconomics […] has succeeded: Its central problem of depression prevention has been solved, for all practical purposes, and has in fact been solved for many decades.", Lucas averred.

In addition, Olivier Blanchard, professor at MIT, opined as late as August 2008: "The state of macro is good […] macroeconomics is going through a period of great progress and excitement, and that there has been, over the past two decades convergence in both vision and methodology."

Convergence indeed, since these two, i.e. vision and methodology, reflected at the time the credo of the overwhelming majority of macroeconomists, academic and practitioners alike.

Question 2. *To what extent, if any, was the received knowledge of macrotheory that guided policy responsible for the crisis in the opinion of celebrated economists? What were the strands of argument about its (in)adequacy?*

Professor Ben Bernanke, chairman of the FED in 2010, maintained: "[…] I would argue that the recent financial crisis was a more a failure of economic engineering and economic management than of what I have called economic science."

Blanchard et al. (2010) tried to have it both ways by arguing: "The crisis was not triggered by macroeconomic policy" but also admitted that: "[…] it has exposed flaws in the precrisis policy framework […]". Still, "In many ways, the general policy framework should remain the same." If one espouses Keynes's remark that policy is shaped by theories then according to Blanchard no change in theory is required.

However, in the context of this second question dissenting voices were not confined to dissonant from the main line economists. It is worthwhile mentioning two of them.

Willem Buiter, former external member of the Monetary Policy Council of the Bank of England, observed in 2009: "Most mainstream macroeconomic theoretical innovations since the 1970s […] have turned out to be self-referential, inward-looking distractions at best. Research tended to be motivated by the internal logic, intellectual sunk capital and esthetic puzzles of established research programmes rather than by a powerful desire to understand how the economy works - let alone how the economy works during times of stress and financial instability. So the economics profession was caught unprepared when the crisis struck."

Interestingly, Joseph Stiglitz, another Nobel laureate (2001), remarked in 2014: "No one would, or at least should, say that macroeconomics has done well in recent years. The standard models not only didn't predict the Great Recession, they also said it couldn't happen—bubbles don't exist in well-functioning economies of the kind assumed in the standard model. Not surprisingly, even after the bubble broke, the models didn't predict the full consequences, and they haven't provided good guidance to policymakers in responding to the crisis […] the models/theories that guided policy were not just innocent bystanders in the crisis that unfolded beginning in 2008. They were critical in the creation of the crisis and in the inadequate responses to it."

Question 3i. *"What is the condition of the economic Orthodoxy (particularly under its current form of the New Macroeconomic Consensus that is the hybrid of mild neoliberalism with conservative New Keynesianism)?"*

Not so far back in time, in September 2016 to be precise, Paul Romer, professor at the NYU and former Chief Economist at the World Bank, not known as a dissident radical economist, forcefully commented: “I have observed more than three decades of intellectual regress [in macroeconomics] […] The trouble is not so much that macroeconomists say things that are inconsistent with the facts. The real trouble is that other economists do not care that the macroeconomists do not care about the facts. An indifferent tolerance of obvious error is even more corrosive to science than committed advocacy of error.”

Diane Coyle (2017), professor at the University of Manchester, in a soul-searching exercise, takes the middle road. On the one hand, she puts credence in the ongoing work and attacks the critics for their biased reading. On the other, she acknowledges that the discipline functions at a non-ideal level. In her own words: “Not that everything about the state of economics is fine; far from it. But only if today’s critics of economics pay more attention to what economists are actually doing will they be able to make a meaningful contribution to assessing the state of the discipline.”

Others put much more faith in the improvements of the mainstream theory and reject alternative economic views that lack rigour and “have little or no academic grounding” (Giugliano, 2018 in Merler).

Finally, Simon Wren-Lewis (2018 in Merler), emeritus professor at the University of Oxford, wants us to believe that the epidemic (his term) of articles about the failings of economics, even in part, reflects a failure in communicating its core knowledge both to academia and to the outside world. In other words, he does not seem to think that the swell of disparaging articles rather reflects the purposeful inadequacy of established theory, in dealing, via proposed actions, with the systemic problems of the economy.

Question 3ii. *The million-dollar questions: Where do (should) we go from here? What is then to be (un)done? In other words, what is the state of macrotheory prospects? Sour wine in new bottles?*

> “Sweep out all the obscurers, all the inventors of subterfuges, the charlatans and the tricksters, the dealers in gobbledygook. And do not seek to know whether personally these gentlemen are in good or bad faith, whether personally they have good or bad intentions.” Aimé Césaire, Discourse on Colonialism, Transl. by Joan Pinkham, Monthly Review Press, New York and London, 1972, p.12.

