

Review of Radical Political Economics

<http://rrp.sagepub.com/>

Radical Economics in Historical Perspective

Michael Reich

Review of Radical Political Economics 1993 25: 43

DOI: 10.1177/048661349302500306

The online version of this article can be found at:

<http://rrp.sagepub.com/content/25/3/43>

Published by:



<http://www.sagepublications.com>

On behalf of:



[Union for Radical Political Economics](http://www.urpe.org)

Additional services and information for *Review of Radical Political Economics* can be found at:

Email Alerts: <http://rrp.sagepub.com/cgi/alerts>

Subscriptions: <http://rrp.sagepub.com/subscriptions>

Reprints: <http://www.sagepub.com/journalsReprints.nav>

Permissions: <http://www.sagepub.com/journalsPermissions.nav>

Citations: <http://rrp.sagepub.com/content/25/3/43.refs.html>

Radical Economics in Historical Perspective

Michael Reich

How has radical economics evolved in the past decade? Is it still making important contributions? I focus here on the aspects of radical economics that I know best, namely the political economy of labor and of macroeconomics, and argue that radical economics has undergone a major transformation in the 1980s. The field today has developed a different scientific research program from the one that was current in the 1970s. This paradigm shift is progressive, when viewed in the historical context within which radical economics emerged and evolved.

Early radical economics held a unitary view of capitalism and was highly critical of liberal reformism. In the early 1980s, an alternative research program began to emerge, emphasizing that transformations are possible within capitalism. I suggest that this view has become the dominant paradigm of radical economics, although never announced as such.¹

IS RADICAL ECONOMICS STILL MAKING NEW CONTRIBUTIONS?

In an earlier survey of radical economics, Mark Blaug (1983, 1990) used as his sole criterion for appraisal "the empirical record in favor of radical economics' theories" (p. 214). Applying this criterion one might note the increasing frequency of, and sophistication in, the use of econometric hypothesis-testing techniques in much of the radical literature of the past decade. The growing volume of such work, and the number of novel facts thereby discovered, suggests that radical economics still constitutes, in Lakatosian terms, a progressive scientific research program.

An alternative criterion for appraisal, closer to Kuhn's than to Lakatos' approach, asks how well the institutions of radical economics (Kuhn's

Department of Economics, University of California, Berkeley, CA 94720.

A longer and somewhat different version of this paper was presented at the History of Economics Society/Union for Radical Political Economics symposium on "Mark Blaug's Methodological Appraisals of Dissenting Economics." Allied Social Science Association meetings, Anaheim, CA January 6, 1993.

© 1993 Union for Radical Political Economics.

Published by Blackwell Publishers, 238 Main St., Cambridge, MA 02142, USA, and 108 Cowley Rd., Oxford, OX4 1JF, UK.

"invisible college") are performing. Here, the answer is affirmative, but mildly so. Blaug estimates (212) that the output of radical economists was still growing rapidly at the time of his survey. If one takes as simple quantitative measures the volume of publications or the institutionalized educational activities of radical economists, not to mention the continued existence and membership rolls of URPE, it is clear that radical economics is still a going concern, although its growth rate has slowed.

I wish to offer a different criterion to appraise radical economics, one introduced nearly four decades ago by Leo Rogin in his much underestimated 1956 book. An economic theory's meaning, for Rogin, is discovered by relating the concerns and controversies in the theory to contemporary practical policy concerns and controversies. Rogin suggests that the validity of an economic theory involves judgments concerning the practicality of the goals to which the theory is oriented. To be valid, a theory must not only point to specific strategic variables upon which its politics and policy can be based. It must also be successful in identifying strategic levers that make the theory's goals achievable in practice.

THE HISTORICAL CONTEXT

Twenty-five years ago, in 1968, the U.S. economy was in much better shape than it is now, and so were oppositional movements on the left. A New Left had arisen, concerned with participatory democracy, student power, building an inter-racial movement of the poor in the Northern cities, advancing the civil rights movement in the North and protesting the U.S. role in Indochina. This early New Left was intellectually grounded in the political theory of participatory democracy and consciously anti-anticommunist in its strategic political perspective. The New Left was dismissive of the formal theoretical structure of Marxist political economy (by which I refer mainly to the analytics of the labor theory of value and the falling rate of profit) and influenced more by the economic theories of Baran and Sweezy.

In this same period, a rather homogeneous mainstream economic doctrine was taught in all (but one) of the leading graduate schools, based on individual optimization and on general equilibrium theory for its microeconomics (cf. Henderson's and Quandt's widely used micro graduate textbook), Keynes-Samuelson-Solow for its macroeconomics (cf. Gardner Ackley's widely used macro graduate textbook), and Musgrave-Samuelson for its analysis of the proper role for government in "the mixed economy." The discipline of economics was becoming more mathematical and technical, but increasingly irrelevant to the real world.

