

AT THE 1971 MEETING of the American Economics Association, Joan Robinson told a large and receptive audience for her keynote address that economic theory again faced a crisis similar to that of the 1930s. But this time, instead of depression and the question of whether orthodox theory could deliver the goods, "The Second Crisis of Economic Theory" related to *what* goods and for *whom*.¹

Expressing concern over matters ranging from the destruction of the environment and the quality of life to continued poverty and inequities in income distribution, Robinson noted that the crisis centered both on the allocation of resources and on the distribution of income. And here she pointed to the "evident bankruptcy of economic theory which for the second time has nothing to say on the questions that, to everyone except economists, appear to be most in need of an answer." The crisis, of course, relates to capitalism itself. And, it should be noted, it is a crisis more fundamental than that of the 1930s. To question what production is for and who should receive the fruits of that production is to question production for surplus-value. It is to question the very core of capitalist society.

So foul a sky clears not without a storm. And a recent book, *A Critique of Economic Theory*, is directed to the economists (in service and in training) who will have to weather this second storm.² The book is a valuable collection which demonstrates the existence of a body of work critical of the dominant themes in academic economics. By examining some of the strengths and weaknesses of the book, it is possible to understand both the nature of the current crisis of economic theory and its material foundation.

A Critique of Economic Theory covers a wide range of subjects. Including among its authors Robinson, Dobb, Kalecki, Meek, Nuti and O'Connor, the book's subjects span Galbraith, incomes policies, the "political business cycle," the "capital controversy" and an excerpt from Meszaros on Marx's theory of alienation. Some of the essays, like Kalecki's "Political Aspects of Full Employment" (a remarkably prescient piece written in 1943), have been relatively inaccessible; and their inclusion in this volume along with other essays in the same area (such as the inspired pairing of the Kalecki article with Nuti's "On Incomes Policy") makes the book an important addition to one's library.

The core of the book, however, deals with one central issue: the critique of the neoclassical theory of income distribution, that theory which has done yeoman ideological service by "proving" that everyone gets the income he deserves. Drawing upon the "Cambridge Criticism" or neo-Ricardian critique initiated by Sraffa, the editors have assembled a splendid sequence of essays which make it possible for the reader who is prepared to follow the arguments to understand the nature of the critique which has shattered, from within, the hegemony of neoclassical economic theory.

Thus Dobb and Meek place the neoclassical theory historically; Robinson, Dobb and Nuti assess the significance of the Sraffa model; Robinson and Garegnani dispose of attempted defenses by Samuelson and other prominent neoclassical economists; and Dobb and Medio, relate the critique to Marxian economics. In the course of the essays, a number of the critical tenets of the neoclassical faith fall by the wayside. Dobb and Meek, for example, point out that neoclassical economics is not fundamentally different from the vulgar economics which Marx criticized. Several articles (Robinson, Garegnani and Johansen) demonstrate that consideration of marginal utility and consumer demand adds little or nothing in the determination of equilibrium prices.³

In relation to the marginal product of capital, Dobb, Robinson and Garegnani show that attempts to relate the return to capital to its contribution are based on circular reasoning, since it is impossible to conceive of a quantity of capital independent of the profit rate. And, finally,

¹ Joan Robinson, "The Second Crisis of Economic Theory," *American Economic Review* (May 1972).

² E. K. Hunt and Jesse G. Schwartz, *A Critique of Economic Theory; Selected Readings* (Middlesex, England, 1972).

³ Sherman's essay, which tries to reconcile the labor theory of value with neoclassical theory, seems somewhat out of place in this volume. Sherman's treatment of neoclassical price theory and Marx's "price theory" as special cases of each other misses the crucial-and unbridgeable-difference between the two approaches.

Garegnani disposes of the production function and the marginal productivity theory of distribution by demonstrating that there is no unique relationship between the degree of capital intensity and the distribution of income.

What does it all mean? It means simply that justification of the distribution of income by reference to technology and technique has lost its theoretical underpinning. The theoretical nexus between the return to the owner of capital and the contribution of means of production has been shattered; the result is to expose as pure ideology the dictum of J. B. Clark (anticipated much earlier in J. B. Say's catechisms) that "what a social class gets is, under natural law, what it contributes to the general output of industry." What then is there to replace technological determination of income distribution? As Nuti points out, as long as everyone gets his "fair" share according to his individual contribution to the production process, there is no place for class struggle. In short, the critique of neoclassical theory makes possible the reintroduction of power and social relations into academic economics; it makes possible a return to political economy.