Robert Skidelsky (2018), Keynes’s biographer and a former Tory peer, proposes: “Macroeconomics still needs to come up with a big new idea.”

As expected, this is not a view shared by the custodians of mainstream orthodoxy. According to Bernanke (2010): “I think that calls for a radical reworking of the field go too far” and he further elaborates: “[…] although I don't think the crisis by any means requires us to rethink economics and finance from the ground up, it did reveal important shortcomings in our understanding of certain aspects of the interaction of financial markets, institutions, and the economy as a whole […]”. However, the crux of this argument is encapsulated in the following statement by Bernanke: “Do […] failures of standard macroeconomic models mean that they are irrelevant or at least significantly flawed? I think the answer is a qualified no. Economic models are useful only in the context for which they are designed. Most of the time, including during recessions, serious financial instability is not an issue. The standard models were designed for these non-crisis periods, and they have proven quite useful in that context. Notably, they were part of the intellectual framework that helped deliver low inflation and macroeconomic stability in most industrial countries during the two decades that began in the mid-1980s."

Blanchard (2014), for his part, corroborates and proceeds to the next step, thus tracing, in his view, the future outline of macro models. He maintains that: "Trying to create a model that integrates normal times and systemic risks may be beyond the profession's conceptual and technical reach at this stage." He then advocates the development of two classes of models: one for normal times, a "fair weather model" as Charles Goodhart (2009, p. 352) noted, and another aimed at measuring systemic risk. What an oxymorononic construct! Seemingly, it has never occurred to him that since risk is deemed systemic it cannot possibly be removed from normal times. To invoke a conceptual limitation on the part of economists in integrating systemic risks with normal times is, I believe, a lame excuse. Extending an identical line of defense and reprising the refrain, he goes on to say (2018): "No model can be all things to all people"![2]

Finally, on the same issue David Colander (2011, p. 306) reserves a trenchant criticism for Bernanke's view by stating: "[…] if a model does not include abnormal times as a special case of normal time, and provides no way of distinguishing normal times from abnormal times, then the model cannot serve as your fundamental scientific model. If that is the best model one has, it is best to admit that one does not have a firm scientific understanding of what is going on, and to give up the pretense of fundamental science."

That having been said, I would like now to indicate that the contents of the Spring-Summer 2018 issue of the Oxford Review of Economic Policy are worthy of our careful notice. I quote in length the abstract of the article entitled "The rebuilding macroeconomic theory project: an analytical assessment" by David Vines and Samuel Wills: "In this paper we review the Rebuilding Macroeconomic Theory Project, in which we asked a number of leading macroeconomists to describe how the benchmark New Keynesian model might be rebuilt, in the wake of the 2008 crisis. The need to change macroeconomic theory is similar to the situation in the 1930s, at the time of the Great Depression, and in the 1970s, when inflationary pressures were unsustainable. Four main changes to the core model are recommended: to emphasize financial frictions, to place a limit on the operation of rational expectations, to include heterogeneous agents, and to devise more appropriate microfoundations. Achieving these objectives requires changes to all of the behavioural equations in the model governing consumption, investment, and price setting, and also the insertion of a wedge between the interest rate set by policy-makers and that facing consumers and investors. In our view, the result will not be a paradigm shift, but an evolution towards a more pluralist discipline." (My emphasis).

How fast is this evolution meant to be? No signals for an urgent undertaking are provided. More specifically, they argue: "As and when this is done, we think that there will have been a very significant evolution away from the benchmark model that was in place before the global financial crisis. But we do not think of this as a paradigm shift. There will have been many particular changes in content. But perhaps not a sufficient change in method for the outcome to be described as a real change in paradigm." The unflinching refusal to admit the burning need for a paradigm shift brings to mind the eloquent argument by Jonathan Cook (2018): "We are arriving at a moment called a paradigm shift. That is when the cracks in a system become so obvious they can no longer be credibly denied. Those vested in the old system scream and shout, they buy themselves a little time with increasingly repressive measures, but the house is moments away from falling. The critical questions are who gets hurt when the structure tumbles, and who decides how it will be rebuilt." I wonder then, papering

[2] At this juncture it is only fair to mention the attempt by Carlin and Soskice (2015) to build a single three-equation model "to explain how the economy works in both good and bad times".

over the cracks or at best, a bit of repair at the seams? I answer to this question in the positive since I reckon that, without much doubt, only slight modifications, routine amendments and minor reforms will be brought about in the course of time.

