

The Anti-Samuelson

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VOLUME ONE

Macroeconomics:

BASIC PROBLEMS OF THE CAPITALIST ECONOMY

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A four-volume edition of this book was first published in a German translation in 1974 by Politladen, Erlangen, under the title **Der Anti-Samuelson**. The joint decision of the publisher and author to condense the work was dictated by the desire to reduce costs and thus bring its price within reach of both students and teachers. Inevitably, in so radical a scaling-down, a great deal of textual elaboration, annotation, and bibliographical data had to be sacrificed. Those who wish to pursue the author's ideas and argumentation in greater depth are referred to the unabridged German-language edition.

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1 Introduction

S's Chapter 1

A general introduction which I had sketched out I am suppressing because on further reflection every anticipation of results which are first to be proved seems disturbing to me. . . .

—Karl Marx, "Foreword" to *Contribution to the Critique of Political Economy* (*Zur Kritik der Politischen Ökonomie*), MEW, XII, 7.

Our approach to S's first chapter differs sharply from our treatment of all subsequent ones. Forgoing all detailed and systematic analysis of his presentation, we will here focus attention on some of the methodological factors crucial to S's exposition of bourgeois economic theory. Our restraint is based on the conviction that scientific method cannot be developed in isolation, divorced from the science per se. The reader should be afforded the opportunity to see the method unfold in the course of a systematic scientific discourse (the procedure followed by Marx in *Capital*). But S—and most bourgeois texts—by beginning with a so-called methodological introduction, merely offers up unexplained, unsubstantiated assertions. Thus, although he purports to have written a "discussion of the methodology of science" which "introduces the modern approach borrowed from the 'more exact' natural sciences" (7th ed., p. vi), S's unproved assertions in fact violate the very basis of scientific method.

Thus if we were to refute his arguments or attempt a systematic discussion of his claims we would willy-nilly be playing by his ground rules—namely, put methodology outside the realm of substance. We would involve our-

selves in the sort of mutual "dry assurances" which have made such methodological discussion so futile and sterile.

The decision nonetheless to touch on his methodology is based on this consideration: It is disturbing enough to have S introduce his method in the manner he does, for this predetermines the type of "theoretical spectacles we wear" (10) while reading his book without being given the opportunity to see for ourselves how the prescription was drawn up. In other words, the reader is confronted with an accomplished fact whose provenance he cannot trace. And what is even worse—and the reason for our intervention at this early point—is that S believes he can count on the reader's ready acceptance of his methodology because it appears common-sensical. Not only that, but, more important, the basis for this apparent "common sense" and S's methodology lies in, and is *objectively* produced by, the capitalist mode of production. The fact that the methodology of bourgeois economics is neither (merely) conscious demagoguery to deflect people (the nonruling classes) from the truth, nor a (mere) subjective failing of the bourgeois economists will form a crucial part of our entire discussion.

Before embarking on this methodological discussion, let us briefly consider the other major function of this chapter, the reasons for studying economics, a question closely related to that of methodology.

According to S, "Few study economics merely to judge the merits in the grand debates concerning historic capitalism, the modern mixed economy, or the collectivist economic systems of the East [!]. We study economics to answer many, diverse questions" (1). Obviously S views such debates as academic and unpractical, and, as we shall see, the history of capitalism does not interest him at all; he divorces it completely from what he calls the mixed economy. He also makes short shrift of socialist societies. The net effect, then, is the reduction of economics (which in the 9th edition he interchangeably calls political economy) to the study of present-day capitalism (in the U.S.). In and of itself it is not inappropriate to restrict oneself to this subject; what matters is the context within

which this is done. S's context may be characterized as positivist—i.e., he has accepted the existence of this society as given, without inquiring into its origins (“historic capitalism”) or whether it might possibly be replaced by another society in the future (socialism). His attention is focused on the “problems” of the present and their possible solution *within* capitalism. This is S's unspoken value judgment: as a practical man, a “citizen,” he supports capitalism and opposes socialism. Accordingly, he tries to foist these values on his reader. That, of course, is his prerogative, but it would be nice if he would at least warn the unwary reader. However, matters change when he disseminates these views in the guise of scientist, for this would imply that his theory is shaped by procapitalism and anticommunism, which in turn means that the scope of his study has been narrowed down to a search for solutions that will not pose a threat to capitalism.

But S's theory is not simply demagoguery. By far the more significant aspect of the ideological role of bourgeois economic theory is its unconscious refusal to recognize the possibility of the existence of problems serious enough to cause the demise of the capitalist mode of production.