And the demonstration of the need for a return to political economy is precisely the intent of the editors of *A Critique of Economic Theory*. As Hunt and Schwartz indicate in a scathing introduction which deals with the training of new economists, the ideological nature of economic science, and its pretensions to objectivity, academic economics has been a realm where things are in the saddle and ride mankind, an economics of inhumanity. The editors end with a call for a new political economy which can demystify modern economics and help young people to discover a "world of passionate possibilities." It is pertinent, however, to ask what kind of political economy it shall be.

In the light of the call for a new political economy, there are several disturbing aspects of the book. The critique of economic theory is almost entirely a critique of microeconomic theory. Although the Kalecki and Nuti articles in relation to state activity fit nicely together, in all there is nothing which provides an analogous critique of macroeconomic theory. Is there none? What is not in the book is revealing. Similarly, in a book with this title and perspective, there is the striking absence of Marx's own critique of political economy (both vulgar and classical) which appears in *Capital* and the *Theories of Surplus Value*. The Marx that is included here is the Marx of the 1844 Manuscripts, and this is supplemented by Meszaros on Marx's theory of alienation. The selections are welcome, but again the question remains-why the obvious omission? These disturbing elements fall into place when we consider the extent to which the new critique rests on Sraffa's work. Given the embrace of the "Sraffa-Marx model" by one of the editors, it is necessary to explore the nature of that model and to consider its limitations as a basis for a new political economy.⁴

The Sraffa-Marx Model?

By developing a model which, given technical conditions of production and the real wage, determines relative prices and the rate of profits, and also by demonstrating the possibility of "re-switching," Sraffa lays the groundwork for much of the current critique of neoclassical theory.⁵ Similarly, as Medio shows in one of the Hunt/Schwartz volume's finest essays, Sraffa provided the basis for a correct solution to the "transformation problem" which has haunted many Marxists.⁶ The praise of Marxists for the initiator of the demolition of the old vulgar economy has accordingly been well-taken. However, from a Marxist perspective, there are serious problems with the Sraffa model. Simply stated, it suppresses the sale of labor-power, obscures the source of surplus, and implicitly treats the value analysis of *Capital* as an "unnecessary detour.

With the exception of Medio's essay and some comments by Nuti, a critical view of the Sraffian (or neo-Ricardian) critique is absent from *A Critique of Economic Theory*. This lack would have been evident if due attention had been given to Marx's criticisms of classical political economy (and, particularly, Ricardo and the Ricardian School). For the treatment of capital as a thing rather

⁴ Since the concern here is not with Sraffa's critique of neoclassical theory or his solution for the transformation problem, the focus and evaluation is somewhat different from that in earlier treatments in this journal. Cf. Ronald Meek, "Sraffa's Rehabilitation of Classical Economics," *Science & Society* (Spring, 1961) and E. K. Hunt and Howard Sherman, "Value, Alienation, and Distribution." *Science & Society* (Spring, 1972).

⁵ Piero Sraffa, *Production of Commodities by Means of Commodities: Prelude to a Critique of Economic Theory* (Cambridge, 1960).

⁶ Medio's essay, "Profits and Surplus-Value: Appearance and Reality in Capitalist Production," is an original essay which provides the framework for a number of comments in this section.

than as a relation, the inability to explain clearly the source of profits, the tendency to find formal solutions which began from surface forms as a premise, the conception of production relations as natural rather than historical—all these problems, and some others which Marx identified in Ricardian economics, reappear in the Sraffa model.

Consider, for example, Sraffa's central equation for his standard system:

$$r=R(1-zu),$$

where r is the rate of profits; R , the ratio of net product (surplus) to the means of production; and u , the wage per unit of labor (or alternatively, the wage share of national income). While it is possible to reduce the Sraffian equation to a more familiar Marxian equation, the view of the surplus and the wage in the Sraffian system is critical. Rather than the Marxian surplus-value, the Sraffian surplus (or net product or national income) includes the share of both capitalists and workers. Similarly, the wage simply limits the portion of the surplus which can serve as profits.

Consider, then, the implications of treating the wage as a share of a preexisting surplus rather than as an input. As Sraffa noted, there are alternative ways of viewing the wage. One, which he employs in his earliest examples, would be to consider the wage as part of a necessary input—as a subsistence for workers. Another, which Sraffa prefers, would consider a portion of the wage as subsistence and a portion as a share of surplus. In choosing to treat the whole wage as a portion of the surplus, Sraffa avoids the problem of determining inputs into the production of wage-laborers where subsistence is socially rather than physiologically determined.

Despite, however, Dobb's comment that nothing in principle is involved in the way Sraffa deals with the wage, only one of Sraffa's three alternatives pertains to the real relations of capitalist production. Only by considering the *entire* wage as the cost of a necessary input can the fact be grasped that in capitalist production the purchase of labor-power is a necessary precondition of production; and this clearly is as true in the case of a social subsistence as in that of a physiological subsistence.

