WHAT DOES IT MEAN TO BE A LEFT WING ECONOMIST TODAY?

By Howard Richards, 2005

In a famous passage in the first volume of Capital, Marx wrote:

"The sphere of circulation, or of exchange of commodities, within which labor power is bought and sold, is in very truth a veritable Eden of the natural rights of man. There reign only freedom, equality, property, and Bentham. Freedom, because the buyer and seller of a commodity, say labor power for example, are not moved by anything but their own wills. They make a contract, as free persons, equal in rights. The contract is the form in which they give to a joint legal expression to their common will Equality, because they relate to each other as owners of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of his own. Bentham, because each looks out only for himself. The only motive that brings them together and defines their relationship is their selfishness, their own advantage, their private interests. And just because each looks out only for himself, and neither has concern for the other, due to a pre-established harmony, or under the guidance of a most ingenious providence, all work for the sake of each other´s advantage, for the common good, for the general interest."

We know that in this passage Marx is ironic. He is not giving praiseworthy examples modeling human rights and duties as human rights and duties ought to be. He does not mean that the prevailing jurisprudence stemming from the Roman law tradition's maxim pacta sunt servanda, i.e. contracts should be enforced, which defines the obligations of buyers and sellers in a commercial society, is to be regarded as a source of paragons demonstrating what social norms ought to require of citizens, and would require of them in a good society. Marx. does not mean that the good is defined or served by an ideal of freedom which prescribes that each is to look only to his or her self-interest.

Marx´s whole career and work tell us that he did not mean any of the things that he here says. We know that he believes that in a good society the social norms governing access to resources would not be the Roman law of suum cuique, to each his own, that underlay the concepts of private property found in all European legal systems in the mid nineteenth century when Marx wrote. We know too that Marx believed that in a good society the mutual obligations governing human relationships would not be limited to those prescribed by contract law. In the passage quoted the legal principles governing the buying and selling of labor power are examples of what should not be, not examples of what should be.

Marx lets his readers know clearly enough that he has a low opinion of the morals of the so-called free market. He would have agreed with the British economist E.F. Schumacher who wrote a hundred years later that such a market is "institutionalized irresponsibility." As to what morals would be better, Marx declines to say. The reader is left knowing more about what Marx is against than about what Marx is for.

The famous passage quoted follows an introductory account of the kind of society that Marx submits to scientific examination. A capitalist society. Marx initially defines a capitalist society as one whose wealth appears as a vast collection of commodities. That kind of society was not a good society. It was a society to be transformed by criticism, struggle, and reconstruction. Marx the scientist, Marx who had no sentimental love for pre-capitalist social formations, Marx who regarded capitalism as both the best thing and the worst thing that ever happened to humanity, clearly regarded the form of society where some people hire other people to produce commodities, and then the former sell what the latter produce, as a problem to be solved, not as a solution.

(The English term "commodities" translates the original German Waren, a cognate of "wares," an ancient English word employed by Simple Simon when he asked the pieman to let him taste his. Waren could also have been translated as "merchandise," i.e. things to sell. Spanish translations of Capital use "mercancias" for Waren.)

Marx knew that in any form of society, capitalist or not, the direct producers must somehow be induced to give up some of the product, if only to provide for those who do not produce (at least the very young, the sick, and the very old), and if only to provide inputs for continued production (e.g. at least saving some grain as seed to plant next year). Nevertheless, he clearly did not approve of the juridical framework of this particular form of society, in which the direct producers are separated from their products because the owners of the means of production are the legal owners of the commodities produced.

In the pages leading up to the famous passage quoted, Marx relies on a distinction made by Aristotle between selling in order to buy and buying in order to sell.

Schematically, the first option, selling in order to buy, is:

C → M → C

Commodity → Money → Commodity. The peasant brings a pig to market, sells the pig for money, buys sacks of grain with the money, and then goes home with the grain. The purpose is use. The value is in use, in eating the grain, together perhaps with some vegetables the peasant family produced itself, and together perhaps with eating the other pig the peasant kept at home and did not bring to market. Use is the objective of the C → M→ C series of transactions.

Marx the scientist, Marx the anti-romantic and anti-sentimentalist, Marx the modernist who never advocated regression to older social formations, does not conceal a certain admiration for the humble honesty of the C→M→C pattern that Aristotle before him and Rosa Luxemburg after him called the pattern of the natural economy. Aristotle for all his faults got something right: when accumulating money becomes the objective, something has gone wrong.

But that is just what happens in selling in order to buy. Schematically:

M → C → M

The merchant buys the pig not because he intends to eat it, but because he intends to sell it later at a higher price. Money is the alpha and the omega, the beginning and the end.

There are, of course, circumstances in which the merchant's activity serves some useful purpose. For example, she or he might move the pig from a pig-surplus area to a pig-deficit area. But whatever the useful purpose may be, it must, by definition, ultimately be justified, measured, evaluated, and conscientiously revised, because it is useful. The proposition that properly regulated institutions for the exchange of goods and money can be socially useful does not refute Aristotle, Marx, Luxemburg, and the many others who have taken use to be the point and purpose of economic activity. It assumes their premise.

In the passage quoted above, Marx mocks the civil code. In the chapter following the passage quoted, he does not propose a better civil code. He sets out, ostensibly at least, not to solve a moral or juridical problem, but to solve a scientific problem. His problem was how to explain the existence of profit. He argued that on the principles of bourgeois economics the observed phenomena, businesses regularly making profits, could not be explained. Since his principles could explain the observed phenomena, and theirs could not, Marx's economics was scientifically valid, while bourgeois economics was pseudo-science. By deliberately avoiding the path of proposing better institutions to replace those then prevailing in Europe, the path of the Proudhons, the Sismondis, the Robert Owens, the Saint-Simons, and their followers, Marx thought he was avoiding the trap of putting the case for socialism on a shaky ethical basis. He strove to put it on a solid scientific basis.

Marx's critics have pointed out that he made rather too much of the alleged inability of bourgeois economists to explain profit. Marx argues that in the competitive markets described and idealized by bourgeois economics, the price of everything will fall to its value (to its cost of production). The usual and normal case is that when the merchant buys the pig M→ C, the merchant will buy the pig at its value, as determined by the market. When the merchant sells the pig C→ M, the competitive market will force the merchant to sell the pig at its value. By buying the pig for what it is worth and selling the pig for what it is worth, the merchant will make no profit. Except for occasional flukes, the merchant will be frustrated. (If the merchant moves the pig to another place, then the cost of transportation will be added to the costs of production, thus raising the value of the pig, but still frustrating the merchant, since the higher price received will just cover the higher costs.)