In this situation, with the best and the brightest of liberal economists supporting the Vietnam War, a group of New Left economists founded a new approach, which we called radical political economics. We saw our role as showing the inherent connection between the multiple oppressions we saw around us, and the economics profession and its doctrines. We emphasized the limits of liberal reformism. Anti-poverty programs, for example, could not eliminate poverty because of capitalism's class biases; similar themes were sounded for racism, sexism, consumerism, environmental destruction, militarism and imperialism.

Our analysis also sought to recognize the importance of, and help build support for, the progressive social movements of the day. We recognized that these movements — for civil rights, feminism, environmentalism and Third-World national liberation — were not well represented by either the traditional industrial working class or the official union federation. We offered to these distinct movements, and to workers, an analysis that contained a strategic political perspective: their separate oppressions had common roots. Instead of seeing their interests as in conflict, we argued that a coalition among them that emphasized economic democracy would advance them all. This political and analytical perspective distinguished radical economics from the narrower views of traditional Marxist and post-Keynesian perspectives.

EARLY SUCCESSES

Radical economics had many successes in its early years. It focused, to use Leo Rogin's terminology, upon the "prevailing concerns of the social community," and identified the "strategic variables" that were necessary to address these concerns. Where mainstream macroeconomics was debating the proper mix of fiscal and monetary policies, radical economics was debating an entirely different set of questions, asking how economics was only contributing to reinforcement of the status quo, and how the new social movements could build a better society.

With the advent in the early 1970s of capitalism's long slowdown, radical economists quickly propounded a novel macroeconomic analysis. Radicals suggested that the success of the social movements had contributed to a squeeze on profits. This macroeconomic analysis continued to develop during the 1970s, arguing that capitalism's troubles represented more than another recession, but rather a structural crisis demanding institutional transformation.

In this period, radical economics' scientific research program continued to be progressive, generating new theory as well as empirical research. It was a meaningful theory because it criticized liberal

reformism as ineffective (e.g., Bowles and Gintis 1976) and because it helped many to understand why the United States, despite its democratic promise, could yet be so unequal, cruel and undemocratic. And it appeared to be a valid theory, insofar as the new social movements seemed to be gathering momentum in the 1970s, and some of them were adopting coalition-building strategies (as in the Progressive Alliance of the late 1970s).

EARLY FAILURES

There was one major failing, however. Our analysis in the early 1970s suggested that income distribution was becoming more politicized, that government was increasingly becoming involved in the distribution process, as evidenced by the wage and price controls of the early 1970s, and that planning was increasingly on the agenda. Consequently, the major political question was not whether the state would play a larger role in the economy, but whether that role would be more hierarchical or more egalitarian. We continued to sound this theme through the decade of the 1970s, and we were profoundly wrong.

When the Thatcher-Reagan era began, many of us assumed that reducing government's role in the economy was contrary to capitalism's true interest and that the apparent turn toward *laissez-faire* would not last long (Campen and MacEwan 1982). We held fast to the belief that the forward march of the social movements would continue. Instead, Thatcherism is still alive in the UK, and the Reagan-Bush era lasted a dozen years. Government programs, especially those asserting worker and union rights and those supporting social safety nets, have been diminished, and social movements, with the important exceptions of feminism and environmentalism, have generally been struggling.

One radical response to these developments emphasized, wrongly in my view, the incompatibility between the goals of the new social movements and the continued existence of capitalism in the United States (for example, Cherry et al. 1983). This approach read Kalecki (1943) to say that full employment (i.e., the social democratic reform agenda) and capitalism were incompatible. However, a careful reading of Kalecki suggests just the opposite: he argued that social democratic reforms would remake postwar capitalism.

Simply put, radical economics did not foresee the rise and success of conservative "Reaganomics." It took us some time to recognize the advent of conservatism and to comprehend the enormous changes taking place in the world capitalist economy. As a result, we continued to critique liberal reformism even as it was being replaced by conservatism, and then underestimated the power of reformism to transform capitalism.

THE TRANSFORMATION OF RADICAL ECONOMICS IN THE 1980s

If the Thatcher-Reagan era represented a period of defeat (and rethinking) for liberal reformism, it also initiated a thorough-going reanalysis for radical economics. In 1968, and through the mid-1970s, radicals and liberals found that a Great Wall separated their respective economic, political and ideological outlooks. Throughout the 1970s, many radicals continued to emphasize the failings of capitalism and their differences with liberals.² Few were developing new political-economic analyses that recognized the changing nature of capitalism and that contained strategic levers: social reform programs that could be useful in political struggles relevant to the new period.