As Marx took pains to note, one can not be indifferent to the form of representing a relationship. To represent a relationship in the manner in which it appears on the surface and to "conceal the very transaction that characterizes capital, namely the exchange of variable capital for living labor-power" is to perpetuate the mystification of real relations.⁷ And this is what occurs in the Sraffa model, which substitutes for the sale of labor-power a division of a preexisting surplus.⁷

Thus in the Sraffa model, capitalist and worker face each other and divide up the spoils *outside anal after* the production process. As in the case of the money-capitalist, the worker stands outside the production process and claims a share of the surplus (presumably on the basis of having parted with a use-value prior to production). As the counterpart of fetish capital, we have fetish labor.

One characteristic of this system is that the necessities of consumption are treated the same as luxuries in that they do not enter into the production of other commodities—because in the world of *Production of Commodities by Means of Commodities* labor-power is not a commodity. By abolishing the sale of labor-power and thus obscuring the nature of capital as a relation, Sraffa has developed a model which may be appropriate for another social system but which can not be considered consistent with the Marxian analysis of capitalism.⁸

Given the treatment of labor-power, there are obvious problems in divining the source of surplus in the Sraffa model. For Marx, explanation of the existence of surplus value was the essential problem; and he found it in the "non-equivalent exchange" where, because labor-power was sold as a commodity, the worker did not receive the use-value of labor (contribution to production).⁹ But for Sraffa, this question does not exist—because this particular exchange is not present.

⁷ Cf. *Capital*, Vol. 1, Ch. 18.

⁸ One can easily envision the decision by associated workers to divide up a Sraffian surplus into wages, bonuses and "profit" (for the purpose of accumulation). A workers council, an Occenite cooperative or a socialist economy may, in fact, make as its basic decision its desired rate of accumulation, which will determine the necessary profit rate and, given R , the level of wages. To demonstrate the good fit of the Sraffa model to a distinct social system is to underscore its inappropriateness as a representation of capitalism.

⁹ Edward Nell has recently described the fallacy of the neo-classical extension of the theory of exchange from product markets to factor markets and provided an extremely useful diagram to counter the "circular flow" promulgated in elementary economics texts. Edward Nell, "Economics:

The Sraffian surplus or net product emerges simply from a technical relationship: a given set of techniques of production produces a given R (or ratio of surplus to means of production). But where does the surplus or net product come from? Recalling Marx's comment about the self-evident nature of Lucretius' observation that "out of nothing, nothing can be created," it is appropriate to ask whether the Sraffian surplus comes out of nothing.

The key to the Sraffian surplus is to be found in his interpretation of Ricardo in his introduction to that writer's collected works. In Ricardo's corn (wheat) industry, there is an excess of physical quantity of output over the physical quantity of input (expressed in the same commodity, corn). As Sraffa noted, this comparison of physical quantities made it possible to determine the rate of profit "independently of value."¹⁰ The excess, determined by a technical relationship, sets R; and with a given R the rate of profits varies with the corn-wage.

This Ricardian model is generalized by Sraffa. In his first example, Sraffa produces a physical surplus in the wheat industry (rather than the "unproductive" iron industry) and allocates the surplus between the two industries through relative prices. The example is extended to several industries, all producing a net product or surplus, and then generalized. (Sraffa's "standard" or composite basic commodity performs the same function as corn in Ricardo's model, permitting a direct comparison between inputs and outputs). Throughout, there is no explanation of how it is possible that a surplus can emerge. How can there be a commodity (or set of commodities) which reproduces more than is required for its own replacement? This question, for which Marx proposed an answer, is not posed by Sraffa (who excludes labor-power as such a commodity).

What the approach all boils down to is the assumption of a technical process by which some use-values are transformed into more use-values. (That the latter set may not involve a higher value than the former set is not considered; to do so would require investigation of the source of exchange value and surplus value.) It is reminiscent of Marx's comments about McCulloch (a follower of Ricardo), who turned use-values into exchange-values and "transformed commodities into workers."

Agriculture, of course, has, since the Physiocrats, been the favorite example in this use-value approach because it permits comparability of inputs and outputs. Yet in Marx's comments on Torrens' case of a corn surplus, he notes that "even considered physiologically, as use-value," the surplus product already exists in the form of manure, air, water, light and salts in the soil. In short, in the sphere of production of use-values, use-values which exist independent of human intervention must be considered as inputs; out of nothing, nothing can be created.¹¹

In contrast to the use-value approach (which, like the marginal product parables, is short of examples outside agriculture), Marx emphasized the socially necessary input of human labor, an approach which focuses on the productivity of labor and its implications. In the case of agriculture, he viewed the action of Nature as permitting an exceptional increase in the productivity of labor. The result of the "gratuitous service" of Nature was that commodities requiring a low expenditure of human productive energy were produced. And, to the extent that these commodities entered into the production of workers, a high productivity (or low value of necessities of consumption) permitted the existence of a surplus over the requirements for replacement of labor-power.