Marx's argument seems plausible on its face, but the weight of informed opinion today, even the opinion of people like Joan Robinson who sympathized with Marx's objectives, is that Marx did not get the concept of value quite right. Today people talk about chains of value and about value-added, and do not regard the existence of profits at several stages of the production of a commodity as a mystery that needs to be explained. But whether or not the analysis Marx offered cleared up a mystery that other social scientists could not clear up, the solution he provided for his problem, or for his pseudo-problem as the case may be, was decisive for subsequent Marxism. After the passage quoted above, Marx invites his readers to travel with him away from the sphere of the circulation of commodities (i.e. away from the marketplace) and into the sphere of the

production of commodities (i.e. into the factory). In production Marx discovers the secret of profit making.

The gist of Marx´s scientific explanation of profit making can be expressed by commenting on a diagram that Marx does not use until the second volume of Capital:

This diagram again starts with money, M. The capitalist invests money with the intention of ending up with more money. Again, like the merchant who bought the pig, the capitalist buys commodities, C. Among the commodities purchased there is a peculiar one. The peculiar one is labor power.

The labor power sold by the workers to the capitalist has the peculiar property that when the capitalist consumes the commodity he has purchased by putting the workers to work, that particular commodity (labor power) produces a product with a higher value than its own value.

The letter P in the diagram stands for "production." The arrows stand for market transactions. Where there is an arrow, somebody buys something and somebody sells something. The first arrow, the one between M and C, stands for the capitalist buying the commodities needed to run production, whatever they may be, but always including, among others, labor power. The worker sells labor power. Around P there are no arrows. There is just a row of dots on one side and a row of dots on the other side.

Production is not a buying and selling transaction. It is not the circulation of commodities that takes place in markets. It happens inside the factory. It happens when the peculiar commodity the capitalist has purchased is consumed. The capitalist consumes the merchandise purchased not as he or she would consume a recently purchased cup of coffee, by drinking it, but rather in the way one consumes labor power one has purchased, by putting it to work. The outcome is more commodities, C´. What is remarkable about C´ is that when it is sold for its value it yields a quantity of money, M´, which is greater than the initial M. The secret of profit making is that labor power is a commodity whose consumption yields a value higher than its cost. The exact reason why Marx asserts this to be the case is set out in Capital, but in this summary I do not discuss it. Intuitively Marx´s assertion is plausible because if the capitalist did not believe that the product of labor would be worth more than the cost of labor, the capitalist would not have hired the laborer in the first place.

Looking at the diagram above one can see the origin of several key Marxist concepts:

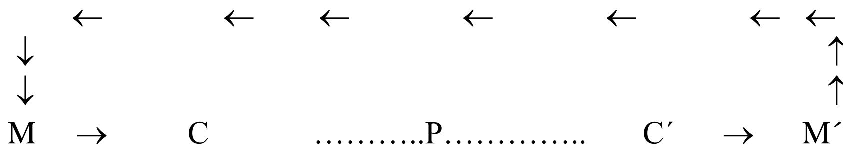
1. Surplus value is defined as M` - M. (The – is a minus sign.) It is the private appropriation of the social product. The workers produce C´ but the capitalist owns C´ which the capitalist then sells for M´.

2.. Exploitation. This is another word for the extraction of surplus value from labor.

3.. Proletariat. They are the people who sell labor power in the market transactions M→ C, and who then do the work.

4. Marx´s original definition of capitalism, as a form of society whose wealth appears as an immense collection of commodities (Waren) now appears in a different light. The existence of commodities in the kind of society Marx analyzes is an outcome of some people hiring other people to work. The former hire the latter for the purpose of ending up with more money than they started with.

5. Accumulation. M´ can be reinvested.



A cycle is established in which profits are available to pay for the inputs required to make still more profits, which in turn will make still more profits, ad infinitum.

Marx tried to show that the capitalist accumulation process could not go on forever. Capitalism had to come to an end because the dynamic that moved it, the accumulation of surplus value, had to come to an end. The historical trend had to be in the direction of socialism, as the logical outcome of the development of capitalism, for reasons Marx thought of as inherent in concepts connected with the diagram above. The piling up of profits in the pockets of a few would lead to social tension. That social tension would be aggravated by a competitive labor market, which would continually drive the price of labor down to the cost of production of labor, i.e. to subsistence. (This concept was not original with Marx. The classical economists Adam Smith and David Ricardo had already stated it. Ricardo had advocated repealing the English "corn laws" [i.e. protective tariffs charged on imported grains for the benefit of English farm owners] on the grounds that repealing the tariffs would make food cheaper, which would lower the cost of production of labor, i.e. the cost of subsistence, which would lower wages, which would lower production costs for English manufacturers, which would give English manufacturers a competitive edge when exporting their products.) Further, since only the money invested in buying labor (what Marx called "variable capital") had the peculiar quality of producing surplus value as profit for the capitalist, the rate of profit was bound to fall over time. This was so because to remain competitive capitalists had to invest more and more in non-labor inputs to production (which Marx called "constant capital"), such as advanced technologies. Since variable capital yielded profits, and constant capital did not, and since the proportion of capital invested in constant capital would go up over time, while

the proportion invested in variable capital would go down, the rate of profit would go down.

The same competitive process would weed out the less efficient capitalists, leading over time to monopolistic tendencies as the losers went out of business and the winners got bigger. As firms became fewer and larger, it became easier to organize workers, since workers tended more and more to be gathered together in larger numbers in fewer places. Capitalism´s inherent tendency to concentrate the ownership of the means of production would prepare the way for socializing it.

I will further discuss the alleged instability of capitalism, and its alleged tendency to prepare the way for its own Aufhebung (replacement by a higher form of social organization which keeps its merits and corrects its defects) in the course of outlining Rosa Luxemburg´s theory of the accumulation of capital below. However, first I want to point out that the same basic diagram

suggests reasons for believing that capitalism will never come to an end. In the diagram the movement from M to M´, the investment of money for the purpose of getting more money back, is the only reason why P happens. Profit is the purpose of production. But if there is no production, then the workers have no jobs; the consumers have no products to consume, no food to eat, no clothes to wear, no houses to live in; the governments have no income to tax, and therefore no money to pay the army and the police.

Consequently, whatever needs to be done to keep the rate of profit up, so that capitalists will keep investing, must be done, and therefore it will be done. There must be what the French school of "regulationist" economists calls a "regime of accumulation." That is to say, there must be some combination of economics, politics, and culture which makes it possible for the process of capital accumulation to continue. It may require wars; it may require a mass culture that makes women feel suicidal if they do not conform to the ideal of beauty promoted by the beauty products industry; it may require fascism; it may require a military dictatorship that tortures and kills labor leaders in order to create a favorable business climate for investors; it may require suburbs, tax breaks for home ownership, freeways, and cheap petroleum. Keeping going the production everybody depends on may or may not require any of these things at any given time and place, but it does require some regime of accumulation or other. The fundamental dynamics of capitalism cannot be changed. Any movement in the direction of socialism will weaken the profit motive. Since everybody's livelihood depends on keeping the profit motive strong, movements toward change in a socialist direction will be repressed and reversed.

Thus the same schematic description of a capitalist economy that Marx used in an attempt to show that capitalism is unstable and must some day come to an end can be used to argue that capitalism will always stabilize itself and will never come to an end.