In addition, what kind of sources ought a pluralist line of action aim at? The authors (Vines and Wills) limit themselves to the following most inadequate simile: "Just like in the sixteenth century, after the Christian Reformation, there may no longer be a true church. It is time to put the religious wars behind us."[3] That's all they have to say on this.

Even Blanchard (2015) expresses a more explicit view, at first sight, dissimilar to his previous statements: "As a result of the crisis, a hundred intellectual flowers are blooming [….] Some propositions that would have been considered anathema in the past are being proposed by 'serious' economists […] This is all for the best". Notwithstanding his preaching, this is neither reflected in his actions nor is it what he practices in the 7th edition (2016) of his Macroeconomics textbook.[4]

I continue briefly on the 'pluralism' trail by referring to additional remarks.[5]

Martin Sandbu (2018 in Merler) favours pluralism integrated within a common framework as opposed to conflictual pluralism where different methodological approaches function independently.[6]

Amitrava Krishna Dutt (2011) calls for greater pluralism in macrotheory and greater acceptance of alternative lines and advocates the use of features such as uncertainty, financial instability, institutions, power relations and classes. Some of these originate from other disciplines, thus altering the monocultural essence of "today's arid economics", as Reed's (2018) wording suggests.

Whereas, on the question of formal large macroeconomic models and pluralism Colander (2011, pp. 307, 8) observes: "We have some interesting formal models, we also have what might be called the macroeconomic canon: the collective experience and the insights of previous economists who have written about that experience. That canon, not some untestable fundamental science, should, in my view, be a central part of what students of macroeconomics learn […]We should admit that we do not have the truth, or even a model that comes close to the truth. In policy analysis of a complex system, such as the macro economy, the best policy

[3] Robert Mazzoleni and Richard Nelson (2013, p. 1443) explore the challenges to neoclassical microeconomics and take the following stance on pluralism: "The way we have put the matter here is not an argument for eliminating neoclassical analysis from the economists tool kit and substituting something else for it, but rather an argument for not limiting the tool kit deemed legitimate to theories and models that have a neoclassical form."

[4] It is widely known that in the first six editions of his textbook (1997-2012) Blanchard had espoused a conventional mainstream approach. In the latest 2016 edition according to Skidelsky in his Preface of the book by Brancaccio and Califano Anti-Blanchard Macroeconomics (2018), Blanchard "[…] one of the cardinals of pre-crash macroeconomic orthodoxy […] tried to take into account the failure of the world economy to bounce back rapidly after the 'shock' of 2008 […]". He (Skidelsky) also adds that "As the authors of the book rightly point out, Blanchard's new approach only represents minor theoretical manoeuvrings within the New Keynesian universe, aiming to achieve a minimum contact between theory and reality".

[5] Of course, the support for "pluralism" is not a proposition accepted by everyone nor does it go unchallenged. For example, Professor Martin Weale (2018) would have none of that and considers as his imperative duty to teach material where his students need to answer mundane economic questions that standard textbooks, to his dismay, do not provide, rather than offering pluralistic approaches in his teaching which elaborate on terms, like surplus value or underconsumption.

[6] Cut from the same cloth are the exhortations by Mazzoleni and Nelson (2013) that new inputs to microeconomic theory ought not to upset the apple cart. In their own words, they can be admitted "[…] as long they do not seek to cause trouble" (p. 1442), as they "[…] would not much endanger the shared sense of a common field of study […]" (p. 1443), inasmuch as they pose "[…] no threat to core aspects of main line economics" (p. 1437), and as they "[…] do not undermine […] the dominant conception of economics as the science of choice […] in any fundamental way" (ibid.). What a formidable *cordon sanitaire* is to be implemented in this mock attempt of (illusory) pluralism!

makers can do is look at various blueprints, but not see any as the correct ones, and combine the insights they get from those blueprints with a solid knowledge of history, history of ideas, and macroeconomic institutions. Combined they have the best chance at muddling through."

All the above sounds sometimes as a clarion call for the abandonment of the unadulterated neoclassical paradigm and possibly, the replacement of the latter with a novel discipline.[7] At other times, they might be interpreted as extras from a laundry list in the guise of Ptolemaic epicycles attempting to immunize a retrograde template.

