Radical Economics

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Debates between economists are not just technical arguments amongst practitioners but often reflect philosophical and ideological positions which are not always made explicit.

Discontentment grew with the prevailing economic orthodoxy as the long period of economic expansion in the advanced capitalist economies came to an end in the 1970s; disenchantment was expressed in open discussion about the 'crisis' in economics and in the rise of various kinds of radical economic theory, often using the general title of 'political economy'.

Many economists have looked for a more fruitful point of departure in the ideas of Marx and the classical economists and also in such contemporary economists as Kalecki and Sraffa. Although it is possible to identify a broad radical stream, it does not mean that there are no significant controversies within this radical approach and, indeed, it would be unhealthy if this were not the case.

Can radical economic theory interpret the world better than the current orthodoxy which it challenges? And can it show also how to change it? This is a challenge which this series proposes to take up, adding to work already being done.

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A History of Marxian Economics

Volume II, 1929–1990

M. C. Howard

*Professor of Economics
University of Waterloo
and University of
California, Riverside*

and

J. E. King

*Reader in Economics
La Trobe University*

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M. C. HOWARD
J. E. KING

Introduction

In the first volume of this book, published in 1989, we considered the history of Marxian economics from the death of Karl Marx in 1883 until 1929. This second volume brings the history up to the present day. It is in many ways a very different kind of story. The works of German and Russian Marxists dominated the first volume because they virtually monopolised intellectual discussion in Marxian economics prior to 1929. Beginning in the 1930s, however, the centre of gravity of theoretical analysis began to shift westwards, so that in the post-war era the heartlands of Marxian political economy now lay in Western Europe and North America. New problems also arose in this period, and elements of Marx's economics which had earlier received scant attention were elevated to greater prominence; for this reason we deal in some of the following chapters with literature which antedates the years with which this volume is principally concerned. At the same time, Marxian political economy became less well-defined as non-Marxian ideas were used to overcome analytical deficiencies or otherwise strengthen Marxian analysis. Perhaps the most dramatic change after 1929, though, was the way in which theoretical developments in Marxian economics became detached from successful revolutionary practice. Early Bolshevism was unique in the sense that those who made a revolution in the name of Marx were frequently theorists of the highest calibre; this combination has not recurred.

This, however, is not how matters appeared in 1929, which was a year of considerable promise for Marxism. In the East, Stalin secured the seizure of power in 1917 by carrying through a 'revolution from above' which created a new mode of production, rapidly accelerated economic development, and gave birth to a new orthodoxy. In the West, the onset of the Great Depression promised both the economic collapse of capitalism and the ending of Soviet isolation. If practice and experience were the measures of a theory's worth, Marxists could take heart from events while liberals might rightly have feared that their social and intellectual worlds were shattering. But these appearances proved illusory. Stalinist Marxism, which is outlined in Chapter 2, was theoretically weak and, according to the Marxian critics

reviewed in Chapter 3, either a guise for a new exploitative order or a social formation that was socialist only in potential and already showed signs of degeneration. The post-war years have confirmed that these views were essentially correct, but already in the 1930s there were clear signs that Soviet Marxism was pathological. It is something of a paradox, though, that Marxian theorists themselves led the way in documenting this phenomenon; conservatives and liberals have been much stronger on condemnation than analysis. On the other hand, contemporary Marxian explanations of the Great Depression, which are outlined in Chapter 1, proved to be disappointing; although they were sometimes insightful, rather little progress was made in comprehending the economics of capitalist crisis. Despite the fact that Marxian economists were better-equipped than mainstream theorists to deal with crisis theory, it was from the ranks of the latter that the most notable intellectual development occurred: namely, Keynes's *General Theory*.

The failure of Stalinism should not occasion great surprise. Marx's ideas were never meant to serve as an ideology of modernisation, and his own account of the transformation brought about by industrialisation virtually precludes the possibility that Marxism could be adapted to the task while retaining its integrity. The deficiencies in Marxian work on the Great Depression are more difficult to explain, but probably result in part from hostility to subjectivist theory. While this hostility is to a large extent rationally founded, it did create difficulties in analysing realisation problems, which must involve an insufficiency of demand and thus reflect expenditure *decisions*. It is true that, after 1917, Marxists of various shades did become more aware of the 'subjective factor', but in the 1930s theorists limited their concerns to its role in the superstructure and in revolutionary politics, and did not qualify their objectivism in economic analysis. It was only in the post-war years that Marxian economists became more aware of the importance of treating economic phenomena as the result of actions which may not be fully determined by structure; and only then did they come to recognise that, even if economic behaviour is structurally determined, it is nevertheless important to have a disaggregated description of the mechanisms through which it takes place.

Part II of this book outlines the most significant innovation, the incorporation of Keynesian theory into Marxism. Chapter 4 reviews the ways in which Marxian economists believed that capitalism had changed in the post-war years, while Chapter 5 considers the complex relationship between Keynes and Marx. Both chapters provide the background for understanding how the principle of effective demand has contributed to Marxian economists' understanding of the 'long boom' in Western capitalism. Two of the three principal accounts – the theory of monopoly capital outlined in Chapter 6, and the analysis of the arms economy in Chapter 8 – involve ideas which are recognisably Keynesian. The third theory, based on

Marx's treatment of the falling rate of profit, is very much a fundamentalist reaction to any form of Keynesian revisionism, and maintains that whatever is valid in the theories of monopoly capital and the arms economy is best understood in terms of the production of surplus value rather than its realisation, which is a secondary issue to which Keynesian ideas are necessarily limited. There are important elements of truth in this claim, but grounding it in Marx's analysis of the falling rate of profit is a grave weakness. In the 1890s Tugan-Baranovsky showed that Marx's law was really no law at all; this has been repeatedly confirmed over the last 60 years, as Chapter 7 documents. To reassert in the face of this the relevance of the falling rate of profit, as analysed by Marx, has done much damage to the intellectual credentials of Marxian political economy.