Radical economists continued to emphasize the benefits of economic democracy, and to develop a more rigorous microfoundation for the conflictual nature of the labor contract. To some extent, these contributions were oriented to undermining the dominant Walrasian (but not the Marshallian) paradigm that appeared to many to still undergird the status quo. This research program, however, neglected important changes that were sweeping much of the neoclassical camp, changes that diminished radical/liberal differences while creating greater differences between the liberal and conservative neoclassical camps.

Conservative and liberal mainstream economics were also transformed during this period. By the late 1980s, the mainstream had split into distinct rivers. Chicago economics was running high, and in several versions. Meanwhile, among liberals, disequilibrium dynamics, nonmarket-clearing equilibria, multiple equilibria (both in market exchanges with incomplete or asymmetric information and in repeated strategic nonmarket behavior), efficiency and rent-sharing wage theories, and a transaction cost-based economics of organizations were among the new approaches. Microfoundations for the inefficiency of the free market had been found and popularized.

These and other themes were being pursued simultaneously in radical and liberal camps. In the radical camp, microfoundations and the use of game theory to show inefficiency are exemplified in the work of Bowles (1985), Bowles and Gintis (1990), Reich (1981) and Reich and Devine (1981). In the liberal camp, the notion of path-dependence and its impact upon the equilibrium selected is similar to the idea of historical contingency in the radical paradigm. Liberal economists' conceptualizations of policy regimes and electoral business cycle analysis, and their greater attention to the interaction of politics and economics, further narrowed the difference between liberal and radical approaches.

A final element in the transformation of the relation between the liberal and radical approaches concerned a newly emerging institutional macroeconomics. This new liberal approach argued that the traditional mainstream macropolicy levers of fiscal and monetary policy were no longer adequate. Greater international competition and new forms of technical and organizational change demanded that relations between workers and managers and between managers and owners be restructured (Piore and Sabel 1984, Thurow 1985, Marshall and Tucker 1992). Again, there were parallel developments among radical economists.

THE PARADIGM SHIFT IN THE 1980s

Three main themes run through the work of radical economics in the 1980s.³ First, we critiqued Reagan-Bush policies (and their underlying economic theory) as inequitable and inefficient. Our critiques often were not substantially different from those of our liberal colleagues. We differed mainly in emphasizing capitalism's greater troubles as representing a structural crisis, not just another short-term cyclical recession.

Second, in theorizing this structural crisis, we began to articulate the importance of transformational processes within capitalist economies and that important transformations had taken place in the history of U.S. capitalism.⁴ We recognized that not all capitalist economies were alike, that social democratic reforms had enhanced equality, economic democracy and growth simultaneously in many European countries, and that there were different paths of capitalist development in the post-World War II era.⁵

Third, we articulated political-economic programs that we supported because they improved equality, economic democracy and growth.⁶ These programs were appropriate for the new stage of capitalism and were potentially implementable under a progressive political order that would differ substantially from the liberal reformism of the 1960s. Taken together, these developments, together with those in the liberal camp described above, brought radical economics out of its ghetto and into a continuum with liberal economic theories and policies.

CONCLUSION

A paradigm shift has taken place in radical economics. This shift involves the recognition of major differences among the advanced capitalist countries, the investigation of stages of development within a single country, the significance of historical contingency and a broader

acceptance of the role of markets. These developments build upon the earlier core of radical economics and provide it with renewed scientific and political perspectives.

NOTES

1. An expanded version of this paper documents many of the assertions made herein.
2. Some became caught up in technical disputes in Marxist economic theory, which are beyond the scope of this paper.
3. This section will be expanded in a revised version and will also include discussion of race and gender developments in the 1980s.
4. See the work of the Social Structure of Accumulation school, including Gordon, Edwards and Reich (1982) and Kotz, McDonough and Reich (1993).
5. Examples of comparative analyses of capitalism include: Lazonick (1990); Best (1990); and Brown et al. (1993). The shift to a comparative perspective is also apparent in: Bowles and Edwards (1992) as contrasted to Bowles and Edwards (1985); and Bowles (1985) as contrasted to Bowles and Boyer (1989).
6. In addition to Bowles, Gordon and Weisskopf (1983 and 1991), see: Bluestone and Harrison (1982); Carnoy and Shearer (1980), Alperovitz and Faux (1984), Carnoy, Rumberger and Shearer (1983), Brown and Reich (1989), Brown et al. (1993); and the series of essays on political economy by Lou Ferleger and Jay Mandle in *Socialist Review*. For an early appraisal of this literature, see Birecree and Stamos (1984).

