

Heise, Arne

**Working Paper**

## Dr. Palley and the merits of conflict

ZÖSS Discussion Paper, No. 105

**Provided in Cooperation with:**

University of Hamburg, Centre for Economic and Sociological Studies (CESS/ZÖSS)

*Suggested Citation:* Heise, Arne (2024) : Dr. Palley and the merits of conflict, ZÖSS Discussion Paper, No. 105, Universität Hamburg, Zentrum für Ökonomische und Soziologische Studien (ZÖSS), Hamburg

This Version is available at:

<https://hdl.handle.net/10419/300689>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



Universität Hamburg  
DER FORSCHUNG | DER LEHRE | DER BILDUNG

Arne Heise

## Dr. Palley and the merits of conflict

---

ZÖSS  
ZENTRUM FÜR ÖKONOMISCHE  
UND SOZIOLOGISCHE STUDIEN

ZÖSS-Discussion Papers  
ISSN 1868-4947/105  
Discussion Papers  
Hamburg 2024

# **Dr. Paley and the merits of conflict**

Arne Heise

Discussion Paper

ISSN 1868-4947/105

Zentrum für Ökonomische und Soziologische Studien

Universität Hamburg

Mai 2024

**Impressum:**

Die Discussion Papers werden vom Zentrum für Ökonomische und Soziologische Studien veröffentlicht. Sie umfassen Beiträge von am Fachbereich Sozialökonomie Lehrenden, NachwuchswissenschaftlerInnen sowie Gast-ReferentInnen zu transdisziplinären Fragestellungen.

**Herausgeber/Redaktion:**

Zentrum für Ökonomische und Soziologische Studien (ZÖSS)

[rouven.reinke@uni-hamburg.de](mailto:rouven.reinke@uni-hamburg.de)

Universität Hamburg

Fakultät für Wirtschafts- und Sozialwissenschaften

Fachbereich Sozialökonomie

Welckerstr. 8

20354 Hamburg

## **Abstract**

Controversy is vital in the pursuit of knowledge. Constructive dispute can drive intellectual growth and deepen understanding within a field. However, mutual respect, thorough engagement, and intellectual humility are necessary for productive exchanges. In this vein, I clarify in my response to Tom Palley's critique of my article that I did not argue against his claim regarding social conflict in Keynesian economics. However, I questioned whether social conflict is the sole ontological fault line, as Palley suggests. Additionally, I highlighted the distinction between Keynes' economics and Keynesian economics, challenging Palley's lumping them together as part of a liberal project. In conclusion, Palley's assertions regarding the absence of social conflict in Keynesian economics and its implications for economic laws lack foundation.

**JEL codes:** A 14, B 40, B 51, E 11, E 12

**Keywords:** Keynes, social conflict, paradigm shift

Controversy is an integral part of the process of knowledge creation – the ultimate objective of scientific inquiry. However, only a few academic journals extensively encourage or incentivize scientific disputes, and much potential academic conflict is suppressed by the way peer-review procedures function. This is all the more disheartening as constructive dispute can be essential for advancing knowledge and fostering intellectual growth within a field, serving as a catalyst for deeper understanding and refinement of ideas. This has always been my approach, and I can recall several cases where I successfully engaged in such disputes (see e.g. Heise 1992, Dymski 1992, Wray 1992; Pernecky/Wojick 2019, Thomas 2020, Heise 2021, Thomas 2021). However, for such an exchange of controversial positions to be constructive, mutual respect, thorough engagement, and intellectual humility are required. By embracing these principles, researchers can harness the power of disagreement to advance knowledge, stimulate innovation, and ultimately contribute to the collective pursuit of truth.

It is in this vein that I need to respond to Tom Palley’s reply (Palley 2024) to what he mistakenly considered to be my critique (Heise 2024) of his article in the *Japanese Political Economy* (Palley 2023) on Keynes’s alleged denial of social conflict. As already indicated in the title of my note, I advanced an interpretation of something which I perceived as utterly muddled, unduly provocative, and truly disturbing when considered in relation to other published material by the same author. Therefore, it was not a simple critique but rather an – obviously unsuccessful – attempt to give meaning to something which otherwise should probably be consigned to oblivion.

Palley (2024: 1) complains:

*“...he accuses me of (i) being wrong re my claim that Keynes did not recognize the role and significance of social conflict (Heise 2024, 3), (ii) not distinguishing between Keynes’ economics and Keynesian economics (Heise 2024, 2), and (iii) not recognizing Keynes’ paradigmatic shift regarding money and interest rate determination (Heise 2024, 7)”*

With regard to (i), Palley continues:

*“Professor Heise believes my claim about Keynes’ denial of conflict in *The General Theory* is wrong. That should be very easy to prove if true. All that is needed are some quotes therefrom showing that Keynes recognized the existence and economic importance of conflict. But Professor Heise provides none – zero, rei. That absence is utterly damning of his argument”* (Palley 2024:1).

