

Foundations of Political Economy PS 6271.03

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Political economy is one of the oldest terms in the social sciences. It was once synonymous with the study of economics, while incorporating the study of the state, philosophical issues concerning human needs and economic history. Political economy has, however, become an ‘orphan’ of modern social sciences with its splintering into the present disciplines. Economics has become the narrow and limiting study of resource allocation via prices and the determination of aggregate output on the basis of a theory of individual rational choice, within an overly formalistic and mathematical framework. It now primarily serves as a bulwark of defence of the capitalist market. Political economy in this vein, particularly in the form of public choice theory following from Olsen, Hayek, Buchanan and even Elster, is the study of how states and the political process distort the efficiency of a self-regulating market economy.

In the classical usage of Smith, Malthus, Ricardo and Mill, political economy was the study of the distribution and accumulation of the economic surplus within market economies, the determination of wages and employment, the institutional characteristics of exchange relations, and the division of labour and technical conditions of production. These remain central questions for modern institutional political economy. Marx considered himself engaged in a critique of political economy, in an effort to historicize the conceptual categories of political economy and locate the specificity of capitalist social relations. For Marx, the critique of political economy was not just the analysis of capitalist accumulation and distribution, but also a project for the transformation of capitalism and the establishment of new egalitarian social relations of production (which for a long time was studied as a subfield of political economy itself known as the ‘economics of socialism’). This point of departure – the study of the social forms of capitalist social relations in terms of their reproduction, crisis and transformation – remains at the core of Marxian political economy.

These different usages and approaches to political economy are still important today. Recently, political economy has become used as a more general term to encompass economists, political scientists and others doing critical social research on liberal democracy, markets and capitalism. This course examines the history of political economy as much for the origins of key concepts as for its contribution to our assessment of current political and economic issues. An understanding of the Marxist critique of capitalism helps us analyze the fundamental political and economic problems that capitalist institutions produce, historically and today, and also illuminates some of the central obstacles that we face in the reconstruction of socialist and egalitarian alternatives.

In the second term, in the Key Issues continuation of the Foundation course, the focus is on key conceptual terms and issues being debated and contested today. In the Theories of Contemporary Capitalism, the focus is on the key texts of post-WW II critical political economy covering the postwar boom, the 1970s economic crisis, neoliberalism, and globalization/imperialism.

Objectives:

The course aims to strengthen students' knowledge and competence in political economy in several ways. One of these is to build a theoretical foundation in a practice of political economy that does not treat economic questions apart from political ones, and that develops analytical competency across the main social science traditions. In reading classical texts and various interpretative essays, as well as writing critical essays on them, it is hoped that students learn to utilize the basic analytical concepts of political economy, to assess their limits and contradictions, and to learn to deploy them in contemporary debates. Students of political science, and indeed economics, often feel limited in forming their own assessments about important political economy issues of the day, and developing them in political debate or in research, because they feel they lack adequate knowledge to address complex issues.

Foundations of Political Economy addresses this issue directly by supporting students in the development of their thinking and writing skills in the field of political economy from a critical perspective.

Requirements:

The first half of this course is focussed on the historical origins of the key concepts of political economy, their relationship to the theoretical foundations of the three major paradigms of political economy – neoclassicalism, Weberianism or institutionalism, and Marxism, and their relevance to contemporary debates within the social sciences. The seminars will, therefore, focus on elaborating the ideas of key thinkers and their relationship to central theoretical propositions that continue to guide research. This will be undertaken by a combination of formal presentation and student participation. The readings are also selected on that basis: a selection from a classic text, interpretative essays on the thinker at hand, and current contributions. The seminar paper should answer one of the questions at the end of the outline. Student essays can focus on: (1) a key thinker; (2) a key concept looked at in historical context; or (3) link a classical concept of political economy to a contemporary debate. **Papers are due first week of January.**

Seminar Participation	15%
Seminar Paper (7-10 pp.).....	35%
Essay (20-25 pp.).....	50%

Texts:

E.K. Hunt, History of Economic Thought, Second Edition (Armonk: M.E. Sharpe, 2002).

B. Fine and A. Saad-Filho, Marx's Capital, 4th edition (London: Pluto, 2004).

D. Milonakis and B. Fine, From Political Economy to Economics (London: Routledge, 2009).

I. Classical Foundations of Political Economy

1. Parameters of Political Economy

E.K. Hunt, History of Economic Thought, Chs. 1-2.

Fine and Saad-Filho, Marx's Capital, Chs. 1 and 14.

Milonakis and Fine, From Political Economy to Economics, Ch. 1.