Rosa Luxemburg contributed to the Marxist tradition her own ideas concerning what capitalism does to defend itself from its own instability. She also had her own theory about why capitalism must come to an end. For Luxemburg, writing in 1913, there is no possible way to sell the products of capitalist mass production industry within the confines of the narrow market made up by the capitalist owners and the workers employed by them. The workers can only spend their wages, which by definition have a value lower than the value of the commodities they produce. They cannot possibly buy all their own products. The owners cannot buy all the remaining unsold consumer products because, for reasons Luxemburg argues in detail, they must keep plowing back some of their incomes into new investments. The new investments only make capitalism more unstable than it already was, because they result in even more productive powers producing even more consumer goods that it is even harder to sell. According to Luxemburg, the only possible way for capitalism to exist is by continually expanding its markets by seeking buyers in those parts of the earth that are not yet capitalist. Capitalism can only exist in a world where there are still non-capitalist markets to conquer. She supplements her logical analysis of capitalism's requirements with an account of its history, which shows that as a matter of fact capitalism has been imperialist, colonialist, militarist, and racist. Her theory does not require that capitalism always be all of these things, but it does predict that a capitalist society is likely to be one or more of them at any given point in time. Without selling its products to non-capitalist peoples in some way or another it cannot continue. Luxemburg gives many historical details concerning how European powers forced the Chinese, the Africans, the Hindus, the Egyptians and other peoples to participate in the kinds of commercial relationships that European capitalism required.. She also gives an account of the internal transformation of the United States during the 19th century from a mainly natural economy of self-reliant farmers to a nation of employees dependent on capital for employment. But when the capitalist system has taken over all the earth and all its peoples, then there will be no natural economies left. The system will have to end because it can only exist by modernizing natural economies. At some point in time there will be none left to modernize. Fredric Jameson in the 1990s added another twist. Even when capitalism has brought every square inch of the planet into its marketplace, it still has yet another frontier to conquer. The new frontier is the unconscious mind. Jameson interprets contemporary culture as the commodification of the unconscious mind. Capitalism creates markets where none previously existed by turning every deep need of the human psyche into a need to buy something. Hardt and Negri in their recent book Empire, give Luxemburg's ideas yet another twist. It is not enough to make the entire world a market. It is also necessary to make all the world's peoples into a proletariat, so that they can be exploited both as consumers and as wage laborers.

The point of departure for Luxemburg's analysis, from which her illuminating conclusions follow, is another diagram drawn by Marx:

Department One	4000 c	+	1000 v	+	1000 s	=	6,000
Department Two	2000 c	+	500 v	+	500 s	=	3,000

Marx proposed thinking of capitalist production as divided into two departments. Department One makes production goods, such as tractors and electricity generators.

Department Two makes consumer goods, such as bread and shoes. The products of Department One are inputs used by Department Two, since the latter cannot make consumer goods without the tools made by the former. The workers and owners of Department One need bread and shoes the same as everyone else, and so they rely on Department Two to produce the necessities and conveniences of life for them.

Department One	4,000 c	+	1000 v	+	1000 s	=	6,000
Department Two	2000 c	+	500 v	+	500 s	=	3,000

As Marx fills in the numbers, the books balance. His schematic example shows hypothetical quantities produced by each department. Department One makes a total product with a value of 6,000. The 6,000 is accounted for by spending 4,000 on its own means of production (The c stands for constant capital), by spending 1000 on wages (v for variable capital), and by taking 1000 as profit (s for surplus value). The 6,000 in production goods is just enough to provide 4,000 for itself, and 2,000 for Department Two, which, in the example, is exactly what Department Two needs. Department Two produces consumer goods of 3,000 value, which is just the right number for the workers of Department One to spend their wages (1,000) on, plus enough for the owners of Department One to spend their profits (1,000) on, plus enough for the workers and owners of Department Two to spend their wages and profits (500 and 500) on. Everybody sells enough to acquire the cash to buy the products everybody else has to sell. Luxemburg argues that the precarious balance here depicted cannot last.

Department One sells Department Two means for increasing production. It has to. That is the only thing Department One has to sell. If it fails to make sales, then the workers and owners in Department One will not have any money, and then they will not be able to buy up the unsold products of Department Two. Then both departments would be in trouble, One because its members would be penniless, and Two because since would lack customers it would be operating at a loss.

But what Two buys from One --must buy from One to balance the books—is the means to produce even more than it is already producing. (Luxemburg goes into great detail to rule out what might seem to be other logical possibilities.) If all that new equipment is going to pay for itself, then even more must be produced, and so on and so on. The resulting overproduction does not mean producing more than the world needs in the sense of more food than there are hungry people or more houses than there are homeless. It means overproduction in the sense that more is produced than paying customers are able and willing to buy. As Luxemburg points out, overproduction in this sense has been the fate of most industries most times most places since capitalism began.

The balancing of the books requires an accelerating process of expanding mass production whether or not there are buyers for the products. This process sooner or later, and generally more sooner than later, drives the system to recruit consumers outside its own narrow confines, by fair means or foul.

Luxemburg's text is full of merciless logic reducing to rubble the mistaken theories of other writers. She had no patience with error, and none with petit bourgeois idealists. The latter were doubly damned, as alien to the proletariat because they represented the middle class, and as fools because their arguments for socialism were more ethical than scientific. Four years after her book was published a theorist she had harshly criticized, not for being a petit bourgeois idealist but for being a superficial thinker, Vladimir Ilyich Lenin, became the head of a revolutionary government in Russia. In response to that historic event, Ludwig von Mises, in 1920, published the first of a series of proofs that it was impossible to construct a rational and efficient socialist economy. Whatever the merits might be of critiques of capitalism, socialism was not a viable alternative to it. According to von Mises and the many economists who agreed with him, socialism was a non-starter.

Von Mises sees capitalism as a rational system for achieving efficiency through what he calls roundabout production. He does not reject the depiction of the process in Marx's diagram.

But he has a lot to say about P. It is not just a matter of putting workers to work. On either side of P, he insists that the laws of private property assumed in the diagram, as the prerequisites taken for granted in the buying and selling in M→C and C′→M′ are necessary and desirable. The principles of contract law that rule these monetary transactions are also necessary and desirable. Von Mises writes, "…every step that takes us away from private ownership of the means of production and the use of money also takes us away from rational economics."

The most important difference between a traditional peasant economy and modern capitalism is that in the first P is direct, while in the second P is roundabout. In capitalism, instead of making bread directly yourself, following the steps your mother taught you, which your grandmother taught your mother, you start by writing a business plan to raise venture capital. You calculate the relative advantages of alternative ways to source flour. You run hypothetical scenarios with different recipes and ovens. You hire a marketing research team. You hire baking technology engineers. You negotiate with distributors. You launch prototype varieties in test markets.