REFERENCES

- Alperovitz, Gar and Jeff Faux. 1984. *Rebuilding America*. New York: Random House.
- Baran, Paul and Paul Sweezy. 1966. *Monopoly Capital*. New York: Monthly Review Press.
- Best, Michael. 1990. *The New Competition*. Cambridge, MA: Harvard University Press.
- Birecree, Adrienne and Stephen C. Stamos. 1984. The Search for Alternative Economic Policies. *Review of Radical Political Economics* 16(4): 165-76.
- Blaug, Mark. 1983. A Methodological Appraisal of Radical Economics. In, *Methodological Controversy in Economics*. A.W. Coats, (ed.). Greenwich, CT: JAI Press. Reprinted in Blaug. 1990. *Economic Theories: True or False?* Brookfield VT: Edward Elgar.
- Bluestone, Barry and Bennett Harrison. 1982. *The Deindustrialization of America*. New York: Basic Books.
- Bowles, Samuel. 1985. The Production Process in a Competitive Economy: Walrasian, Neo-Hobbesian and Marxian Models. *American Economic Review* 75(1): 16-36.
- Bowles, Samuel and Robert Boyer. 1989. Wage-led Employment Regime. In, *The Golden Age of Capitalism*. S. Marglin and J. Schor (eds.). Oxford University Press.
- Bowles, Samuel and Richard Edwards. 1985, 1992. *Understanding Capitalism: Competition, Command and Change in the U.S. Economy*. New York: Harper and Row. First and second editions.
- Bowles, Samuel and Herbert Gintis. 1976. *Schooling in Capitalist America*. New York: Basic Books.

- Bowles, Samuel and Herbert Gintis. 1990. Contested Exchange: New Microfoundations for the Political Economy of Capitalism. *Politics and Society* 18(2): 165-222.
- Bowles, Samuel, David M. Gordon, and Thomas E. Weisskopf. 1983. *Beyond the Waste Land: a Democratic Alternative to Economic Decline*. Garden City, NY: Doubleday.
- Bowles, Samuel, David M. Gordon, and Thomas E. Weisskopf. 1991. *After the Waste Land: a Democratic Economics for the Year 2000*. Armonk, NY: M.E. Sharpe.
- Brown, Clair and Michael Reich. 1989. When Does Union-Management Cooperation Work? *California Management Review*. Summer.
- Brown, Clair, Michael Reich, David Stern and Lloyd Ulman. 1993. Cooperation and Conflict in Labor-Management Relations in the United States and Japan. Paper prepared for the Industrial Relations Research Association annual meetings. Anaheim, CA .
- Campen, James T. and Arthur MacEwan. 1982. The Contradictions of Conservative Capitalism. *Review of Radical Political Economics* 14(3): 1-22.
- Carnoy, Martin and Derek Shearer. 1980. *Economic Democracy: the Challenge of the 1980s*. Armonk, NY: M.E. Sharpe.
- Carnoy, Martin, Derek Shearer and Russell Rumberger. 1983. *A New Social Contract: The Economy and Government After Reagan*. New York: Harper and Row.
- Cherry, Robert et al., (eds.). 1988. *The Imperiled Economy*. New York: Union for Radical Political Economics.
- Gordon, David M., Richard Edwards and Michael Reich. 1982. *Segmented Work, Divided Workers: the Historical Transformation of Labor in the United States*. New York: Cambridge University Press.
- Kotz, David M., Terrence McDonough and Michael Reich (eds.). 1993. *Social Structures of Accumulation: The Political Economy of Growth and Crisis*. New York: Cambridge University Press.
- Kalecki, Michal. 1943. Political Aspects of Full Employment. *Political Quarterly* 14: 322-31.
- Lazonick, William. 1990. *Competitive Advantage on the Shop Floor*. New York: Harvard University Press.
- Marshall, Ray and Marc Tucker. 1992. *Thinking for a Living*. New York: Basic Books.
- Piore, Michael J. and Charles Sabel. 1984. *The Second Industrial Divide*. New York: Basic Books.
- Reich, Michael. 1981. *Racial Inequality: A Political-Economic Analysis*. Princeton, NJ: Princeton University Press.
- Reich, Michael and James Devine. 1981. The Microeconomics of Conflict and Hierarchy in Capitalist Production. *Review of Radical Political Economics* 12(4): 27-45.
- Rogin, Leo. 1956. *The Meaning and Validity of Economic Theory: a Historical Approach*. New York: Harper.
- Thurow, Lester. 1985. *The Zero-Sum Solution*. New York: Simon and Schuster.