R. Blackburn, 'Fin de Siecle: Socialism After the Crash' in R. Blackburn, ed., After the Fall: The Failure of Communism and the Future of Socialism (London: Verso, 1991).

R. Rowthorn, Capitalism, Conflict and Inflation (London: Lawrence and Wishart, 1980), Ch. 1.

J. Robinson and J. Eatwell, An Introduction to Modern Economics (London: McGraw-Hill, 1973), Chs. 1-3.

2. Adam Smith: Discovering and Theorizing the Capitalist Market

A. Smith, The Wealth of Nations (Chicago: University of Chicago Press, 1976/original publication 1776), Book 1, Chs. 1-3 and Book 4, Ch. 2.

E.K. Hunt, History of Economic Thought, Ch. 3.

S. Clarke, Marx, Marginalism and Modern Sociology (London: Macmillan, 1982), Ch. 2.

D. McNally, Against the Market (London: Verso, 1993), Ch. 2.

3. David Ricardo and T.R. Malthus: Class Conflict and Accumulation

D. Ricardo, On the Principles of Political Economy and Taxation (Cambridge: Cambridge University Press, 1951/original publication 1821), Chs. 1, 7, 21.

E.K. Hunt, History of Economic Thought, Chs. 4-5.

G. Pilling, 'The Law of Value in Ricardo and Marx' in B. Fine, ed., The Value Dimension: Marx, Ricardo and Sraffa (London: Routledge, 1986).

Fine and Saad-Filho, Marx's Capital, Ch. 13.

Milonakis and Fine, From Political Economy to Economics, Ch. 4.

J. Robinson, 'Keynes and Ricardo' What are the Questions? And Other Essays (Armonk: M.E. Sharpe, 1980).

II. Origins and Principles of Marxian Political Economy

4. Karl Marx: Value and Exploitation

K. Marx, Capital, Volume 1 (New York: International Publishers, 1967/original publication 1867), Chs. 1 and 7-10, 12, 16.

E.K. Hunt, History of Economic Thought, pp. 204-24.

Fine and Saad-Filho, Marx's Capital, Chs. 2-4.

Milonakis and Fine, From Political Economy to Economics, Ch. 3.

D. Elson, 'The Value Theory of Labour' in D. Elson, ed., Value: The Representation of Labour in Capitalism (London: CSE Books, 1979).

A. Saad-Filho, 'Value, Capital and Exploitation' in A. Saad-Filho, ed., Anti-Capitalism: A Marxist Introduction (London: Pluto, 2003).

5. Karl Marx: Reproduction and Accumulation

K. Marx, Capital, Volume 1 (New York: International Publishers, 1967/original publication 1867), Chs. 23-25.

K. Marx, Capital, Volume 2 (New York: International Publishers, 1967/original publication 1893), Chs. 1-3, 18.

E.K. Hunt, History of Economic Thought, pp. 233-7.

Fine and Saad-Filho, Marx's Capital, Chs. 5-6.

H. Braverman, Labor and Monopoly Capital (New York: Monthly Review Press, 1974), Ch.17.

E. Mandel, Late Capitalism (London: Verso, 1975), Ch. 12.

6. Karl Marx: Crisis and Transformation

K. Marx, Capital, Volume 3 (New York: International Publishers, 1967/original publication 1894), Chs. 13-15 and 48-49.

E.K. Hunt, History of Economic Thought, pp. 237-42.

Fine and Saad-Filho, Marx's Capital, Chs. 7-9.

J. Devine, 'An Introduction to Radical Theories of Economic Crises' in R. Cherry, et al., eds., The Imperiled Economy: Volume 1 (New York: URPE, 1987).

D. Laibman, 'Technical Change and the Contradictions of Capitalism' in R. Cherry, et al., eds., The Imperiled Economy: Volume 1 (New York: URPE, 1987).

7. Karl Marx: Wages and Immiseration

K. Marx, Capital, Volume 1 (New York: International Publishers, 1967/original publication 1867), Part VI.

K. Marx, Capital, Volume 3 (New York: International Publishers, 1967/original publication 1867/original publication 1894), Chs. 51-2.

E.K. Hunt, History of Economic Thought, pp. 242-7.

M. Lebowitz, Beyond Capital (London: Macmillan, 1992), Chs. 2 and 4.

H. Botwinick, Persistent Inequalities: Wage Disparity Under Capitalist Competition (Princeton: Princeton University Press, 1993), Chs. 3-4.