At the same time as they analysed the 'long boom', Marxian economists tried to explain why capitalist dynamism had not extended to the Third World. Chapters 9 and 10 of Part III provide an account of theories of underdevelopment, in which it was argued that (contrary to the view held by most Marxists before the Second World War) the very nature of the world economy precluded autonomous development in the periphery. Undoubtedly much support for the new position derived from the fact that revolutions led by Marxists occurred in backward countries like Russia and China; the theory of underdevelopment seemed able to explain this, while earlier forms of Marxism could not. Indeed, some critics of Marxism saw this as evidence that classical Marxism was fallacious. But this was incorrect. Prior to the First World War, Marxists had argued that socialism and backwardness were incompatible, and experience has borne this out very well. In addition, although early Marxists did not in general recognise the possibility that Marxism itself might become an ideology of a new class society, the very structure of their theory allowed for this eventuality, and many Marxists quickly accepted that it had actually occurred in Soviet Russia after 1917. A similar reaction occurred in the late 1970s in relation to the theory of underdevelopment, which we discuss in Chapter 11. In this context, too, there was a 'return to Marx', but the resulting criticism of the neo-Marxian theory of underdevelopment produced some of the very best work in the period under review, and could in no way be dismissed as obscurantism.

Nevertheless, Chapters 9, 10 and 11 do indicate that a dramatic change has taken place in the nature of Marxian political economy, since successful revolutionary action and its theoretical comprehension have become separated. What Leszek Kolakowski writes of Mao Tse Tung is in fact true of the economic ideas of Third World revolutionaries in general: they have been 'extremely primitive and clumsy, sometimes even childish; in comparison, even Stalin gives the impression of a powerful theorist'.¹ Many Western Marxists have agreed – though rarely explicitly – and have in effect repudiated Marx's eleventh thesis on Feuerbach:² that is, their concern has

been less to change the world than to understand it. The great expansion of universities in Western Europe and North America during the 1960s greatly facilitated this trend, for it allowed the institutionalisation of theoretical Marxism outside socialist parties and brought into being a 'Left Academy' substantially isolated from political activity. Whatever the implications for Marx's theory of praxis, there was the beneficial consequence of allowing Marxism to retain intellectual credibility, rather than succumbing wholly to the stultifying dictates of practice.

Sometimes the results were quite unexpected. They certainly did not conform to the views of those extreme anti-Marxists who saw only a fifth column of academic bigotry. Their error became most evident in the debates on value theory in the 1960s and 1970s, which are discussed in Part IV: it was precisely Marxians who dominated what has become the single most important critique of Marx's formal economic theory. However, by coupling this with an attack on traditional neoclassical economics they were able also to argue that only a materialist reconstruction of political economy allowed the truths of Marxism to be preserved and integrated with those of Keynes. Mainstream theorists were put on the defensive and, although they fought back with some success, neoclassical theory was modified in the process. Moreover, the controversies showed that some convergence between Marxian economics and neoclassical theory could occur. Marxian political economy had clearly come of age in terms of methodological rigour, and this allowed substantial agreement about what was invalid both in Marx's own economics and in early neoclassical theory, even if that agreement did not extend to modern versions of these paradigms. This may be regarded as a general trend, since increasing rigour and a convergence with non-Marxian economics is also manifest in the issues discussed in Part II and in Chapter 11.

'Rational choice Marxism', which forms the subject of Chapter 17, is an extreme version of these tendencies, where the tools of analytical philosophy and neoclassical economics are used to treat established issues of Marxian political economy. Many of the claims made by the rational choice Marxists are exaggerated, but new light has been shed on a host of issues which concern both Marxians and liberals: the nature of rationality, the limitations of structuralism, the meaning of exploitation, and the means through which economic theory might advance. All these matters are however contentious, as are the other two subjects treated in the final part of this book: the causes of slowdown in the growth of advanced capitalist economies since the early 1970s, and the feasibility of socialist economic organisation. Marxian analyses of the 'second slump' are considered in Chapter 16, and the economics of post-capitalist society in Chapter 18. In both cases the teleological and optimistic strands evident in earlier Marxism have succumbed to a more analytical and robust hard-headedness, as can be seen by comparing discussions of these issues over time. The relative sophistication of some of the writers dealt with in Chapter 16 may be set favourably against

the work of their predecessors who analysed the Great Depression. In addition, the complex problems which Marxian economists now accept as necessarily involved in organising a socialist economy represent a sharp contrast with both the unworldly confidence of many Bolsheviks in 1917 and the unimaginative authoritarianism of the Stalinists.

Notes

1. L. Kolakowski, *Main Currents of Marxism, Volume III. The Breakdown* (Oxford: Clarendon Press, 1978), p. 494.
2. T. B. Bottomore and M. Rubel (eds), *Karl Marx: Selected Writings in Sociology and Social Philosophy* (Harmondsworth: Penguin, 1963), p. 84.