Roundabout production wins in the end. The showdown is in sales. Consumers prefer the products of modern bakeries. Roundabout production wins on price and it wins on quality. Similarly, other capitalists in other fields are making long, expensive, systematic, and complicated searches for cost/effective ways to bring saleable products to market. Where Luxemburg sees the capitalist system as destroying natural economies to create the markets it needs to stabilize itself, von Mises sees the worldwide triumph of superior technologies and superior forms of business organization. Their triumph leads to increased worldwide customer satisfaction.

Von Mises admits that capitalism has faults. For example, relying on market forces may not be the best way to protect the natural beauty of a waterfall. Even with its faults, it has raised human living standards far above those of previous ages. He denies that socialism could do better.

Whatever the objectives of a socialist society may be, and whatever may be its processes for determining and revising its objectives, it will require methods for achieving its objectives efficiently, or at least not grossly inefficiently. (Here I am improving von Mises´ argument for him. As he states his argument it depends on the debatable premise that socialism must have as its fixed objective maximizing satisfaction of wants subject to given resource constraints.) For von Mises the terms "efficiently" and "rationally," are equivalent to each other, and both are in important ways equivalent to the phrase "minimizing costs." To be rational is to be efficient. To be rational and efficient one must find the least costly way to achieve the objective. (Or, alternatively, achieve the objective to a higher degree at the same cost; or, more completely, simultaneously keep costs down and output up.)

To minimize costs it is necessary to compare the costs of all feasible alternative ways to make the same product. On a farm, for example, costs might be minimized by using more fertilizer and less labor, or by using less fertilizer and more labor, or by some other combination of inputs. To be fully rational the farmer should also consider whether to invest more and so produce more, whether to invest less and so produce less, whether to plant a different crop, and even whether to sell his farm and invest his capital in some other line of business.

A socialist society must try to do something similar to what the profit-maximizing farmer does. But it cannot. It must rationally decide how much of which resources to deploy to achieve what ends. It can't. It must count its costs. It can't. It must compare the benefits of alternative uses of the same resource. It can't. According to von Mises, socialist planners are inevitably "groping in the dark" and producing "the absurd output of a senseless apparatus."

The reason why socialists cannot rationally plan the achievement of their objectives is that under socialism there are no true market prices. The means of production are socially owned, which implies that there is no marketplace where owners of means of production negotiate with each other to buy them and sell them, and thus achieve a meeting of the minds determining how much each item is worth, i.e. its price.. Without prices, it is not possible to compare alternatives.

Prices provide a common denominator that makes it possible to compare everything with everything else. When the rational farmer decides among more or less fertilizer, more or less labor, more or fewer tractors, more or less insecticide, or some combination of these and other factors, money provides the quantitative measure that makes the alternatives comparable. (Von Mises considers, but rejects, the possibilities that labor time or purely physical quantities, like bushels of wheat, might provide quantitative measures that would make the alternatives comparable.) Each alternative has a money cost, a price.

The projected outcomes, the commodities to be offered for sale, are also measured by money, i.e. the prices at which they can be sold.

But what is a price? Price is a legal concept. It is a contract between property owners. It is the number at which a willing buyer and a willing seller agree to exchange what one owns for what the other owns. Von Mises´ argument is an argument for keeping intact the legal framework of the civil code that Marx mocked in the passage quoted at the beginning of this essay. Without private property in the means of production there are no independent property owners owning production goods. Von Mises assumes that under socialism consumers will continue to buy and sell in markets the same as under capitalism, but he sees an insurmountable problem in the lack of markets for the capital goods employed in the sphere of production. Where there are no independent property owners, there is no bargaining in the marketplace on the terms of exchange. There are no deals struck. Hence there are no prices. Since there are no prices, there is no way to be efficient, because there is no way to compare alternatives.

What von Mises and the many economists who agree with him have done is to define "rationality" and "efficiency" in such a way that they are only possible in societies governed by the legal principles that modern Europe received from ancient Rome, and gave to the rest of the world.

Now suppose that it is possible for socialist planners to mimic capitalism by calculating what prices would be in an ideal market, and then planning on the basis of such hypothetical prices. As Oskar Lange, who suggested this, pointed out, the mimicry would be better than the real bargaining among owners that goes on in capitalist marketplaces, since the socialist calculators could assume the perfect competitive markets that apologists for capitalism idealize. They would bypass the corruption, the force and fraud, the oligopoly and monopoly that prevail in the real world of capitalism. Subsequent socialist answers to von Mises assert that computerized mimicry of markets and intelligent institutional inventions could produce the socialist equivalent not just of an ideal market, but also a socialist equivalent of ideal innovative entrepreneurs, who rapidly adjust production to changes in technology and to changes in consumer preferences.

Von Mises has answers for his answerers. Two of the arguments made by von Mises, his ally Friedrich von Hayek, and his other allies, concern incentives and freedom.

Capitalist entrepreneurs are, von Mises and von Hayek say, motivated by dreams of wealth and fears of failure. On a smaller scale dreams and fears motivate everybody else in a capitalist economy too. They question whether, as a matter of psychology and culture, it is possible for socialism to generate the incentives needed to get the work of the world done.

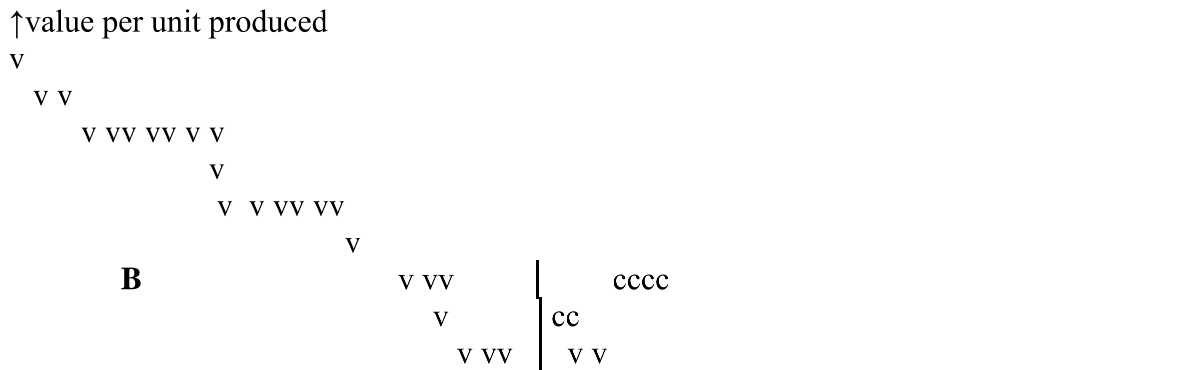
Freedom is an even more important issue. Even if the computers of a planning agency could generate the numerical equivalents of the prices generated by the wheelings and dealings of the multitudes in markets large and small, the cost in human terms is too high to pay. As Adam Smith famously taught, the market coordinates the work of the multitudes while protecting their freedom. As if by an invisible hand, markets organize the