R. Rowthorn, Capitalism, Conflict and Inflation (London: Lawrence and Wishart, 1980), Ch. 7.

8. Rudolph Hilferding and Rosa Luxemburg: Monopolisation and Finance Capital

R. Hilferding, Finance Capital (London: Routledge, 1981/original publication 1910), Chs. 11 and 13-14.

R. Luxemburg, The Accumulation of Capital: An Anti-Critique (New York: Monthly Review

Press, 1972/original publication 1921), introduction.

Fine and Saad-Filho, Marx's Capital, Chs. 11-12.

A. Brewer, Marxist Theories of Imperialism (London: Routledge, 1980), Chs. 3-4.

D. Harvey, The Limits to Capital (London: Verso, 1999), Ch. 10.

9. Nikolai Bukharin and V.I. Lenin: Imperialism and the World Market

N. Bukharin, Imperialism and World Economy (London: Merlin, 1972/original publication 1917), Chs. 1 and 4.

V. I. Lenin, Imperialism: The Highest Stage of Capitalism (Peking: Foreign Language Press, 1973/original publication 1917), Chs. 1 and 4-5.

E.K. Hunt, History of Economic Thought, Ch. 13.

A. Brewer, Marxist Theories of Imperialism (London: Routledge, 1980), Ch. 5.

G. Albo, 'The Old and New Economics of Imperialism' in L. Panitch and C. Leys, eds., Socialist Register 2004 (London: Merlin, 2004).

III. The Breakup of Political Economy

10. From Bentham to Marshall: Neoclassical Economics and Equilibrating Markets

A. Marshall, Principles of Economics (London: Macmillan, 1927), Ch. 13 and Appendices C, D and I.

E.K. Hunt, History of Economic Thought, Chs. 6, 8 (on Bastiat), 10-11.

Milonakis and Fine, From Political Economy to Economics, Chs. 6-7, 12-13.

G. Therborn, Science, Class and Society (London: Verso, 1976), Ch 2.

S. Mohun, 'Consumer Sovereignty' in F. Green and P. Nore, eds., Economics: An Anti-Text (London: Macmillan, 1977).

11. Out of Mill, Weber and Keynes: Institutions, Market Power and Organized Capitalism

J.S. Mill, Principles of Political Economy.

M. Weber, Economy and Society, Volume 1 (New York: Bedminster Press, 1968/original publication 1921), pp. 63-87, 136-41, 157-61.

J.M. Keynes, The General Theory of Employment, Interest and Money (London: Macmillan, 1936).

E.K. Hunt, History of Economic Thought, pp. 185-213 and Ch. 15.

Milonakis and Fine, From Political Economy to Economics, Chs. 5, 8-12.

12. Marxian Controversies: Values, Prices, Competition and Theorizing Capitalism

E.K. Hunt, History of Economic Thought, pp. 224-33, Chs. 16, 19.

Fine and Saad-Filho, Marx's Capital, Ch. 10.

Milonakis and Fine, From Political Economy to Economics, Chs. 14-15.

L. Colletti, 'Bernstein and the Marxism of the Second International' From Rousseau to Lenin (New York: Monthly Review Press, 1972), pp. 45-111.

A. Lipietz, The Enchanted World: Inflation, Credit and the World Crisis (London: Verso, 1985), Ch. 2 and appendix.

Foundations of Political Economy Seminar Preparation and Essay Questions

1. Parameters of Political Economy

1. What is Political Economy? Think about how the various schools of thought explain the differences.
2. "The whole magic of well-ordered society is that each man works for others, while believing that he is working for himself. This magic, the general character and effects of which are revealed by the subject we are studying, shows us that the Supreme Being bestowed upon us as a father the principles of economic harmony, when he condescended to announce and prescribe them to us, as God, in the form of religious laws." [Quesnay]

What is the place of this conception in the history of political economic thought and its relation to modern thinking?

3. "In a competitive model, it doesn't matter whether capital hires labour or labour hires capital." (Paul Samuelson)
"To this ready-made world of capital, the political economist applies the notions of law and of property inherited from a pre-capitalist world...."(Marx)

What is the importance of Marx's point to understanding political economy? What are the lineages to this thinking?

2. Adam Smith: Discovering and Theorizing the Capitalist Market

1. "Like all economists worth speaking of," Marx commented, Adam Smith followed the Physiocrats with respect to their concept of a subsistence wage. Why is this concept critical to the approach of the arguments of the classicals and Marx and what is the implication of its absence in neoclassical theory?
2. "Since the household [in the simplest form of competitive capitalism] always has the alternative of producing directly for itself, it need not enter into any exchange unless it benefits from it. Hence no exchange will take place unless both parties gain from it. Cooperation is thereby achieved without coercion.... In the complex enterprise and money-exchange economy, co-operation is strictly individual and voluntary provided... that individuals are effectively free to enter or not into any particular exchange, so that every transaction is strictly voluntary.... Payment according to product is therefore strictly necessary in order that resources be used most effectively, at least under a system depending on voluntary co-operation." (Milton Friedman, Capitalism and Freedom).

