Comment on Bowles and Pollin

Diane Flaherty

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honor of Thomas Weisskopf.
PREFACE

This working paper is one of a collection of papers, most of which were prepared for and presented at a festschrift conference to honor the life’s work of Professor Thomas Weisskopf of the University of Michigan, Ann Arbor. The conference took place on September 30 - October 1, 2011 at the Political Economy Research Institute, University of Massachusetts, Amherst. The full collection of papers will be published by Elgar Edward Publishing in February 2013 as a festschrift volume titled, *Capitalism on Trial: Explorations in the Tradition of Thomas E. Weisskopf*. The volume’s editors are Jeannette Wicks-Lim and Robert Pollin of PERI.

Since the early 1970s, Tom Weisskopf has been challenging the foundations of mainstream economics and, still more fundamentally, the nature and logic of capitalism. That is, Weisskopf began putting capitalism on trial over 40 years ago. He rapidly established himself as a major contributor within the newly emerging field of radical economics and has remained a giant in the field ever since. The hallmarks of his work are his powerful commitments to both egalitarianism as a moral imperative and rigorous research standards as a means.

We chose the themes and contributors for this working paper series, and the upcoming festschrift, to reflect the main areas of work on which Tom Weisskopf has focused, with the aim of extending research in these areas in productive new directions. The series is divided into eight sections, including closing reflections by our honoree himself, Professor Weisskopf. Each section except for the last includes comments by discussants as well as the papers themselves.

The eight sections are as follows:

1. Reflections on Thomas Weisskopf’s Contributions to Political Economy
2. Issues in Developing Economies
3. Power Dynamics in Capitalism
4. Trends in U.S. Labor Markets
5. Discrimination and the Role of Affirmative Action Policies
6. Macroeconomic Issues in the United States
7. Applications of Marxist Economic Theory
8. Reflections by Thomas Weisskopf

This working paper is 3 of 3 included in Section 1.

- Jeannette Wicks-Lim and Robert Pollin
Comment on Bowles and Pollin

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Celebrating Tom Weisskopf’s life and work has provided a wonderful opportunity to revisit his work and see it as a coherent and enlightening whole. It also has been a great surprise to read the papers upon which I am commenting. We all know Tom as a leader in economics, but unknown to me until now was his role as artistic muse. Somehow, he has inspired Sam Bowles and Bob Pollin to take creative leaps in their papers. Bowles has written his first contribution to off-off-off Broadway and Pollin to the genre of the political tract, ready for nailing on the doors of investment banks, our modern equivalent to Luther’s churches.

The contributions of both Bowles and Pollin are deep and dense and in commenting I can only scratch the surface of their analyses. So, I will give my perspective on just a few issues of both method and substance of the papers and suggest ways in which they are solidly in the framework of Weisskopf’s work.

First on method, the overarching point made by both Bowles and Pollin is that Weisskopf was a pivotal figure in moving economics to take history and institutions seriously. Clearly, social structure of accumulation theory marked a big step forward in systematic incorporation of institutions into economic analysis. This new approach revealed in great detail the extent to which ahistorical theories are unable to analyze and predict even large movements in economic conditions.

What I have always found to be significant in this body of work, including the work of Bowles as well as Weisskopf, is that their commitment to incorporating history and institutions did not derive from or imply a rejection of formal modeling.

The left often argues for the rejection of formal mathematical models because of their level of abstraction and simplicity. Still, simplicity can be desirable because of its potential for making transparent the basic assumptions and relations of the analysis. Complexity, on the other hand, can be more obfuscatory than revealing of the central forces assumed to be operating on the economy. Weiskopf’s 1979 paper on crisis theory discussed by Pollin is both pathbreaking and in this regard courageous, since it was written at a time when abstraction and simplicity were increasingly in disrepute among his peers.

This paper also is an interesting example of how Weiskopf has been able to bridge the gap between careful historical and institutional analysis and the development of formal models that isolate the central influences behind the thick description of the SSA approach. Both methods are much criticized, thick description for not explaining and justifying sufficiently the relative importance given to the privileged institutions and phenomena. As Pollin’s paper notes, at the other end of the bridge is Tom’s simple decomposition model of the competing theories of the falling profit rate and crisis. In sorting out causes of crisis, Weisskopf here clearly demonstrated the nature of interaction between a simple skeleton of abstract theorizing used to prioritize across historical and institutional detail and this detail itself, which must be allowed to push back against inappropriate, ahistorical abstractions.
A rallying cry in the early days of URPE was ‘off the pike’, signaling rejection of the formalism of turnpike theorems. (Robert Dorfman, Paul Samuelson and Robert Solo, 1958, provides a concise statement of turnpike theorems in economics.) Weisskopf certainly was a leader in taking us to the exit ramp, but he was also a force in keeping us from going totally off-road into a ditch of theoretical incoherence. He never stopped holding radical economics to a high standard of rigor or insisting on the appropriateness of many paradigms and approaches, including simple models.