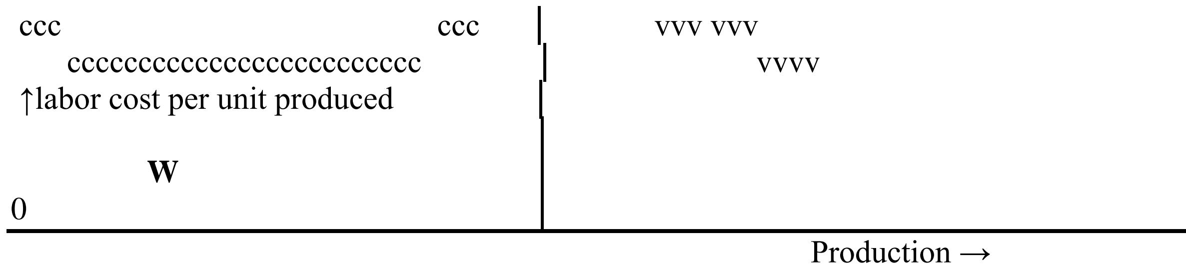
multitudes to cooperate to supply each other's needs, while leaving each individual free to own and to buy and to sell as she or he may choose. A planned economy, even if it brought a higher standard of living, would take away the dignity beyond price of many individuals who now under capitalism craft their own path through life by striking deals in the marketplace. Friedrich von Hayek in his influential book The Road to Serfdom argued that, in general, every governmental intervention in the economy that places the power to make decisions in fewer hands is a step away from freedom and toward tyranny.

Von Hayek proved less than he asserted. He proved, analyzing in detail the cases of Hitler and Stalin, that some political and economic changes away from capitalism and toward socialism make society worse instead of better. He asserted that all political changes away from capitalism and toward socialism make society worse instead of better.

Already in 1920, and subsequently in later elaborations and restatements, Ludwig von Mises articulated the terms of debates that still continue. He claimed, in effect, that any socializing movement away from the dominant Roman Law paradigm would lead to irrationality, which was the same thing as inefficiency. It would also lead to the weakening of incentives, and toward, if not to, tyranny. Subsequently, left wing economists encountered new challenges in addition to ongoing ones like those articulated by von Mises and von Hayek: the Great Depression of the 1930s, the Keynesian Revolution, the rise of the Welfare State in Western Europe, the rise of the Warfare State in America, the rise of development economics in the third world. Michael Kalecki had important things to say about all of these new challenges. Born in 1899, he was a self-educated Pole. He read Rosa Luxemburg in his youth. He immigrated first to Sweden and then to Cambridge where he became a member of the Post-Keynesian inner circle. He spent the years 1945-1955 working for the United Nations, first for the International Labor Organization in Montreal, and then at UN Headquarters in New York, before returning to his native Poland where he worked for its Communist government. In 1970 he resigned his official posts in protest against official persecution of colleagues and against anti-Semitism.

Kalecki assumed a kind of society in which some people hire other people, put them to work, and then privately sell the resulting social product. He uses a graph, of which the following is a simplified version, to explain relationships among the capitalists, the wage earners, the national income, the profit share of the national income, and the wage share of the national income.





The line of v´s represents the value of each unit produced (marginal value added), i.e. what it sells for. The value of v starts out high because it is supposed that where there is some considerable demand and very little supply, the price will be high. (Kalecki assumes that the firm has some control over its market, so that how much it produces has an effect on the selling price.) As more and more is produced, v slopes down to the right because as the market becomes saturated the price goes down. Also, the likelihood of producing goods that cannot be sold at all goes up, which has the effect that the average selling price goes down.

The line of c´s represents the cost of producing an item, disregarding fixed costs, and, simplifying, considering only additional labor costs incurred by producing another item (marginal labor cost). C starts out a little bit higher than usual because labor cost per unit is usually a little higher at startup and when producing small batches. Kalecki thought labor cost per unit tended to be constant over a wide range of production quantities. That is why most of the c´s are lined up as a horizontal line, representing the same cost per unit as production increases. It would make no essential difference to the argument if c were thought of as sloping downward a little, reflecting lower labor cost per unit in large quantities, or if it just continued straight. However, as Kalecki drew the graph he made the common assumption that labor costs per unit go up when production is high, because it is necessary to pay higher wages, or to use inexperienced workers, or for some such reason.

At some point it becomes no longer profitable to hire workers. This point is represented by the vertical line. It is supposed to be a straight vertical line, but I was unable to draw it completely straight the way it is supposed to be. It becomes unprofitable to produce, and therefore unprofitable to employ, at the point where the value of an additional unit dips below the cost of producing an additional unit.

Kalecki thought of a graph like this as describing a representative firm. Generalizing by adding up all the firms in a society, the same graph represents the entire economy. If you can picture in your mind the area to the left of the vertical line, and under the line of v´s, that imagined area represents the national income. It is the total of all the goods produced multiplied by the price each good sells for. The width of the area stops at the vertical line because production stops there. Its height is measured by the selling prices of the goods produced, which is why it is higher at the beginning when v is high.

The area just imagined, representing the national income, is subdivided into two parts, B, which is the gross profit of the capitalists, and W which is the wages of the wage-earners. W is represented by an area whose width is the same, and whose height is the line of c´s, the labor cost per item produced. It is the sum of all the items produced multiplied by how much had to be paid in wages to produce each item.

Much of what Kalecki has to say concerns B, the part of the national income that goes to the capitalists, and what the capitalists do with B.

Looking now not at how the capitalists get profits, but at what they do with them, Kalecki defines real gross profit (which is roughly equivalent to Marx´s surplus value) as the sum of capitalist consumption and accumulation.

$$B = C + A$$

where B is the gross profit of any given capitalist, and also the sum of the gross profits of all the capitalists in the society under consideration.

C is what the capitalists spend on consumption. This can be divided into constant consumption expenses, and a variable part assuming that when profits are higher capitalists spend a portion of the extra income on increased consumption. In the simplest case capitalist consumption is constant. Kalecki believed that on the whole capitalist consumption was not very elastic. That is to say, it tended to be roughly constant.

A is accumulation, in other words savings. Kalecki assumes that workers spend all their income, or save so little that their total savings are negligible. For practical purposes, all of the saving done in the entire society is done by capitalists.

Kalecki consciously made a number of simplifying assumptions. He knew quite well, for example, that there are many people in society who do not fit well either into the category of worker or into the category of capitalist. He knew quite well that production is sometimes constrained by capacity and not by labor costs. Sometimes he relaxed his simplifying assumptions in order to provide a more nuanced picture of social reality. Nonetheless, he and his admirers considered it illuminating to look at society through the lenses of the simplifying assumptions stated above.

Looking at society in this way, Kalecki found that almost everything depends on the variable A, i.e. on the savings accumulated by capitalists, on how large A is, and on what capitalists do with it. The workers play a passive role. Kalecki wrote, “A spontaneous change in worker expenditure cannot happen because (as we have assumed) they spend exactly as much as they have earned.” Workers can choose, within limits, to buy one thing rather than another, but their total spending, as a class, is not discretionary. It is the total of their wages. Whether there will be more or less employment, and therefore more or less wages, depends entirely on decisions made by capitalists. Kalecki writes, of “… the key position of investment in the determination of the level of total output and employment.”

