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The 'Crisis' in Economic Theory: some random  
comments on the debate.

The discussion, and/or 'crisis', of recent years in academic economic theory has been much written about in the past year or two from a variety of angles - so much so that 'polemical' writing has again become fashionable, if not indeed the fashion, among professional economists. Regarding its theoretical aspect, in the context of the history of economic thought, the present writer has expressed himself more than once (c.f. especially the final chapter of his Theories of Value and Distribution since Adam Smith), and has unfortunately little or nothing new to say. Not wishing to repeat himself, he will confine himself here to a few comments upon the political aspects (as distinct from the economic-theoretical) of the subsequent discussion of this 'crisis' during the past year or two.

If one has been schooled to believe (during the struggles and vicissitudes of the '20's and '30's) that ideological contests, like political ones, should at any given time be taken up where actual contest is joined and engages a broad section of people, one is inevitably surprised ~~at~~ the attitudes of certain elements of the Left (notably the intellectual of neo-Left) towards this 'crisis'. One is surprised especially at its divisive and 'sectarian' tendenz. The attitudes in question have involved, apparently, an under-estimation of the crucial critical role (vis-à-vis prevailing - and powerfully entrenched - academic orthodoxy) played

in the discussion by writers such as Sraffa, Garegnani, Pasinetti, who

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Their writings have been essentially concerned with criticism, esp. of Samuelson and his school; Sraffa substituting his own (include to a Critique of Economic Theory) (and not include to the construction of a new theoretical system).

have focussed their attention on particular but crucial points of theory, such as the primacy in determination of distribution to price-formation and the primacy of production over exchange: matters of basic approach and of theoretical structure on which <sup>modern</sup> bourgeois orthodoxy has crucially differentiated itself from the 'classical' tradition. With such an understimation there has gone what can only be called, I believe, a myopic concentration on invention of labels such as 'neo-Ricardian' in order to make these the butt of a new and divisive (consequently Seclerian and premature) polemic; this being done, of course, in the alleged interest of 'cultural revolution' or the 'purity of Marxism'. Having invented such a classification, some even think it right to concentrate their fire upon it, and seem to delight in so doing. One would not wish to deny that a term such as 'Ricardianism' may have its uses as a classificatory device in certain contexts (like the term 'neo-classical', which has always seemed to me on the whole a misnomer). But what strikes me as objectionable is that in so much recent writing the label should have been endowed with a purely pejorative significance and purpose. Such an attitude seems more appropriate to discussion within the confines of remote guerilla foci than to anything related to the outside world at large and addressed to an audience that is cognisant of the ideological situation as a whole with its present-day alignments.

So much for the one extreme of the political spectrum. At the other extreme there has developed out of the above-mentioned theoretical 'crisis' a tendency to focus (defensively it would seem) upon certain

highly abstract models of 'market equilibrium' (often mathematically enunciated) and to represent these as the real essence of 'orthodox' economic theory. Innocence of ideological influence or implication is usually claimed for them on the ground that a system of simultaneous equations does not imply any causality, but speaks merely in terms of mutual interrelationship. Such abstract models, moreover, are commonly presented as being immune to the type of criticism deployed in the Great Debate of the '60's, preoccupied as this tended to be with the various versions of marginal productivity theory (especially the notion that profit is determined as the marginal productivity of capital in any given scarcity-situation vis-à-vis the market for end-products). What may have been surprising to some is the ease with which certain critics even on the extreme left have been willing to concede this claim to immunity from the type of criticism advanced <sup>(in their zeal, they say, to bring the latter down)</sup> in the Great Debate. There seems little doubt (in my humble estimation at least) that this new type of abstract formulation is the form in which the counter-attack - the 'Counter-Reformation', if one seeks an historical analogy - is destined to take, or is even already taking; and that its apparent attraction and its alleged 'immunity' lie in mystification. One could say of it, not unjustly, 'plus ça change, plus c'est la même chose'. Without venturing here to probe its theoretical intricacies, one could observe, firstly, that starting as it does from 'given endowments' <sup>productive</sup> (of factors) in the possession of the various individuals engaging in exchange, it is singularly ill-equipped to afford any explanation of income-distribution as an outcome of the exchange-process.

(Curious, at least, that what is initially taken as datum should emerge as end-product of the intellectual exercise!) I believe, secondly, that much of its persuasiveness as a reconstructed 'paradigm' lies in a sleight-of-hand whereby it fences off criticism by claiming that it is doing no more than enunciate certain irrefutable relations of mutual interdependence, and then when concerned with establishing this or that corollary it deftly inserts an element of causality into this allegedly 'neutral' equational system. Here is an example of the adroit conjuring trick whereby highly formalised theories are apt to sustain an ideological hold to which in strict logic they are not entitled. In all such cases, it would seem, pretensions to logical consistency -- their chief claim -- are purchased at the expense of economic content; and when an attempt is made to introduce economic content they become involved in contradiction. To which one might add that those who plead most insistently for the absence of causality from equational systems remain, apparently, blissfully unaware that a 'model' consisting exclusively of statements that some mutual dependence exists between quantities tells one nothing about how a real-world system functions.