What is the relationship between this modern proposition and Smith? What would Marx have to say about all this---- and how does his view of capitalism and freedom differ?

3. What is the relationship between the modern marginal utility theorists in the form of the neoliberals and Adam Smith in terms of free trade, deregulation, privatization, and corporate monopolies?

3. David Ricardo and T.R. Malthus: Class Conflict and Accumulation

1. "There is no other adequate reason for a fall in profit but a rise of wages." [Ricardo]
What is the basis for Ricardo's view of the relation between wages and the rate of profit (as well as his explanation of the tendency of the rate of profit to fall)?

2. "Adam Smith, and all the writers who have followed him, have, without one exception that I know of, maintained that a rise in the price of labour would be uniformly followed by a rise in the price of all commodities. I hope I have succeeded in showing that there are no grounds for such an opinion...."[Ricardo] What is the significance of this statement?

3. What was the importance of Malthus's theory of gluts for Keynes?

4. What is the precise lineage in Ricardo's thought for neoclassical economics, Weberianism and Marxism?

4. Karl Marx: Value and Exploitation

1. "All science would be superfluous if the outward appearance and the essence of things directly coincided."

"The matter takes quite a different aspect if we contemplate not the single capitalist and the single worker, but the capitalist class and the working class...."

What do these two statements mean in relation to Marx's method in Capital?

2. "The best points in my book are: 1)the two-fold character of labour, according to whether it is expressed in use-value or exchange value. (All understanding of the facts depends on this.)...."

"Marx's labor theory of value of Capital, Vol. I does appear to have been a detour and an unnecessary one for the understanding of competitive capitalism." (Paul Samuelson)

What does the value-form approach of Marx imply about the method for studying capitalism? How does it relate to the quantitative-qualitative debate?

5. Karl Marx: Reproduction and Accumulation

1. "This organic system itself, as a totality, has its presuppositions, and its development to its totality consists precisely in subordinating all elements of society to itself, or in creating out of it the organs which it still lacks. This is historically how it becomes a totality."

What does this point of method from Marx suggest about the conception of the circulation of capital discussed in Volume 2 of Capital?

2. How does Marx begin to conceptualize the rules of reproduction specific to capitalism and how are we to interpret these so-called laws of development?

3. If the theory of value suggests that we should study the social forms specific to capitalism, how we should study the internal history of these forms – the problem of periodisation – and contemporary capitalism?

6. Karl Marx: Crisis and Transformation

1. Classical political economy assessed capitalist accumulation in terms of processes of dynamic stabilisation heading toward a long run steady state, while neoclassicals and Keynesians have assessed capitalism as self-equilibrating or equilibrating with governments compensating for market failures. How does Marx's approach differ?

2. How can we draw a connection between Marx's method of abstraction, the production of capital, the contradictions of capitalist circulation and the debates about economic crisis when we consider capitalist production as a whole?

3. Marx did not proceed to write his projected volume on the world market and crises. In the light of what he did write (including his discussion of the tendency of the rate of profit to fall), how would a Marxian argument assess current developments in the world economy?

7. Karl Marx: Wages and Immiseration

1. How does Marx's conception of wages break from both the subsistence wage and steady state theorisations of classical political economy?

2. "The productive power developed by the worker socially is the productive power of capital.... What the capitalist makes use of here are the benefits of the entire system of the social division of labour."(Marx)

"The essential difference between the various economic forms of society... lies only in the mode in which this surplus labour is in each case extracted from the actual producer, the

labourer."(Marx)

What is the relation of the above quotes to Marx's approach to wages and poverty in capitalism?

3. How do we explain the seeming contradiction of Marx's 'law of the increasing misery of the proletariat' and the wage and work segmentation of the labour market and the material rise of workers' living standards in the advanced capitalist core?

8. Rudolph Hilferding and Rosa Luxemburg: Monopolisation and Finance Capital

1. What theoretical areas and conceptual dilemmas was Marx's Capital silent and inadequate for the issues confronting the second generation of Marxian political economy?

2. Monopolisation is clearly an important economic phenomena. How is it dealt with in different traditions of political economy and what is the relationship to different theories of competition? How did Luxemburg and Hilferding take the challenge up?