In a more nuanced, less simplified, version of his theory, Kalecki expands his definition of "investment" to include also budget deficits run up by the government. Governments can increase total output and total employment not just by taking some of the surplus in taxes and then spending it, but also by borrowing money and spending it. Capitalists of course can also invest borrowed money, and usually do.

Kalecki agreed with those who hold that in free competitive markets, profits tend to fall to zero. But in the real world free competitive markets existed only in agriculture. The farmer is a price-taker who brings agricultural products to market and sells them at whatever the market price is. It is indeed true that for small and medium sized farmers who have no control over their markets profits do tend to fall to zero. But outside agriculture it is different. According to Kalecki´s theory of profits, real gross profit (B in the equation above) is a function of the degree of oligopoly or monopoly that the manufacturer enjoys. In the real world of industry price is determined by a markup over production costs. Manufacturers differentiate their products and develop special relationships with suppliers and customers so that they are never simply price-takers.

Thus for Kalecki the size of B, and therefore, the size of A, depends to a large extent on the degree of monopoly power exercised by capitalists. Monopoly power enables owners to drive the profit (more precisely, non-wage) share of national income up, and, correspondingly, the wage share down. The result will be some division of the cake between wages and profits. For example, in an illustration given by Kalecki, if the national income of the United States goes up by one dollar, then some portion of that dollar will go to wages and some portion to profits. Assuming that 68 cents goes to wages, then 32 cents will go to B, gross profits. Assuming that capitalists have already spent all they intend to spend on personal consumption, C, then the extra 32 cents will go entirely to A, to accumulation. Assuming no saving by workers, then the amount saved in the society because of the dollar increase in national income (the marginal propensity to save) will be 32 cents.

The crucial question is, then, what happens to A ?

There is no reason to suppose that capitalists will use their legal control over society´s savings, represented in the equation $B = C + A$ by A, to create full employment. Kalecki was not the least bit impressed by the classical economists´ proposition (Say´s Law) that labor power, and indeed anything offered for sale, would always sell if the price was low enough. Kalecki´s view was that full employment was a special case, not the normal case, and that it was unlikely to happen in peacetime. He repudiated schemes which purported to raise employment levels by lowering taxes on profits, by lowering interest rates, and/or by lowering wages. As the great depression of the 1930s had dramatically shown, capitalists will not invest even with zero taxes on profits, zero interest on loans, and rock bottom wages, if they do not believe they can sell the commodities to be produced. Kalecki further argued, consciously echoing Rosa Luxemburg, that inducing capitalists to employ people by making new capital investments soon becomes counterproductive. It makes older equipment obsolete, which depresses profit expectations. It adds even more productive capacity when firms are already operating at less than capacity for lack of customers. Kalecki wrote, "The tragedy of

investment is that it causes crisis because it is useful. Doubtless, many people will consider this theory paradoxical. But it is not the theory which is paradoxical, but its subject –the capitalist economy."

Instead of engaging in futile efforts to create full employment by stimulating private investment, it was more feasible for the government to create full employment through public investments, by subsidizing mass consumption, and by redistributing income from the rich to the poor. (Notice that the equation B = C + A implies that if C is constant, then when B falls A falls. Thus when incomes become more equal, because the wage share --W in the diagram above—goes up, the amount of accumulation, A, is less. The problem what to do with A to get it back into circulation, back to employing people and producing goods, is a smaller problem.)

But Kalecki was a political pessimist. Even where full employment was technically feasible, it was not usually politically feasible. He regarded class conflict as a fundamental characteristic of capitalism. He thought the capitalist class especially had a highly developed sense of class consciousness. They were quick to spot threats to their power and quick to take action to thwart them. Since they controlled virtually all the discretionary spending in society (i.e. A) they controlled not only the economy but also most of the government, most of the academy, and most of the media. They, or some of them, recognized the merits of arguments like those of the Keynesians that greater consumer purchasing power would serve the economy as a whole, not just the working class. Nevertheless, the capitalist class would oppose full employment because it would empower the working class, and disempower them.

But even though full employment was not politically feasible, falling back into another Great Depression, or prolonged massive unemployment, was not politically feasible either. Kalecki expected places like Western Europe to experience what he called a "political business cycle" in which government programs redistributing wealth would wax and wane as the mix of capitalist fears varied, and as the classes contended for political influence, one class with most of the money, the other class with most of the votes.

Kalecki was even more pessimistic about the United States. A welfare state could prevent a relapse into the depression of the 1930s in the UK, in the Scandinavian countries, and in some other places. But in the United States a welfare state solution to capitalism´s instability was not even technically feasible, let alone politically feasible. The reason was that in the USA incomes were more unequal and therefore savings were higher. The depression in the USA had been more severe, and unemployment higher. Getting A back into circulation was a much harder task. Kalecki argued that only high peacetime military spending prevented the USA from relapsing into depression after World War II. The American left wing economists, Paul Sweezy of Harvard and Paul Baran of Stanford, wrote books agreeing with Kalecki´s argument, for the reason just stated, and for other related reasons I will not discuss.

Exaggerated anti-Communism in the United States typified by Senator Joseph McCarthy of Wisconsin apparently contributed to Kalecki being forced out of his job in New York as a United Nations economist in 1955. Even though he had diplomatic

immunity as an international civil servant, it was hard for him to endure the political hysteria outside the walls of the UN Secretariat. However, recent work on the intellectual history of the United Nations suggests that Kalecki was also under pressure inside the walls.

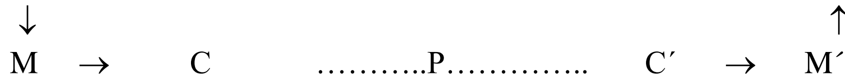
The UN was founded in 1945 at the height of the intellectual influence of John Maynard Keynes. Mainline Keynesians did not share Kalecki´s pessimism regarding the prospects for peacetime full employment. The legislatures of every major industrial nation passed laws committing the governments to maintaining full employment. The policy instruments defined by the new science of macroeconomics were supposed to provide the technical means that made it feasible for governments to honor their political commitments. Article 55 of the United Nations Charter similarly made the maintenance of full employment the obligation of every member nation.

The policies associated with the Keynesian revolution in economic theory contributed to falsifying a premise Kalecki shared with Marx and the classical economists, the premise that wages would remain at subsistence levels. In large parts of the world middle classes prospered. Many workers were unionized and well paid. Workers began to contribute substantially to national savings, especially through pension plans and insurance policies. The salary share of national income went up, and the share paid because of property ownership went down, although this was a matter of form rather than a matter of substance when it was due to people in control of businesses preferring to pay themselves larger salaries instead of paying larger dividends to shareholders. Nevertheless, the evolution of the Western industrial economies after World War II that modified who was in control and how decisions were made did not persuade Kalecki to revise his main conclusions.