There is a relatively simple extension of Marx's approach to sectors other than agriculture. In addition to the role of Nature, Marx called attention to the importance of science and long-lived fixed capital in affecting the productivity of labor. In particular, he identified the growing gap between the fixed capital employed in production and the depreciating portion of that fixed capital as a powerful and ever-increasing influence on the productivity of labor (and thus also on the production of surplus-value).¹² The "gratuitous service of past labor," like that of natural forces, was seen as a major factor in lowering the value of individual commodities, reducing the value of labor-power and increasing the rate of surplus-value.¹³

the Revival of Political Economy," in Robin Blackburn, *Ideology in Social Science* (New York, 1973).

¹⁰ 10 Sraffa, op. cit., p. 93.

¹¹ Marx's comments on McCulloch and Torrens appear in the section, "Disintegration of the Ricardian School," in *Theories of Surplus Value*, Volume 111.

¹² Note that when fixed capital is considered, Sraffa's R is significantly affected by the growth of long-lived fixed capital.

¹³ 13 *Capital*, Vol. I, Ch. 15, Sec. 2; Ch. 24, Sec. 4.

Nature, science, technology and the products of past labor--- all viewed by Marx in terms of their effect on the productivity of labor and the production of surplus-value-are subsumed by Sraffa in the technical conditions of production. R, reflecting technique, determines the production of a surplus; and the distribution of that surplus is left to social institutions. This is John Stuart Mill with a vengeance. Production is consigned to the technical and natural sphere, while distribution is historical and social, a matter of human institutions. This complete severance of production relations and distribution relations is central to the Sraffa model; and for those who would invoke a "Sraffa-Marx model," it is well to note Marx's comment about the "insipidity of the economists who treat production as an eternal truth, and banish history to the domain of distribution."¹⁴

In view of the above discussion, the observation that Sraffa downgrades the value analysis of Volumes I and II of *Capital* will be no surprise. However, in considering the effect of the Sraffa model and neo-Ricardian theory on the approaches economists are likely to be taking in the future, this question deserves special comment. A model which poses a direct relationship among wages, the rate of profits and relative prices can quite naturally be expected to treat the value analysis of Volume I and II of *Capital* as an "unnecessary detour." It is significant that, using an approach which he has identified as Sraffian or pre-Marxian, Samuelson concluded that Volume I's exploration of value and surplus-value was a "digression" and that the Volume III "transformation" of values into prices is simply an "erase and replace" exercise performed between two mutually exclusive approaches.¹⁵

In order to understand the true sense in which relationships among wages, prices and profits are central to Marx's model, it is necessary to recall the nature of the methodology of *Capital*. The development from Volume I to Volume III is an illustration of what Marx described as the "scientifically correct method," that of reasoning from abstract concepts to concrete forms as a way of grasping in our minds those concrete forms. The whole point of Marx's "detour" was to understand the forms which economic categories assume on the surface of society-as well as to criticize the political economy which *directly* relates the surface forms without determining their underlying and essential links. It was not, on the other hand, meant as a demonstration that the abstract concepts *are* the reality, a position which Marx described as Hegel's error.¹⁶

From this perspective, once the inner connections of categories have been grasped, consideration of relationships among concrete forms does not require us to reproduce, each time, the process by which that understanding was reached. The appropriate test, then, of a model relating categories is whether it is informed by an understanding of the inner connections of those forms. By this test, the neo-Ricardian model fails because it obscures the essential character of capitalist production.¹⁷

A "Sraffa-Marx model," thus, is an unlikely amalgam; and a new political economy based on the Sraffa model is unlikely to reveal a world of passionate possibilities.

Passionate Possibilities and Alienation

Those who do not take the "detour" will not be aware of the path Marx sketched out to a world of "passionate possibilities." For it is in Volume I of *Capital* that Marx described in detail the drive of capital to press into service nature, science and the products of past labor in its search for surplus-value. And, in the resulting diminution of necessary labor-time and the value of labor-power, which produced an increase in relative surplus value, Marx saw not only the cost to the

¹⁴ David McLellan (ed.), *Karl Marx: The Grundrisse* (New York, 1972), p. 30. For some of Marx's comments on Mill, see *ibid.*, p. 151, and also *Capital, Vol. III*, Ch. 51.