3. Hilferding locates his theory of imperialism in relation to the development of finance capital. What links does he draw between the two? How does it relate to the theory of money and the circuits of capital?

9. Nikolai Bukharin and V.I. Lenin: Imperialism and the World Market

1. Marx did not proceed to write his projected volume on the world market (and crises). In the light of what he did write (including his discussion of the tendency of the rate of profit to fall), did Bukharin and Lenin do justice to his approach?

2. Bukharin argued that imperialism was simultaneously a process of internationalization and nationalization (stafification). What did he mean by this? And how does it affect the conception of international competition?

3. When we consider Lenin's analysis of the characteristics of imperialism, can they continue to be used to construct a Marxian argument on current developments in the world economy?

10. From Bentham to Marshall: Neoclassical Economics and Equilibrating Markets

1. Nikolai Bukharin, in his Economic Theory of the Leisure Class (1917), argued that the characteristics of the neoclassical economics of his time were its "subjectivism" (starting from individual subjective motives), its ahistorical character and its point of departure in consumption.

How is Marx's economic theory (and that of Weber) different and does it matter?

2. Where do profits come from and why doesn't everyone know it? This is another way of saying, what did J.B. Clark and the neoclassicals do with the theory of surplus value in developing the marginal productivity theory of income distribution?
3. Say's Law: "It is production which opens a demand for products." [J.B.Say] What is Say's argument and the position of economists who agreed and those who did not agree with it?
4. "When at length a true system of economics comes to be established, it will be seen that an able but wrong-headed man, David Ricardo, shunted the car of economic science on to a wrong line...." [Stanley Jevons, The Theory of Political Economy] What was Jevon's point?
5. Why does the theory of consumption, in the context of general scarcity, come to play such a central role in the formation of several critical propositions of neoclassical economics from Bentham to Pareto and onward? What happens to neoclassical theoretical suppositions when we change some conceptual terms: scarcity is seen as only a general constraint of capitalist social relations of production (that is, capitalism is in fact a world of endless commodities), and insatiable consumer needs are replaced by a theory of social need?

11. Out of Mill, Weber and Keynes: Institutions, Market Power and Organized Capitalism

1. Joseph Schumpeter proposed that the deepest and most mature thought in the analytical structure of Marx's Capital carried a "distinctively conservative interpretation". He continued: "To say that Marx, stripped of phrases, admits of interpretation in a conservative sense is only saying that he can be taken seriously." Does Schumpeter's proposition hold for Max Weber and his social theory?
2. J.S. Mill (Principles of Political Economy): "The laws and conditions of the production of wealth, partake of the character of physical truths. There is nothing optional, or arbitrary in them ... It is not so with the Distribution of Wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively, can do with them as they like." What is the relationship of this proposition to Veblen (in his critique of J.B. Clark's marginal productivity theory) and Weber (in his understanding of the historical nature of capitalism) and all subsequent social democratic thinking, including Keynes? What does it imply about the social relations of production as opposed to property relations?
3. Keynes commented in the General Theory that "If our central controls succeed in establishing an aggregate volume of output corresponding to full employment as nearly as is practicable, the classical theory comes into its own again from this point onwards.... To put the point more concretely, I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use. There are, of course, errors of foresight; but these would not be

avoided by centralising decisions.... Within this field the traditional advantages of individualism still hold good." Where does this position leave Keynes in terms of the theories of value and distribution? What conception of historical time is being deployed? And what kind of state seems to be implied?

12. Marxian Controversies: Values, Prices, Competition and Theorizing Capitalism

1. "Aphorism: It is impossible completely to understand Marx's *Capital*, and especially its first chapter, without having thoroughly studied and understood the whole of Hegel's Logic. Consequently, half a century later none of the Marxists understood Marx!" (Lenin)
What relevance does this comment have for the understanding of the history of debate about method and Marxian value theory? What is the role of value theory in social research?

2. "A firmly rooted system can only be effectually overthrown by discovering with exact precision the point at which the error made its way into the system and the manner in which it spread and branched itself outward." (Eugene Bohm-Bawerk, Karl Marx and the Close of His System)

In the light of the above statement, how should we assess Marx's "error" in Capital between values and prices, or that of the methodological edifice and value premises of neoclassical economics?

3. What is the more important social phenomena to explain for an adequate social theory: the price of gum, or the definite social relations and historical forms in which the surplus labour of the class of producers is appropriated by another unproductive class?

4. What is the more adequate conceptualization of capital: as a moment in a series of timeless and spaceless asset allocations? As a set of technologies and fixed assets separated out from property relations? Or as a social relation between the appropriators and the exploited?