The economists of the United Nations in its earliest years were generally of a Keynesian sort of social democratic persuasion, as were its Secretaries General the Swede Dag Hammarskjold (who had anticipated some of Keynes´ideas in his own doctoral thesis in economics) and the Norwegian Trygvie Lie. During the first few years of the organization´s existence UN economists aided and applauded the general enthusiasm of the industrialized world for government-guaranteed full employment.

The Keynesian magic wore off gradually. Kalecki was at the UN long enough to see it begin to wear off, and to begin to see his pessimism confirmed. A key shift is documented in Toye and Toye´s recent history of economic thought in the UN. Full employment was displaced by a new concept: “development..” The UN´s rhetoric of solidarity underwent a transmutation, a gestalt shift. It had been about classes. Now it was about nations. The new moral imperative was to help the poor nations to develop.

But what was “development” ? First and foremost, it was capital accumulation.



What for Marx had been problematic, now became the solution. The scholars who mainly defined the meaning of development within UN circles, W. Arthur Lewis, Paul Rosenstein-Rodan, and Walt Rostow, asked themselves how the nations now defined as developed had become developed. The general answer (an answer since refined and modified by numerous studies) was that they had accumulated capital. The prescription was that the poor countries should accumulate capital too.

The delegations of the USSR and its satellites did not disagree. If, indeed, Marx had mockingly written "Accumulate ! Accumulate! That is the law and the prophets" as part and parcel of his critique of capitalism, one could also cite any number of passages from Marx which could be interpreted as saying that many generations of continued exploitation must pass before humanity will be ready to cooperate and share. As India´s prime minister at the time, Jawaharlal Nehru, put it, the Soviet Union had demonstrated to the world that there was a second, socialist, path to development. Stalin agreed. The UN concept of "development" was officially neutral regarding who did the accumulating. It could be private entrepreneurs. It could be the state.

Michael Kalecki, always independent-minded and conscientious, could not have been expected to fall in line. Toye and Toye cite evidence that the administrators in charge of Kalecki´s work at the UN were not happy with him, nor he with them. The idea that the time had come for the elites of the first world and the second world to give technical advice to the elites of the third world, on how to accumulate capital, was not a Kaleckian idea. To be sure, "development" had equitable implications: the first and second world should transfer resources to the third world, they should open their markets to third world products, the prices of the commodities the third world exported should be stabilized and raised. But the most natural and usual implication of "development" was that third world wages had to stay low. Income distribution had to favor the saving classes. Development depended on raising productivity, which depended on modernization, which depended on investment plus technical assistance, which depended on saving, which depended on some process of mass collective misery not unlike that suffered by the proletariats of Europe in the 19th century and not unlike what was being suffered contemporaneously by the Russian masses under Stalin.

I have been suggesting that for Kalecki, as for Marx, the key to solving many problems lies in abolishing or mitigating the legal control exercised over most of society´s resources by private entities motivated by profit. For von Mises this is precisely why the socialists are wrong. For him and his followers any abolition or mitigation of that legal control will lead to inefficiency, lack of motivation, and threats to freedom. I have been suggesting that if there are ways to solve the problem of reconciling justice with freedom posed (somewhat unintentionally) by von Mises; or the problem of overproduction leading to imperialism posed by Luxemburg; or any basic problem, including some not mentioned in this paper at all, such as the problem of coping fairly with inflation; solving the problem

will require ethical revisions of basic legal rules. Left wing economists have typically advocated increasing one or another form of social ownership, or in some cases (such as land reform) making private ownership more equally distributed. They have advocated more non-market or modified-market methods for making social choices. Regarding the control of resources, the thrust of the right wing is to the contrary: less social ownership, more privatization. The right typically favors freedom of choice when it coincides with favoring private property and free markets, but not when it is a matter of liberating people from the constraints imposed on them by market forces, by lack of resources, and by conservative social traditions.

Today the debates just briefly described, which are now nearly two centuries old, have taken a different turn. Today´s dominant ideas are often called "neoliberalism." In practice, the right is winning. But one can make a case that in theory the left is winning. The left is winning because many of the premises it has traditionally argued for are now accepted by the right, or at least by right-tending mainstream academic economists. Today´s neoliberal economists, such as Ian Little, Jeffrey Sachs, and the people who contribute to the official publications of the World Bank and the International Monetary Fund, do not try to defend the right wing social philosophies of the 19th and early 20th centuries. They are not social Darwinists. They do not believe, as Edmund Burke did, that the laws of property and contract are the laws of nature and therefore the laws of God. They do not believe that an invisible hand, created by an all-knowing deity, guides human affairs so that perfectly selfish actions magically merge to serve society. On the contrary, they tend to favor public/private partnerships with explicit eleemosynary intentions. They do not deny that there are such things as market failures and involuntary unemployment. They do not take refuge in a doctrine of value free research which would hold that whether poverty decreases or increases is of no concern to the economist qua scientist. They tend to affirm, along with left-leaning economists, that it is on balance desirable to accept a regime that is less successful in achieving economic goals, if that is the price that must be paid for a higher level of democracy and more respect for human rights. They are also at one with left-leaning colleagues in condemning crony capitalism and kleptocacy. They have no quarrels in principle with institutionalism or with pragmatism. They have no objection to central bank or government intervention in the economy, when, in their judgment, a good case can be made in favor of it. Their case is entirely empirical: capitalism works, socialism does not work.

I am not convinced by the empirical case of the neoliberals. A better empirical case can be made (and has been made by Amartya Sen and others) for a different proposition: social democracy works, unregulated capitalism does not work. Nevertheless, I take comfort in observing that today´s neoliberals are in principle willing to play by the rules of the empirical game. (Exactly what those rules are is, of course, hotly contested.) They are willing to concede that inequity and exclusion are not inevitable, that they are social and not natural facts, and that any system which does not in fact tend toward greater equity and more inclusion is a system that should be modified.

The contemporary Marxist political economist Jeffrey Winters has advanced a theory that goes far to explain how it can be, as I suggest it is, that the right is winning in practice while the left is winning in theory. Winters suggests that we are living through a

Locational Revolution, which will prove in the long run to be as important as the Industrial Revolution. In the conflict between labor and capital the Locational Revolution has shifted power massively in favor of capital.

The victory of capital over labor is due to the greater force of what Bowles and Gintis call the "exit power of capital." Capital cannot be forced to make concessions to labor unions, and it cannot be controlled by governments, because when what is happening does not serve its purpose (its purpose is to become a still greater quantity of capital) capital leaves. It goes somewhere else.

Winters acknowledges that at least since the time of Marco Polo capital has been mobile. What distinguishes today is that formerly, although commerce was global, production operations were sited mainly in Europe and North America, and, later, Japan. Now production is sited anywhere on the planet, and quickly shifted, according to the shifting profitability of locations. Locations compete in a global contest to attract capital.