Bowles’s paper is a clever and fun reconciliation of significantly different paradigms at a very high level of abstraction. Note, however, that the path back to equilibrium if we are not there is anything but abstract. Rather, the shifting of each of the curves representing the core relationships between wages, employment and labor supply comes from political pressure and action. This methodological approach is I think very fruitful. Paradigms starting from very different specifications of the central economic relationships can be compared and contrasted only at a very abstract level, where the bare bones of the theory are exposed. Yet, to make the story dynamic, Bowles is clear that the bones must be fleshed out with political muscle to motivate the return to equilibrium. Identifying political factors behind class struggle, competition and determination of aggregate demand in turn requires understanding of history and institutions. Indeed, Bowles’s work in the last decade or so is directly related to this task of understanding the formation of group norms and the requirements for groups to act in concert for joint ends. I do have a quibble with the play, however. I would have liked the actors to be more explicit about the difficulty of specifying the relevant dynamics in a world of shifting political alliances and power relations behind the determination of fiscal and monetary policy. Discussing dynamics would have revealed the differences at the table in Bowles’s kitchen and surely have started a food fight. Keynes’s ultimate faith in the ability of capitalism and its managers to correct its excesses is after all in direct conflict with a Marxian theory of ultimate decline.

Pollin’s theses also reveal a close kinship with Weisskopf’s approach to economics. On market socialism, Pollin rejects the blueprint approach which defines the ideal form of socialism without saying much about how to get there from here. In contrast, Weisskopf’s theory takes seriously the initial conditions, namely capitalism, and constructs a theory of socialism building on gradual changes toward an end that can only be seen dimly through the veil of uncertainty that is the future.

I completely agree with Pollin here that a main strength of Weisskopf’s models of market socialism is that they are open-ended. If we are serious about developing models with historical roots, it is impossible not to find detailed blueprints for socialism a bit silly. Social systems evolve in path-dependent ways and the outcomes cannot be specified in advance.

I would however emphasize more than Pollin does another aspect of Weisskopf’s theory of market socialism, which highlights a theme throughout Tom’s work, namely democracy as a condition for economic growth.

This fundamental issue arises most prominently in assessments of growth in countries like South Korea and more recently China. It is very obvious that the conditions for growth in these countries substantially have involved the role of the state in allocating resources, but the down side of central control is often not sufficiently recognized. For example, the left can be schizophrenic on China. While criticizing the increasing inequality that is arising in China as part of its growth process, the growth rate per se nonetheless often is held up as an example of how government control is a condition for success. Insufficient discussion goes on of the relationship between growth driven by state priorities and the negative side effects of growth in China,
inequality and also pollution for example. The historical enthusiasm for the South Korean growth strategy is another case in point. While inequality in South Korea did not reach the proportions of India and China, the point remains that South Korea was a repressive regime for decades and its suppression of the rights of trade unions was a key part of its political control over economic outcomes. While wages did grow steadily, workers for a long time were not allowed to contest the imposed trade-off between wages and worker rights. Here I suggest and perhaps disagree somewhat with Pollin that getting the prices wrong is not sufficient – the wrong prices must not lead to wrong outcomes in income distribution and participation.

This brings us back to Weisskopf and his nuanced analysis of market socialism. His model takes into account the need for economic loci of countervailing power to a central planning authority. Without such multiplicity of sites of economic decision-making, the historic failure of state control to support democratic decision-making cannot be addressed or reversed. This concern for democracy is also clear, as Pollin notes, in Weisskopf’s analysis of affirmative action. Here, too, Weisskopf’s point is to construct a careful and delicate argument concerning the specific conditions under which affirmative action is a positive force for change. Weisskopf’s weapon of choice is not an ideological hammer: as ever, he prefers to persuade by logic and evidence. I do take Pollin’s critical point, though, that affirmative action must be embedded in a broader economic environment in which affirmative action does not become a zero sum game across groups. Weisskopf does perhaps pay too little attention to how to loosen such a system-wide constraint as part of the application of affirmative action.

Finally, back to market socialism. I am just back from Croatia, where I met with many East European economists. From this experience, I have to qualify by way of an update Pollin’s point that Eastern Europe did not follow Weisskopf’s suggested path in the transition. There is growing dissatisfaction in the region with the ‘discipline of the market’ and increasing interest in mixed economy models, especially those that can to some extent mitigate the domestic effects of global crisis. Thus, the kind of transition Weisskopf proposed is in fact receiving new attention. Taking us back to the second theme of these comments, the sticking point for more government intervention is democracy and its fragility in many transition countries. The legacy of repressive governments is great suspicion of the ability of the government to intervene in ways that serve the public interest rather than the maintenance and expansion of power of bureaucrats. Weisskopf’s emphasis throughout his many fields of inquiry on democracy as a core part of any desired economy is a fixed point we all would do well to keep in view.

Weisskopf’s consistent commitment to and success in producing nuanced, historically-grounded and evolutionary theory, rejecting adherence to received doctrine, is an example for all of us. Clearly, in their contributions here as well as in their other work, Bowles and Pollin provide two additional examples of the fruitfulness of this approach and it was a pleasure to read their papers.

REFERENCES