Furthermore, Mark Thoma (2016) takes a different tack by banking on the 'new' questions being asked, e.g. on inequality, on the role of the financial system, on the stagnation of wages etc. In his view: "[…] when questions change, new models and new tools are developed to answer them. The models do not come first -- models aren't built in search of questions, models are built to answer questions -- and the fact that we are asking new (and in my view much better) questions is a sign of further change to come."[8] However, I am of the opinion that this argument is incomplete because even once one assumes that the 'new' pertinent questions are specified, the criteria for building the appropriate models may still be remaining undecided.

Finally, Marc Lavoie (2016), professor at the University of Ottawa, adopts a much more radical stance. He asks, in no uncertain terms, for the removal of crucial mainstream components, the 'hallmarks' of macrotheory, a 'collection of faulty parts' as one might call them, such as: the NAIRU, the rational expectation hypothesis, the efficient market hypothesis, etc. Likewise, he supports the (re)introduction of "the importance and relevance of fiscal policy at large", credit and capital controls, the integration of the financial side with the real economy into a single model etc. and concludes: "Providing new clothes to the Naked Emperor of mainstream economics won't do; the Emperor needs to be dethroned."

Mildly positive, as most of the above accounts may be regarded, they are still a far cry from being formulated, let alone implemented. Apart from referring to expressions of restrained doubt as those uttered for example by Dutt (2011): "It is not clear that […] pluralism and the greater acceptance of alternative approaches […] will actually occur" and Laurie Laybourn-Langton and Michael Jacobs (2018): "There is certainly no guarantee that we will see a paradigm shift in economic thought and policy in the coming years", it is time to broach both parts of the fourth and final question.

Question 4. *"How a very problematic theory continues to survive and dominate both the policy and the academic scene. What are the processes in the economy and the society that sustain its dominance?"*

Probably, most of us are in general agreement with the statement that ideas within society do not exist independently of the actual economic, political and social hegemony. Thus, prevailing ideas reflect, by and large, the common interests of the class in dominant position of each epoch who achieve this by pushing for the production, for the promotion of dissemination and for administering the regulation of these ideas.

However, there are two caveats.

[7] Even Coyle (2017) declared: "[…] the long era of hegemony for mainstream neoclassical economics is over".

[8] This is not in tune with the suggestion put forth by Mazzoleni and Nelson (2013, p. 1437): "We read the attacks on neoclassical economics, both yesterday and today, as being much less about the kinds of phenomena and questions that economists address than about the orientation to those phenomena and questions."

Firstly, the message by Eric Hobsbawm in the quote at the beginning of this article calls for our attention to the status quo that, in an attempt to justify and preserve its dominant position, enhances its power by mystifying the political target it aims at, by acting with no readily perceived central control and by avoiding, as much as possible, heavy-handed methods.[9] This is obviously not limited only to certain institutions, as Hobsbawm claims in this instance, but actually operates in the full gamut of societal activities.

Secondly, fissures and contradictory pressures may occur in that people may contest and/or reject the ideas by putting forward alternative ones. The ruling 'mental' production and thereby, its 'intellectual' force may be challenged, curtailed or be dealt a blow. Perceptible chinks in the armour with unpredictable destabilising consequences may come into being once the genie starts getting out of the bottle.

In order to forestall any such eventuality or to contain it, for obvious reasons, into manageable proportions e.g. limited dissent at the margins, the ruling class has to resort to a whole range of countervailing actions. Grants agencies and funding sources in general, research institutes, foundations, think tanks, academic journals, the media and all the rest forming the mainstream 'intellectual', domestic and international, infrastructure, at its disposal, are set in motion.[10] Most of the time, all these "[…] are embedded within the very same corporate structures that dominate our societies" (Cook, 2018); consequently, they are heavily biased and, with the odd exception for obvious reasons again, striving to make 'orthodoxy' self-reinforcing in 'mental' production and by extension, most importantly, into policy debates and decisions.[11]

In this context, universities and in particular, faculties of Social Sciences and departments of Economics, command a privileged vantage point.

A collection of relevant quotes highlighting aspects of the academic scene, I reckon, deserve our attention.

Coyle (2017) observes that "It takes time to change curricula, and institutional inertia makes new approaches too risky and difficult for young economists seeking academic jobs and promotions."