Formerly first world workers were able to confront relatively stable capital, and to do so insulated from competition from the much more numerous, much poorer, and much more politically powerless masses of the rest of the world. The prosperity of first world workers during the Age of Keynes during and after World War II was partly due to the fact that capital needed them. Capital could not produce without them.

Today capital has learned that it can produce without them. A corporation can form subsidiaries and buy and sell among its own subsidiaries in such a way that it employs labor wherever labor is cheapest, pays taxes wherever taxes are lowest, and sells its products wherever consumers are richest. The fear of capital flight is sufficient to cow any government. Capitalists do not need to threaten. The governments come to them, with offers of subsidies of all kinds. This process is sometimes called the race to the bottom. Whoever has the lowest standards wins the race.

Because of the Locational Revolution the theoretical concessions of neoliberal economists are of little importance. If neoliberals concede that there may be a case for government regulation after public sector enterprises are sold off to private interests, their academic concession has no binding effect on the new owners. The new owners can terrify labor unions and governments the same as any capitalists who wield exit power. The theoretical argument in favor of privatization is that government should confine itself to its core competence, governing. Running enterprises should be left to experienced management teams. The argument is that the role of government is to steer, not to row. The reality is that governments today can neither steer nor row.

In his empirical study, Power in Motion, capital mobility and the Indonesian state, Winters showed that the government of Indonesia was obliged to give the most concessions to the owners of the most highly mobile forms of capital. As forms of capital became less mobile, harder to shut down and re-establish elsewhere, the power of the government increased. The Indonesian state was most able to discipline business when it could finance itself entirely from the proceeds of oil leases, and did not need to have any businesses within its jurisdiction to provide a tax base. Although Indonesia has social democratic

labor laws on paper, the concrete correlation of forces dictates that they are not enforced. Part of the reason why today even rather small scale local Indonesian capitalists can easily defend themselves against demands for improved wages and working conditions is that they do not even need to go global, since most of them have business and family connections in neighboring low wage countries, to which they can shift operations.

De te fabula narratur. What Marx said to the Germans, Winters says to first world workers. The story is about you. For labor the party is over. The long run result, when the full impact of the Locational Revolution is felt, will be third world wages everywhere.

Yesterday´s economics was usually about "the economy" of "a society." These concepts refer less and less to entities relevant to scientific explanations. The boundaries that separate one such entity from another are porous. A nation´s policies are increasingly powerless to determine what happens to "its" economy.

Economists can continue to write about "national income," as if within the national boundaries there were a "society" that had an income, but it is becoming clearer and clearer that nations do not have incomes. The legal owner of an income is a person, a natural person or a corporation (an artificial person). As Winters point out, these persons are not agents of society, who do society´s work for it by producing its national income. They work for themselves, they own the money, and they move it around the world as they please. The United Nations can continue to produce statistics measuring the Gross Domestic Product of entities called "nations," but the legal truth is that the products do not belong to the nations. Yesterday it was the case that products produced within a nation, even though they did not belong to the nation, could at least be taxed by the nation. But taxes on capital are just what boomerang in today´s world where jurisdictions fear capital flight and compete to attract investors. L ´ argent n´ a pas de maitre.

(The technical neoliberal terminology is that taxes on capital are "distorsionary" because they deflect investment decisions away from what they would be if there were no taxes. Governments are advised to impose "neutral," and "non-distorting," taxes, which means mainly a value-added or sales tax, paid by consumers.)

It is perhaps obvious that I (and Winters) do not agree with those Marxists who deny that globalization favors capital and disempowers labor. But my conclusion is not despair. It is that social scientists should work to make visible the constitutive rules that govern exploitation in all its forms, including exploitation in the form of the global race to the bottom. They should work to make them visible and to change them. The race to the bottom is made possible by a legal framework that can be changed.

The constitutive rules that govern today´s restless international movement of capital, roaming the globe in search of ever more rational ways to turn money into more money, are the same principles of the civil code that Marx mocked when he lampooned the buying and selling of labor power. The sphere of global circulation, or of global exchange of commodities, within which locations are bought and sold, is in very truth a veritable Eden of the natural rights of man. There reign only freedom, equality, property, and Bentham. Freedom, because the buyer and seller of a commodity, say the laws that govern doing

business, for example, are not moved by anything but their own wills. The host government and the guest corporation make a contract, as free juridical persons, equal in rights. The contract is the form in which they give to a joint legal expression to their common will Equality, because they relate to each other as owners of commodities, the government being a juridical person that owns the right to do business in a certain territory, and in many cases the right to exploit its natural resources, and the corporation being the owner of capital and technology. They exchange equivalent for equivalent; each gets what it wants, and pays what the market determines it must pay in order to get what it wants. Property, because each disposes only of his own. Bentham, because each looks out only for himself. The only motive that brings them together and defines their relationship is their selfishness. The government of the host territory has a certain comparative advantage, say a cheap and docile labor force, while the private interests of the corporation, at least for the time period stated in the contract, is to buy that location with that comparative advantage governed by those offered laws. And just because each looks out only for himself, and neither has concern for the other, due to a pre-established harmony, or under the guidance of a most ingenious providence, all work for the sake of each other´s advantage, for the common good, for the general interest.

What makes an economist left wing, I have been saying, is dissatisfaction with the legal framework of capitalism. The mainstream economists are not wrong to treat the Marxists, most of the Post-Keynesians, and the Institutionalists, as marginal to the profession, because these maverick minorities in the final analysis do not want so much to participate in normal science within the dominant paradigm as they want to change the paradigm. The paradigm is defined by property law and contract law. The Argentine economist Jose Luis Coraggio is right to say that economists who are devoted to paradigm change are really not doing economics anymore, but practicing a broader discipline he calls socioeconomics. Socioeconomics regards as changeable parameters that mainstream economics assumes.

Socioeconomics does not assume that the prevailing jurisprudence stemming from the Roman maxim pacta sunt servanda, i.e. contracts should be enforced, which defines the obligations of buyers and sellers in a commercial society, is to be regarded as a source of paragons demonstrating what social norms ought to require of citizens, and would require of them in a good society. It does not assume that the good is defined or served by an ideal of freedom which prescribes that each is to look only to his or her self-interest. It does not assume that in a good society the social norms governing access to resources would follow the Roman law of suum cuique, to each his own. What Coraggio calls socioeconomics explores the construction, reconstruction, and recovery from older traditions of a variety of social norms prescribing mutual obligations. It does not assume the eternal validity of the individualistic norms prescribed by contract law.

I suggest that what it means to be a left wing economist today is to work to democratize property ownership, and to work to strengthen good non-market relationships. This focus on basic cultural structures (i.e. on the constitutive rules that that define property and exchange, on what Marx called Verhaltnisse, relationships) sheds light, I believe, on how to cope with all of the difficulties and issues that are mentioned at one

point or another above. However, I will not here say how, because this paper is already too long.