¹⁵ In his "counterattack," Samuelson has indicated he is prepared to come to terms with Sraffa-but not with Marx. Paul Samuelson, "Understanding the Marxian Notion of Exploitation: A Summary of the So-Called Transformation Problem Between Marxian Values and Competitive Prices," *Journal of Economic Literature* (June 1971); "Samuelson's Reply on Marxian Matters," *ibid.* (March, 1973). Note that Medio also points out in this context that "the neo-Ricardian theory, While providing the analytical tools for a correct solution of the 'transformation problem,' at the same time denies its relevance

¹⁶ Marx, "The Method of Political Economy," in McLellan, *op. cit.*, pp. 33-5

¹⁷ The Medio and Johansen models in the Hunt and Schwartz book, on the other hand, pass the test.

individual laborer (in the form of degradation, self-estrangement and exploitation) but also the possibilities for the complete development of the potentialities that lie within human beings.

The increase in the productive powers of social labor, transmitted increasingly through the crystallized social labor with which living labor works, becomes the basis for the reduction of the portion of the work-day which workers require to produce their means of subsistence. Under capitalist relations, the superfluous time takes the form of surplus labor which brings with it, among other things, the superfluous employment of labor in the circulation sphere.¹⁸ Yet this superfluous or disposable time is potentially the basis for free human activity, that activity which is "not dominated by the pressure of an extraneous purpose which must be fulfilled, and the fulfillment of which is regarded as a natural necessity or a social duty."¹⁹ It is this scope for free activity-true human wealth-which Marx saw as the foundation for real social labor and for the evolution of the full human potential-intellectual and social-as an end in itself.²⁰ These were the passionate possibilities for humanity for which capitalist production paved the way but for which removal of capitalist relations have proved to be a necessary condition of realization.

By focusing on labor-time and the productivity of social labor, value analysis permits recognition of fixed capital as both the result and condition of social labor; it allows us to understand our social relationships as such rather than as the properties of things, as the properties of the material *elements of* production. At the same time, by placing time at the center of its analysis, it points to the significance of both the length and division of the work-day and also the squandering within capitalist relations of the substance of wealth, labor-time.²¹ Value analysis, accordingly, directs attention to the need to move beyond capitalist relations to a society in which the developing productivity of social labor serves as the basis for the free and full development of all people.

Consider, then, the nature of a theory such as that of Sraffa which, clinging to use-value, observes only a world of commodities (but not labor-power as a commodity); which incorporates past labor, science and nature within technique (and separates this from living labor); and which attributes production of a surplus not to social labor and the specific social relationship within which it is performed but to technique itself (to nature, science and technology). Such a theory is simply a theory of alienated economics. In addition to the general inability to pass beyond things to people, it reflects a world in which all applications of science, natural forces and products of labor on a large scale confront individual laborers only as something extraneous; where the worker "looks at the social nature of his labor, at its combination with the labor of others for a common purpose, as he would at an alien power."²²

This separation of technique from living labor in the theory mirrors a stage in the development of capitalism markedly- an intensified growth of fixed capital, where wealth as measured in use-value appears to be the result of fixed capital rather than of living labor. Neo-Ricardian economics describes a world in which the development of productive forces has separated scientific labor and the technological application of science from direct labor, a bewitched world in which science and technology are viewed as independent and alien powers. It is a theory which does not go beyond the way matters appear to the participants in capitalist production. It reinforces a situation in which the conditions of labor dominate labor itself, where things are in the saddle still riding mankind. It is, indeed, an alienated economics. But is it also more than that?

A New Vulgar Economics?

¹⁸ 18 The problems of unrealized surplus value and the need for labor in the circulation sphere, while abstracted from here, are clearly *germane* to a discussion of the distribution of income. These questions will also be omitted by those who forsake the "detour." Cf. Michael A. Lebowitz, "The Increasing Cost of Circulation and the Marxian Competitive Model," *Science and Society* (Fall, 1972).

¹⁹ 19. *Theories of Surplus Value*, Volume III (Moscow, 1971), p. 257. Other comments on disposable time and free activity appear especially in McLellan, *op. cit.*, pp. 138-149 and also in *Capital*, Vol. I, Ch. 17, Sec. 4.

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Theories of Surplus value, OP,

²¹ "In the final analysis, all forms of economics can be reduced to an economics of time." Marx, quoted in McLellan, *op. cit.*, pp. 75-6,

As noted above, the main thrust of the neo-Ricardian critique of neoclassical economics has been to undermine the latter's theoretical justification of the distribution of income and, in particular, the return to the owners of capital. By demolishing the theoretical credibility (if not the ideological credibility) of the marginal productivity theory of distribution, neo-Ricardian theory has severed the link between the productive contribution of capital goods and the pecuniary return to the owners of capital. But it is important to consider both the perspective from which this attack has been made and its objective nature.