Similarly, "Economists who are part of the 'mainstream' theory group have a better chance of career advancement than those who dissent." (S. Patrick, a blogger, 2018).

"The economy may have had a crisis, but the economics profession did not […] The economics profession, like the economy, is best thought of as an evolving complex system. By that I mean that it is composed of hundreds of thousands of economists each trying to survive and get ahead in the existing institutional structure […] Economists' success in publishing is what they focus on. This institutional structure makes the economics profession a closed system in which the relationship of its research to the outside world events is of secondary importance. What matters to economist's advancement is how other economists in this closed system react

[9] David Harvey (2014, p. 142) presses a strong objection to the supposed advantage of the absence of central control in the following manner: "It has often proved the case […] that decentralisation is one of the best means to preserve highly centralised power, because it masks the nature of this centralised power behind a veneer of individual liberty and freedom. In a way this was what Adam Smith was advocating: a centralised state could amass far greater wealth and economic power by liberating decentralised individualised market freedoms."

[10] Along the same lines of thought: "As part of a broader comprehensive design, neoliberalism's overriding goal is to consolidate power in the hands of the financial elite. As a mode of rationality, it functions pedagogically in multiple cultural sites to ensure no alternatives to its mode of governance can be imagined or constructed" (Giroux, 2018).

[11] Obviously, the previous paragraphs ought to be interpreted as statements of a very general nature. In reality, the specific antagonistic deployments of certain sections of the ruling class pursuing their own stakes, and to use a Mazzoleni and Nelson (2013, p. 1428) phrase, their "actions are […] the result of conscious interest-oriented choosing", should not be given short shrift. The Keynesian Revolution and the Monetarist/Neoliberal response are cases in point. Their reception, acceptance and practical endorsement but also, reactions by official circles have been the subject of thorough research.

to their work" (Colander, 2015, pp. 230, 2, 3). And although this insularity of the métier is acknowledged by many mainstream economists, Colander adds: "[…] there is no incentive for anyone to change [it], which leaves the profession in its current state, reinforcing the status quo" (p. 233).

Moreover, "[The reason] that so many economics professors rely on an antiquated belief system when it is so clearly bankrupt, especially the more junior ones who are more focused on research and really trying to develop new ideas and process new data, is escapism to a large extent, in that their career depends so much on getting published in high ranking journals" (Payson in Renegade Inc. Studio, n. d.).

Finally, Thoma (2016) ascertains in a negative tone that: "The old guard is still there, and still influential."

Some of the above are self-evident and rather trite; some other extracts are subtler. However, all of them, to varying degrees, contribute, with intent or by omission, to the "economics role as a system of justification" (Vienneau, 2018) and to its compatibility with the durability requirements of the established economic theory, i.e. of the ruling ideas.

I would like to raise one last point, in brief, with regards to the 'enterprise' of the academic milieu, namely one which deals with the field of didactics and especially, of economic textbooks.

On this score, Colander (2015) in his paper inventively entitled "Why Economics Textbooks Should, but Don't, and Won't, Change" notices, in response to the crisis, only some slight adjustments to the economic textbooks which are "a reflection of what the market wants" (p. 233). So then, we return to the core question as to who is exerting influence in shaping market tastes and forming publishers' predilections. At the end, through the agency of pedagogy, "the system becomes self-reinforcing" (p. 234) erecting tall paper walls, I would suggest.

Nonetheless, rare exceptions do exist. The most distinct new edition so far, in my own view, is the book by Emiliano Brancaccio and Andrea Califano, Anti-Blanchard Macroeconomics (2018) which offers a critical alternative to mainstream textbooks by incorporating successfully "a mixture of Keynes's original insights and […] the 'conflictual' nature of social relations under capitalism diagnosed by Karl Marx" as Skidelsky notes in his Preface of the book.

In closing this section I would like to affirm that probably, there is not a more apt and cogent comment recorded on the nature of teaching of Economics than the following excerpt dating back to the early 20th century:

"The actual teaching is […] selected and controlled, wherever it is found useful to employ the arts of selection and control, by the business interests playing on the vested academic interests. No one can follow the history of political and economic theory during the last century without recognizing that the selection and rejection of ideas, hypotheses and formulae, […] and the propagation of them in the intellectual world, have been plainly directed by the pressure of class interests. In political economy, as we might well suspect, from its close bearing upon business and politics, we find the most incontestable example." (Hobson, 1902, pp. 230, 1).

