

Political Economy After Economics

Scientific method and radical
imagination

David Laibman



Routledge Frontiers of Political Economy

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Political Economy After Economics

The “magnificent dynamics” and broad social focus of the classical political economists were replaced, at the end of the nineteenth century, by mathematically structured abstract models of competition among “individuals” and “firms.” Should we reject modern economics and go back to the grand philosophical approaches of Adam Smith and Karl Marx (among others)? Or should we redevelop and strengthen those approaches by incorporating the more recent model-building methods? The question answers itself.

Chapter by chapter, this book examines a wide range of economic problems, among others: technical change and the rate of profit, value and price formation in capitalist economies, classical (as opposed to textbook) approaches to supply and demand, rationing and price control, the impact of government policy on economic activity, and the nature and role of incentives in a model of socialist planning that is both central and decentralized. In each case, it is shown that formal economic-theory methods can be used to support, rather than to obscure, the core insight of critical political economics: the “economy” is really an aspect of a deeper system of social relations, with huge implications for power, conflict, and social transformation.

This re-incorporation of economics into political economy is one (small, but not insignificant) element in a larger project: to place all of the resources of present-day social-scientific research at the service of increasing democracy, in an ultimate direction toward socialism in the classic sense. An economics-enriched political economy is, above all, empowering; working people in general can calculate, build models, think theoretically, and contribute to a human-worthy future, rather than leaving all this to their “betters.”

David Laibman is Professor of Economics (retired) at Brooklyn College and the Graduate Center, City University of New York. He is also Editor of *Science & Society*.

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Scientific method and radical imagination
David Laibman

For HENRY JAY LARKIN

**My grandson, born around the same time as this book
A new life, open to all the possibilities of science and social
imagination**

Preface

The ten chapters that comprise this book were (with one exception) all previously published. They cover topics ranging from Marxist concerns with value, accumulation and crisis in capitalist economies, through various issues in micro- and macroeconomics, to the theory of the socialist economy. They all, to varying degrees, use quantitative methods – the formal models of economic theory, in the form of simple algebra, analytic geometry and two-dimensional geometric representations of relations among variables, calculus and optimization, matrix algebra, and ordinary differential and difference equations.

Readers who have no prior contact with quantitative analysis may find some of this to be tough sledding. I venture to think, however, that other readers, with strong mathematical backgrounds but perhaps less acquaintance with the Marxist tradition in social thought, may find other aspects of the arguments difficult to follow, as these involve rigorous use of *qualitative* abstractions and tackle the less familiar (and more controversial!) inner layers of social reality. I hope both groups will come away with a sense that encounter with the previously unexperienced dimensions (whichever they are) has been worthwhile. Without wanting to seem presumptuous, I would like to repeat Marx's warning, from the Preface to the French edition of *Capital*: "There is no royal road to science." I will leave it to others to decide whether the works collected here do indeed contribute to science, and (need I say?) to human progress (the general philosophy tying this collection together is developed in the Introduction). I also, of course, wonder whether my arguments (validity aside) could be made more simply. I do, however, insist that the investigatory techniques are themselves worth pursuing, and – like Aristotle's Third Class of Goods – not merely a means to an exterior end.

I have supplied short "Introductory perspectives" sections at the heads of the chapters. Each of these provides, in an informal voice, some context for the argument of its chapter, and tries to capture the core of that argument in non-technical terms. Readers who wish to approach the formal models cautiously may want to read through all of the "Introductory perspectives" pieces first, to get a sense of the whole. There is no substitute for tackling the actual arguments themselves, however; otherwise, you have to "take my word for" too much. Perhaps the material can be approached in three stages. First, the introductory pieces. Second, read a chapter through to the end, to get a sense of the whole. Finally – at least this is

what I have to do when I read similar literature – take paper and pen, write out the models, noting in your own hand the definitions of every item of notation (so you can easily find them) and deriving for yourself the various steps in the exposition. I sincerely hope that you will *not* find any errors! (But if you do, let me know; that is also part of the “royal road to science.”) I also sincerely hope that you *will* find weaknesses, simplifying assumptions that you would like to drop, new avenues that I do not pursue but that are suggested by my argument, and so on.