Perhaps it hardly needs to be added that, like its forbear-system, this new claimant upon our attention focusses exclusively upon the sphere of the market -- commodity circulation or exchange -- in abstraction from its social roots in what Marx termed 'social relations of production'. This is of much greater significance than perhaps might at first appear. Any theory, of course, must make abstraction from some

elements of reality: its very nature obliges it to do so. Yet what it abstracts from and what it does not is crucial for its ideological role -- for the angle of vision from which it views the social world, as well as for what it emphasises in the course of drawing corollaries for practice and what it ignores or takes for granted and relegates to the background.

Objection is sometimes made with reference to the above-mentioned debate that criticism of orthodox bourgeois doctrine has concentrated too much upon finer points of logic -- on seeking to demonstrate the logical inconsistency of the theories under attack. For those who have never accepted or shown much interest in such theories this has appeared as too 'precious' and refined a preoccupation, and at anyrate as having very little appeal save for a small specialist minority of cognoscenti. Surely, it is said, the more important question to examine is as to the theory's relevance - relevance to actual situations and to the problems thrown up by current practice. This must, surely, be the ultimate criterion by which any theory is judged and any particular theory is held to be superior to another.

Needless to say, there is some force in this contention, at least as regards the ultimate basis on which theories are tested or disproved. Confronted, indeed, with alternative 'models', each claiming logical consistency as a representation of how society functions, this is the ONLY basis on which one can choose between them, whether one proceeds by examining the respective assumptions of each or by testing certain

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crucial <sup>2</sup>corollaries implicit in them against actual results. When it comes to the point, however, this is far from easy in the social sciences, where laboratory experiment is rarely if ever possible; and in the actual history of economic controversy the results of such an approach when used (e.g. in testing theories of the trade cycle or the effects of particular financial policies) have not been conclusive and have seldom been highly persuasive. When it comes to more generalised types of theory, such 'verification' becomes much more difficult, if not impossible, at any rate in the rigorous sense customary in the natural sciences. For this reason debates about 'relevance', about the appropriateness of assumptions and the like, are apt to be long-drawn-out and inconclusive, and criticism along these lines, although convincing to some people for a variety of different reasons, seldom convinces the majority, or creates any general impression that 'the matter has been settled'. T.S. Kuhn has reminded us how long it took for astronomical observation to unseat the old Ptolemaic system; the possibility of accounting for new and unsettling observations by plausible invention of new 'epicycles' to account for the observed discrepancy being very extensive even if not endless.

It is hardly surprising, therefore, that in academic debate criticism of widely held dogma should focus so largely on the logical consistency of a theory, seeking to establish a contradiction in its basic structure. Once a logical flaw has been demonstrated — provided that this is in something basic and essential and not merely incidental — the matter is conclusively settled: it is settled at least until some

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ingenious defender of the Faith can be found to reconstruct the chain of reasoning so as to dispense with the link that has been detected as faulty. Hence it is not necessarily academic snobbery or preciosity that is responsible for the preoccupation in such controversy <sup>with</sup> ~~upon~~ finer points of logic. It may well be a lively sense of the need to bring the issue to a conclusion and to carry conviction with the majority instead of merely with a sect. In this sense political expediency can be said to count in favour of such an approach. Of course, for an ideology on the defensive, fighting a stubborn rearguard action, there may well be ways of escape (as we have said) even from a charge of basic contradiction. But once the latter has been demonstrated, it is at least clear to one and all that the orthodox traditionalists are on the defensive: like an army with its line broken through, escape is none too easy and retreat may well become a rout.

As to the question, latent at least in many Leftist attitudes, 'why trouble to join in such discussion and try to refute these recondite bourgeois theories, why not just ignore them and pass them by?': to this there is a quite simple answer. These ideas, and at anyrate their implications, influence all of us in varying degrees, sometimes unconsciously and without our being fully aware that they do. They are not the concern only of a small professional élite. They influence not only wide masses of students who imbibe them from text books, but also percolate down through popular journalism and the mass media of to-day to much wider masses of people. Take for example the widespread (if hazily formulated)

notion that profit is in some way the product of capital <sup>or</sup> of 'saving'.

A final comment of a rather different kind: there are many, I believe, who while appreciating that the discussion of recent years has gravely shaken bourgeois orthodoxy, may remain puzzled and reserved, at least to the extent of posing the following type of question. Even if its ideological implications are undermined, it surely cannot be true that this type of theory (supply and demand, scarcity and-all-that) tells us nothing: are we not thereby the wiser to some extent about how markets and commodity-production work? Surely we cannot be expected to believe that the whole edifice crumbles, even if doctrines such as that profit is attributable to the productivity of capital in given conditions of scarcity are jettisoned?

Such questions as this can, of course, be dismissed as a sign of ambivalent eclecticism; but perhaps too easily so dismissed. It remains true, and has to be conceded, that at the level of 'market price' (or what some would call 'temporary equilibrium') there remain certain things that it can say. In application to such levels (or situations), more things can legitimately be taken as 'given'; and for this very reason that more things are taken for granted or assumed, <sup>the</sup> theory is at the same time powerless to say anything at 'deeper' levels (e.g. about what the classics called normal or 'natural' value). This, indeed, is why certain notions can find some applicability to a socialist economy which retains monetary relations and some degree of commodity-production: to take a trifling example, the notion of demand-elasticity is relevant to consumers' market