To set things straight: I did not argue that Palley is wrong in his claim that Keynes underscored the importance of social conflict – in fact, I stated that “Keynes may not have felt the need to emphasize social conflict when his primary focus was strictly on the core constituents of capitalist economics” (Heise 2024: 2) and “Keynes’ perspective regarding social conflict, although he does not deny its existence, is merely one aspect of capitalism, ... Palley refers to this as a ‘surface cause’” (Heise 2024: 5). My intervention makes two points: a) of course, Keynes does not deny the existence of social conflict as “class and capital-labor struggle over the distribution of income and organization of economic society” (Palley 2023: 13) when he declares:

*“Though the struggle over money-wages between individuals and groups is often believed to determine the general level of real wages, it is, in fact, concerned with a different object. (...) In other words, the struggle about money-wages primarily affects the distribution of the aggregate real wage between different labor-groups, and not its average amount per unit of employment, ...”* (Keynes 1936: 14)

– it would be ridiculously childish to ignore opposing vested (distributional) interests but it is another story whether such social conflict is of crucial importance – i.e. a ‘deep cause’ in Palley’s terminology or a basic constituent in mine - for the understanding of capitalism and, yet another, to determine its relevance: although Palley is not sufficiently clear in his expositions, he seems to believe that social conflict is about *functional* income distribution as one of the “root cause of the stagnation problematic (...)” (Palley 2023: 8). Clearly, for Keynes social conflict does not determine *functional* but merely *personal* income distribution. Growing personal income inequality may add to stagnation tendencies in mature capitalist economies, yet it is no root cause (and certainly not for Keynes) for this phenomenon.

As for ii), Palley should be a bit more precise. I nowhere claimed his ignorance of the distinction between Keynes’ economics and Keynesian economics – indeed, I hailed him as “an esteemed advocate and expert on Keynes’ economics” (Heise 2024: 3). My argument was that his lumping together Keynes’ and Keynesian economics as part of “the liberal project to civilize and save capitalism” (Palley 2023: 13) can be made plausible and tenable only when social conflict is taken as the sole imaginable ontological fault line – an attitude I am, indeed, imputing to Palley but tried to show to be misconceived.

Finally, iii) simply leaves me puzzled: Palley appears to argue that he recognized Keynes’ paradigmatic shift, but the textual evidence he gives does not prove that he is aware of the ontological differences between *thought style extensions and supplementations* on the one hand (paradigmatic variations) and *thought style transformations* (paradigmatic shifts) on the other hand (see Fleck 1979). If he claims to accept Keynes’ economics to rest on a different (incommensurable) paradigmatic foundation than Keynesian economics, the contrast between his social conflict paradigm on the one hand and the amalgamation of incommensurable Keynes’ and Keynesian economics into a liberal project which “emphasizes mutually beneficial production and exchange” (Palley 2023: 13) on the other hand is nonsensical.

Palley reiterates at the end of his reply what he believes to be important and needed to be surfaced:

- a) Social conflict is essentially absent in Keynes’ and Keynesian economics,
- b) Without social conflict as ontological constituent (‘deep cause’) the economic laws of motion of capitalism cannot be deciphered,
- c) Keynes’ and Keynesian economics should no longer orient economics and economic policy-

Based on my earlier note and the additional elaborations made here, it should be clear that

- a) is simply wrong – social conflict is not essentially absent in Keynes’ and Keynesian economics but it plays a different, albeit less significant role (‘surface cause’),

- b) is only tenable if one accepts the social conflict paradigm as ‘true’ or peremptory – a position that cannot withstand scrutiny based on the philosophy of science (see Heise 2017). Therefore,
- c) is simply unfounded.

The drunkard should sober up and start to place the lamp post where it is needed.

## References

- Dymski, G. A. (1992); A “New View” of the Role of Banking Firms in Keynesian Monetary Theory, in: *Journal of Post Keynesian Economics*, Vol. 14, No. 3, pp. 311 – 320
- Fleck, L. (1979); *Genesis and Development of a Scientific Fact*, Chicago
- Heise, A. (1992); Commercial Banks in Macroeconomic Theory, in: *Journal of Post Keynesian Economics*, Vol. 14, No. 3, pp. 285 - 296
- Heise, A. (2017); Defining Economic Pluralism: Ethical norm or scientific imperative?; in: *International Journal of Pluralism and Economics Education*, Vol. 8, No. 1, pp. 18 - 41
- Heise, A. (2021); The incommensurability of Keynes’s and Walrasian economics and the unsuccessful escape from old ideas, in: *Economic Thought*, 10.2, pp. 12-19
- Heise, A. (2024); Keynes and the drunkard under the lamp post: Making sense of Palley; in: *The Japanese Political Economy*, Vol. 50, No. 1, forthcoming (DOI: 10.1080/2329194X.2024.2333370)
- Palley, T. (2023); Keynes’ denial of conflict: Why the General Theory is a misleading guide to capitalism and stagnation; in: *The Japanese Political Economy*, Vol. 49, No.1, pp. 7 - 34
- Palley, T. (2024); Keynes’ denial of conflict: A reply to Professor Heise’s critique; in: *The Japanese Political Economy*, Vol. 50, No.1, forthcoming (doi.org/10.1080/2329194X.2024.2342516)
- Pernecky, M., Wojick, P. (2019); The problematic nature and consequences of the effort to force Keynes into the conceptual cul-de-sac of Walrasian economics, in: *Cambridge Journal of Economics*, Vol. 43, No. 3, pp. 769 - 784
- Thomas, R. (2020); Keynes, Kuhn and the sociology of knowledge: a comment on Pernecky and Wojick, *Cambridge Journal of Economics*, Vol. 44, No.4, pp. 1415 - 1424.
- Thomas, R. (2021); Reply to Arne Heise’s “The incommensurability of Keynes’s and Walrasian economics and the unsuccessful escape from old ideas”, in: *Economic Thought*, 10.2, pp. 20-27
- Wray, L. R. (1992); Commercial Banks, the Central Bank, and Endogenous Money; in: *Journal of Post Keynesian Economics*, Vol. 14, No. 3, pp. 297 - 310