In its political form, this attack on the theoretical justification of the return to the owners of capital is specifically on the ownership of capital itself. Recalling Keynes' vision of the "euthanasia of the rentier," Joan Robinson notes that "the wealth generated by technical progress, capital accumulation, work and business acumen, thus drop into the laps of rentiers while they sit at home or occupy themselves with other tasks."²³ Critically, this attack is on the ownership of capital rather than on the relation of capital itself. Thus Robinson earlier argued:

If the capitalists fully lived up to Marx's description and really invested the whole surplus there would be no need for socialism. It is the rentier aspect of profit, as a source of private wealth, which Marshall emphasizes, that makes the strongest case for socialism.²⁴

Accordingly, Robinson's prescriptions are arguments for ending the private ownership of capital rather than the capitalist relation.²⁵

In arguing against the preconception that the ownership of capital is a productive function, the neo-Ricardian view does not challenge the function of capital itself.²⁶ Rather, it is an attack on the parasitical character of ownership of capital. Its perspective reminds one of Marx's description of the way functioning capitalists viewed their own activity "as opposed to the inactivity, the non-participation of the money-capitalist in the production process."²⁷ Robinson's view, then, of our "highly peculiar economic system" is important to recognize:

In the main, industry and trade are now dominated by *managerial capitalism*, that is by companies nominally owned by a shifting population of shareholders and actually run by salaried staff.²⁸'s

It is from the perspective of that "salaried staff" that the neoRicardian view is best understood.

Marx long ago described the effects of the development of capitalist production (and, in particular, the emergence of the joint-stock company) on the division between the money-capitalist and the functioning capitalist, the owner of capital and the functionary of capital, the juridical owner and the economic operator of capital. He showed that with the transformation of the actually functioning capitalist into a manager of other people's capital and of the owner of capital into a mere money-capitalist, the function of capital becomes less and less an attribute of the ownership of capital.²⁹ Like feudal lords of the past, owners of capital are increasingly perceived as superflu-

²³ Joan Robinson, *Economics: An Awkward Corner* (New York, 1967), p. 58.

²⁴ Robinson, Marx, *Marshall and Keynes* (Delhi, 1955), p. 18.

²⁵ "Rentier consumption, however, could be eliminated while savings out of profits are still needed to finance investment." Robinson, *Economics: An Awkward Corner*, pp. 61, 80.

²⁶ It is interesting to note that Sraffa's R appears in Goodwin's essay in the Hunt and Schwartz book as "capital productivity," the inverse of the capital-output ratio. Since science and technology necessarily appear as someone else's property, as powers belonging to capital, this is not a surprising twist.

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²⁸ *Op. cit.*, pp. 56, 58.

²⁹ *Capital*, Vol. III., Ch. 23, 27. See also *Theories of Surplus Value*, Vol. III, Addenda on "Revenue and its Sources. Vulgar Political Economy."

ous.³⁰ That this perception would be clearest among those who face the owners of capital, the functioning capitalists (or their intellectual representatives), is not at all surprising.

Yet it is not only the opposition of functionaries of capital to owners of capital which underlies the neo-Ricardian position; there is also the opposition of science and technology to direct labor. In its tendency to attribute the surplus to technique, to separate science and technology from direct living labor and to obscure the nature of wage-labor (and capital), neo-Ricardian theory reflects the position of a special sphere within the social division of labor, that of scientific and technological labor.

The process of capitalist development which "estranges from him (the laborer) the intellectual potentialities of the labor-process in the same proportion as science is incorporated in it as an independent power" is a two-sided process.³¹ Just as mental (scientific and technological) labor appears to the manual laborer only in the form of fixed capital, as the property of another and as a means of exploitation, so also does manual labor appear to the mental laborer only as the object and mere appendage of fixed capital, the source of productiveness and wealth. The product of social labor, within existing social relations, intervenes to hide from both the social nature of their labor. As long as the conditions of labor dominate labor itself, this unity necessarily appears as an opposition, an opposition intensified with the shift from a simple labor process to a scientific labor process.

In contrast to the first opposition, the political form of the second opposition underlying neo-Ricardian theory is as yet latent. Nevertheless, it is possible to infer some of its characteristics from the nature of the theory. Given the complete severance of relations of distribution from relations of production, abstract considerations of social justice would lead to proposals for greater equality of income rather than for the abolition of wage-labor itself. Similarly, given the orientation to production of use-value and the lack of consideration for the alienating nature of production, this position would emphasize expansion of commodity production and, in particular, accumulation. And, with the emphasis on growth and accumulation and the attribution of surplus to technique, there would be a tendency to view wages as a necessary evil (which, however, tend to check the potential for accumulation) and, accordingly, an inclination to respond with incomes policies (especially after the removal of "inequities") when wage demands "get out of hand." From this perspective, not only the claims of owners of capital but also those of trade unions are viewed with skepticism.