Another hint: don’t be afraid to work out numerical examples and cases of your own, so that you become completely certain about some property or other. The intimate synergy between *scientific method* and *radical imagination* is the unifying theme of this book, which is otherwise devoted to a rather bewildering variety of topics. The habit of *calculating* is essential to the capacity to prevision, and democratic prevision – the shared vision of an alternative social path – therefore requires wide dissemination of that habit. John Reed once described the Russia of 1917 as a “nation of orators.” Perhaps we could turn this into a more general prescription: we need a world full of nations of orators, *and* calculators.

The articles reproduced in this volume had footnotes in the original published versions, not for documentation but for tangential remarks: qualifying comments, warnings about possible misinterpretations, suggestions about wider issues, definitions (where needed). There are not too many of these, and I always tried to avoid the literary excess of “footnotes for footnotes’ sake.” Some notes remain, however, and I found, while preparing the manuscript, that it would be awkward and distracting to incorporate them into the main text. But I also hesitated to have them placed as endnotes. As a reader of books, I have often been bothered by the imposed need to toggle constantly back and forth between main text and endnotes, and I do want to encourage readers to read the notes in context. The editors at Routledge have kindly agreed to allow me to present the tangential remarks as *sidenotes*. These appear within the main text, at the end of the paragraph following the passage to which they refer. They are separated from the main text by being set in a smaller point size, and both the paragraph and the sidenote are marked with a dagger (†). This small editorial innovation thus makes it possible to combine ease of book production (page formatting) with ease of reading.

I cannot hope to acknowledge the help of every person whose advice and insight I have received, and hopefully absorbed, over the years during which these papers were produced. With apologies to everyone I am leaving out, I would like to mention David Barkin, Al Campbell, Ann Davis, Alan Freeman, Harvey Gram, Robin Hahnel, Julio Huato, Andrew Kliman, Michael Lebowitz, Dimitris Milonakis, Gary Mongiovi, Bertell Ollman, Paddy Quick, Alejandro Ramos, Anwar Shaikh, Gil Skillman, Frank Thompson, Thom Thurston, Yanis Varoufakis, Andriana Vlachou, Vivian Walsh, Richard D. Wolff, numerous anonymous referees, and several generations of students. As always, everyone who has contributed to my work is absolved from any responsibility for choices I have made, or errors committed.

Brooklyn, New York
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Chapter 3: “Technical Change, Accumulation and the Rate of Profit Revisited,” *Review of Radical Political Economics*, Vol. 28, No. 2 (June 1996), pp. 33–53; “Accumulation, Technical Change and Prisoners’ Dilemmas: A Rejoinder to Frank Thompson,” *Review of Radical Political Economics*, Vol. 30, No. 2 (June 1998), pp. 87–101. (Permissions from Union for Radical Political Economics.)

Chapter 4: “Okishio and His Critics: Historical Cost Vs. Replacement Cost,” *Research in Political Economy*, Vol. 17 (1999), pp. 207–227; “Two of Everything: A Response,” *Research in Political Economy*, Vol. 18 (2000), pp. 269–278.

Chapter 5: “Is There a Classical Theory of Supply and Demand?” In *Growth, Distribution and Effective Demand: Alternatives to Economic Orthodoxy (Essays in Honor of Edward J. Nell)*, edited by George Argyrous, Mathew Forstater, and Gary Mongiovi. M.E. Sharpe, Inc. (2004), pp. 279–292.

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Chapter 7: “Non-Constant Returns, Pareto Optimality and Competitive Equilibrium,” *Review of Political Economy*, Vol. 13, No. 4 (2001), pp. 471–481.

Chapter 8: “Broadening the Theory of Aggregate Supply: A ‘New Critical’ Proposal,” *Eastern Economic Journal*, Vol. 32, No. 2 (Spring 2006), pp. 241–257. (Permission from Palgrave Macmillan.)

Chapter 9: “Revisioning Socialism: The Cherry Esplanade Conjecture.” In *Contemporary Economic Theory: Radical Critiques of Neoliberalism*, edited by Andriana Vlachou. Macmillan Press (1999), pp. 113–132.

Chapter 10: “Incentive Design, Iterative Planning and Local Knowledge in a Maturing Socialist Economy,” *International Critical Thought*, Vol. 1, No. 1 (March 2011), pp. 1–22.

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