This passage winds up the suggested answer to the fourth and final question.

Concluding Remarks

> "For I doubt not, but if it had been a thing contrary to any man's right of domination, or to the interest of men that have dominion that the three angles of a triangle should be equal to two angles of a square; that doctrine should have been, if not disputed, yet by the burning of all books of geometry, suppressed, as far as he whom it concerned was able." Thomas Hobbes, Leviathan, cap. XI, 1651.

It is quite uncontroversial that immediately after the eruption of the 2008 crisis, state economic policies, by most countries of the West, did not follow the mantra “Hands off; the market knows best and a happy equilibrium will eventually prevail”. Keynesian stimulus packages were applied instead, but for a very short period only. As Antara Haldar (2018) accurately expressed it: “[…] after an initial scare, it was largely business as usual –written off [i.e. the crisis] as an inevitable blip in the boom-bust logic of capitalist cycles.” “Business as usual”, in this context, means austerity policies ideologically motivated, *tout court*. In other words, a sustained interventionist policy was ruled out and thus, the overall endurance of the neoliberal economic modus operandi was duly reaffirmed. Macrotheory moved along, in tandem. Indeed, piecemeal approaches have been attempted, e.g. in the spirit of Blanchard (2014): “Finance and macroeconomics […] are becoming much better integrated, which is very good news”. For instance, let me mention the textbook by Wendy Carlin and David Soskice (2015). As the authors (2012) state: “The new book includes three chapters addressing the most glaring absence in macroeconomic models and courses, that of the financial sector. We integrate a model of the banking system with the macro-model […]”.[12] Yet, so far “[…] no overarching ‘alternative’ paradigm has […] emerged” (Laybourn-Langton and Jacobs, 2018) to replace the received wisdom on macroeconomics.

The ‘hysteresis’ syndrome I talked about at the beginning, reigns supreme both in terms of its Greek etymology, that is ‘tardiness’, as well as of its novel rendition which is connected to long term damage. Lateness causes durable adverse effects in the sense that the established macrotheory remains as of today virtually unscathed, thus buttressing the existing order.[13] This inertia is not due to mental dullness or fatigue. It rather stems, to a large extent, from the rejection of the notion that crises are inextricably part and parcel of the existing economic system, that they are not accidental occurrences which can be attributed to conjectural imperfections, aberrations and distortions of every kind or to superstructural distractions. Unless this message is comprehended, accepted and taken into account, no innovative macrotheoretical paradigm can represent and interpret adequately and convincingly, the functioning of the capitalistic economic system. For this reason, it is rather unlikely that such an outcome can be gestated out of the mainstream macrotheory with the aid of tweaks, mending, patching up or minor maintenance and repair operations, as I noted previously.

At this point, I would like to rest my case by invoking what Paul Krugman (2008 Nobel Memorial Prize winner) emphatically declared back in 2009: “The State of macro, in short, is not good”. So remains, in my view, the state of affairs after nine years. Indeed, the ten-year old economic crisis has destroyed faith in mainstream macrotheory and has made it lose all its credibility. The menders of the emperor’s old clothes of yesteryear will masquerade as the today’s fashion designers of the brand-new attire and, contrary to those in Andersen’s tale, will do their best to render it as visible as possible, to publicize and promote their wares as to reach and persuade as many as possible that this new garb is magic and bears the appropriate attributes that the macro analysis of the system requires. Therefore, let us address a strong and hearty appeal to all heterodox macroeconomists, and in particular to the new generation, to apply their energy in redoubling their efforts, to open themselves up to radical new ideas along with older ones that have been out there for some time now and to travel off the beaten path. The formation

[12] This brings to my mind the imaginative phrase, in a different context: “The result was a centaur-like hybrid construction, whose two parts were never fully integrated” (Monthly Review, 2018). No offense meant though to Carlin and Soskice. It is not my intention to trivialize their endeavor, however predominant is its mainly orthodox approach.

[13] ‘As of today’ is one odd English expression that has two opposite meanings. It can mean ‘up until now’ or it can mean ‘starting today and going forward into the future’. It is perfectly obvious that here the term is used in its first meaning whereas I loath to entertain an unenviable high probability for the application of the term in its second meaning.

of a ‘counter’ Macroeconomics is not an unworthy project to be shunned. All the more reason why further minor tweaks of the mainstream theory and the attending agenda definitely won’t do the job. Let us win the argument by beating the odds.

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