To associate neo-Ricardian theory with the position of functionaries of capital and of scientific and technological labor is to identify it, objectively, as the theory of Galbraith's "technostructure" (or of Veblen's "engineers"). In this context, it is interesting to note that one of the most direct attacks on neoclassical economics in the Hunt and Schwartz book occurs in Veblen's essay on the theory of J. B. Clark. Veblen, who assigns central importance in development to accumulated technological knowledge, distinguishes between that immaterial knowledge and the capital appliances which embody it. He therefore questions the validity of paying the owner of capital "for his monopolization of a given portion of the intangible assets of the community at large." At the same time, however, Veblen looks in the direction of the wage-laborer:

The position of the laborer and his wages, in this light, would not be substantially different from that of the capitalist and his interest. Labor is no more possible, as a fact of industry, without the community's accumulated technological knowledge than is the use of "productive goods."³²

These themes are developed more fully in *The Engineers and the Price System*, where Veblen describes the conflict between capital and labor ("between the federated workmen and the syndicated owners") as a "game of chance and skill played between two contending vested interests for private gains"; in contrast, the technostructure is accorded the position of the "keepers of the

³⁰ 30 "Their position is similar to that of the feudal lords whose exactions in the measure that their services became superfluous with the rise of bourgeois society, became mere outdated and inappropriate privileges and who therefore rushed headlong to destruction." *Theories of Surplus Value*, Volume III, p. 315.

³¹ 31 *Capital*, Vol. I, Ch. 25, Sec. 4; Ch. 14, Sec. 5.

³² 32 Hunt and Schwartz, op. cit., p. 184.

community's material welfare."³³ While it calls for an end to private ownership of capital (to be accomplished by cancelling all corporation securities and evidence of debt which foster absentee ownership), it is not, on the other hand, a call for the end of the capitalist relation. Rather than transcending wage-labor, Veblen argues that:

that corps of technological specialists who by training, insight, and interest make up the general staff of industry must have a free hand in the disposal of its available resources, in materials, equipment, and manpower, regardless of any national pretensions or any vested interest.

His alternative is an industrial system to be "managed by competent technicians with an eye single to the maximum production of goods and services."³⁴

Veblen, of course, was not in the Ricardian tradition, but his position conforms quite closely to that underlying the neo-Ricardian critique (perhaps more closely than Hunt and Schwartz recognized). The same may be said about the work of Robin Marris and Galbraith, particularly in respect to their views on the orientation of the technostructure toward accumulation and the growth of the corporation.³⁵ However, in contrast to the more limited focus of these works, neo-Ricardian theory in general is an attempt to analyze all of the concrete forms that appear on the surface of society. It does so from the perspective of the technostructure, and in this sense may be described as a new "vulgar economy."³⁶

Once the objective nature of neo-Ricardian theory is recognized, the conflict between neoclassical and neo-Ricardian theory can be understood as more than just the result of the fortuitous resurrection of an earlier, better theory. It becomes possible to consider the social roots of that conflict and to situate neoclassical theory itself. We are brought directly back to Bukharin's characterization of neoclassical theory in 1914 as the objective theory of the rentier, as the "ideology of the bourgeois who has already been eliminated from the process of production."³⁷ The characterization of neo-Ricardian theory as the objective theory of the functioning capitalist, and of the technostructure, puts this theoretical conflict in focus and roots it in the historical, material world.³⁸

The Second Crisis of Economic Theory

The "Second Crisis of Economic Theory" is not a crisis of Marxist economic theory. Nor is it meant to describe 'the state of neo-Ricardian theory. Rather, it is the assertion that neoclassical theory, the theory of the rentier, the theory which dominates academic economics, has no answer to the crises of capitalist society. Again!

The First Crisis of Economy Theory was also a crisis confined to neoclassical economic theory. And despite the existence of Marxist theory which went to the roots of the economic crisis, the solution to the first theoretical impasse was-Keynes. It is important to consider whether history will repeat itself in the second crisis.

³³ 33 Thorstein Veblen, *The Engineers and the Price System* (New York, 1963), p. 88.

³⁴ 34 *Ibid.*, pp. 73, 119, 144-5.

³⁵ 35 It is significant that Marris, whose *Economic Theory of "Managerial" Capitalism* is quite consistent with the neo-Ricardian argument, gives particular thanks to Joan Robinson for support, encouragement and constructive criticism, and notes the considerable influence of her recent thought on himself. The foreword to the 1968 U.S. edition of the book is by Galbraith, who had earlier recorded his debt to Marris in his own *New Industrial State*. Robin Marris, *The Economic Theory of "Managerial" Capitalism* (New York, 1968), p. xii.

³⁶ 36 The term, "vulgar economy;" is used here with some hesitation because neoRicardian theory has many characteristics in common with the Ricardian School (although not 'particularly in its disintegrating phase). However, it is incorrect to describe it as "rehabilitated" classical economics because classical economics has historical specificity. If we grant that capitalist development generates, in its course, new phenomena and new perceptions, what would we expect to find as the new "vulgar economy" of the second half of the twentieth century?

³⁷ 37 Nikolai Bukharin, *Economic Theory of the Leisure Class* (New York, 1972), p. 31.

³⁸ 38 Which is not to deny, of course, its relative independence and its reciprocal relationship with the conflict of material interests.

Significantly, neo-Ricardian theory is quite consistent with the work of Keynes and his successors. As Medio notes, "a neo-Ricardian approach-in contrast to a Marxian one-to the problem of value and distribution may be associated with theories which attribute to profits some 'objective' social role."³⁹ He has in mind here the neoKeynesian macroeconomic theory of income distribution, which determines the rate of profit via the rate of accumulation and the capitalists' propensity to save. Once the rate of profit is determined in this manner, the Sraffian system (which has one degree of freedom) is closed, and there is no place for alternative methods of closing the system such as a subsistence wage or the rate of surplus value.⁴⁰ While the critique of neoclassical economics makes possible the reintroduction of power and social relations into academic economics, it in no way insures this result.

The compatibility of neo-Ricardian theory with Keynesian economics-a compatibility far greater than that which the latter enjoys with neoclassical theory-helps provide a perspective on the position of Keynesian economics within academic economics.⁴¹ Keynesian theory, the "solution" to the first crisis (a crisis in the macroeconomic aspect of neoclassical theory), was at first strongly opposed by neoclassical theorists; it was subsequently absorbed, with many of its central ideas cast off (the "neoclassical synthesis")⁴² Despite the "synthesis," many economists would agree that two incompatible and alien theories in micro-theory and macro-theory have coexisted uneasily in what one writer has referred to as the "Schizophrenic State of the Arts." Thus with the emergence of neoRicardian theory, the suggested solution to the second crisis (a crisis in the microeconomic aspect of neoclassical theory). Keynesian theory now has its own microeconomic component and can detach itself from neoclassical theory. The completion of the Keynesian system in itself is the result of Cambridge Criticism, Part Two.

The two crises are one-the crisis of the theory of the rentier in the face of the recalcitrant facts of twentieth century capitalism. The theory of the technostructure may be seen to have made its initial inroad into academic economics via macroeconomic theory, as the theory of state management of aggregate demand, in the thrust toward what Bob Fitch has called the "Great Post-Keynesian NoHassle State."⁴³ To this, we need add only that these theoretical developments are neither independent of nor without effects on the material world.

For Marxists, these developments call for neither indifference toward nor uncritical acceptance of the new critiques of academic economics. Hunt and Schwartz appear to offer an eclectic amalgam of anti-capitalism-the young Marx plus neo-Ricardian theory as the basis of a new political economy; what is required, however, is what Bukharin proposed:

Marxism must give an exhaustive criticism of the latest theories, which must include not only a methodological criticism, but a sociological criticism, as well as a criticism of the entire system as pursued to its furthest ramifications

A criticism of the capitalist system is of the utmost importance for a proper understanding of the events of the present clay. And, in so far as a criticism of the bourgeois theories may smooth the path for such an understanding, such criticism has an abstract theoretical value.⁴⁴

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³⁹ 39 Hunt and Schwartz, op. cit., p. 328. See also Nuti's comments, *ibid.*, pp. 226-7.

⁴⁰ 40 It is significant that Sraffa himself treats the rate of profits as the independent variable and suggests it may be "determined from outside the system of production, in particular by the level of the money rates of interest." Sraffa, op. cit., p. 33.

⁴¹ 41 In a critical review article on two books on income distribution by Martin Bronfenbrenner and Jan Pen, Edward Nell argues that orthodox economics is "preKeynesian": "One day economists will accept Keynes. Then we will be ready to look at Marx." *Journal of Economic Literature* (June, 1972).

⁴² 42 Robinson describes the disposition of some of Keynes' ideas as follows: "put to sleep," "lost," "smothered," "wound up in a cocoon." Robinson, "The Second Crisis of Economic Theory," op. cit.

⁴³ 43 Bob Fitch, "A Galbraith Reappraisal: The Ideologue as Gadfly," Hunt and Schwartz, op. cit., p. 456.

⁴⁴ 44 Bukharin, op. cit., pp. 9-10. And he adds later in his study: "We have another reason also for devoting attentive study to bourgeois economics. The ideological struggle, like any other direct practical struggle, must make use of the rule: utilize all the oppositions within the ranks of the enemy, all their disagreements between themselves A criticism of bourgeois economics aids the development of the proletariat's own economic science." *Ibid.*, pp. 160-1.