We do not plan to devote much space to the obvious demagogical components of S's framework, as for example his forthright stand for U.S. capitalism (“the more advanced Western civilizations [8th ed., p. 3]) against “Moscow.” The notion of “peaceful competition” between capitalism and socialism runs throughout the 8th edition, together with the implication that all good Americans ought to worry about it and root for the U.S. Although some of this has been deleted, in the spirit of Nixonian rapprochement (e.g., “what used to be called the Iron Curtain [734]), the main thrust remains (cf. the flyleaf and Chap. 43 [particularly 881-83]) in such phrases as “security is even more important for a nation than opulence” (3).

Let us now examine the unconscious ideological aspects of S's delineation of our interest in economics, which in turn will bring us to the methodological discussion. In the preface to an earlier edition, S told us that in writing his

textbook originally he set himself a "quixotically ambitious goal—to bring into the elementary textbook the most important issues facing a modern nation" (7th ed., p. v). This stress on "nation" and its need to solve existing problems through the wise decisions of a "citizenry" trained in modern economics permeates the entire book. Part and parcel of this image is the belief that capitalist society (through the state) can cope with the fundamental problems of our era. Aside from the notion of the state as a neutral organ serving the interests of all, this image is important for two of its components: the denial of the existence of objective forces able to thwart "ideas"; and the notion of capitalism as a harmonious whole oriented toward the satisfaction of individual needs.

The first merges in the Keynes quote (14 f.; several editions have it as a chapter motto) denying that objective material forces are at work in capitalist society conditioning the "ideas" of bourgeois economists, philosophers, political scientists, et. al. Not only are these theories conditioned by the historical circumstances as expressed in concrete class interests, there is also the more general conditioning of the capitalist mode of production, which makes essential features of this society appear as the opposite of what they really are.

Perhaps this point can be better understood if we proceed to the notion of the harmonious whole. S states that "in an introductory survey, the economist is interested in the workings of the economy *as a whole* rather than in the viewpoint of any one group. Social and national policies rather than individual policy are his goal" (8). In an important sense this statement is misleading, for it appears to contrast introductory texts with advanced ones with respect to this point; yet all of bourgeois theory is characterized by this conception of the harmonious whole.

Upon closer inspection we find that this passage compares nonanalogous concepts: the "workings" of the whole as opposed to the "viewpoint" of groups. But the chapters on labor, business, wages, profits, interest, rent, etc., quite clearly deal with the workings of social groups within the

economy. What S apparently means is that the professional economist must adopt the viewpoint "of the economy as a whole" in contradistinction to that of any particular class (capitalists, workers, landowners). This in turn presupposes the existence of such a viewpoint independent of the interests of a particular class, or, alternatively, that such an aggregate viewpoint represents the distillation of a political compromise of essentially compatible classes.

Once one has assumed the existence of a viewpoint encompassing the whole economy, it becomes impossible to understand the basic struggles that are taking place in this society, and, worse still, it becomes necessary to deny their existence. In effect, bourgeois economics identifies the interests of the entire economy with those of the class presiding over the subjective execution of the only "viewpoint" known to capitalism as a whole—namely, the production of profit. Thus the interests of capital or of the capitalist class are made into those of the economy as a whole.

This fundamental idea permeates all of S's examples of the "vital problems" facing the "citizen," for although S fails to mention it, they imply specifically capitalist social relations. S tells us that certain "decisions" (2) have to be made by "each citizen" on matters like whether married women should be allowed to hold public jobs, whether monopolies should be fought etc. Granting for the sake of argument that this process of decision-making does indeed take place, S does not tell us that such a choice between two evils should have to be made at all simply because capitalism has produced them, and the reason for his failure is that bourgeois theory itself cannot grasp this causality.

Somewhat condescendingly, S allows that "a worker thrown out of employment in the buggy industry cannot be expected to reflect that new jobs may have been created in the automobile industry. . . ." (8) Without going into what S might expect workers to reflect on, we believe that a worker may very well "reflect" that with the replacement of the buggy by the car, labor will be "displaced," and that he may even welcome this change if the new use value is highly thought of. What does not sit well with the worker

is that these changes take place at his expense, that he will not be getting one of the new jobs created. And what bothers him even more is the claim put forward by S and others that all this is in keeping with the viewpoint of the economy as a whole, when he knows that it is in keeping with the "workings" of an economy in which such changes take place anarchically, that is, in an unplanned fashion, so that neither the development of the automobile nor the consequences thereof can be foreseen.

In this sphere of employment and unemployment, the terminology used by bourgeois economics in an unconscious expression of the way in which it inverts reality. S talks of "employers" as opposed to workers or employees (7). This is an example of what S calls the "tyranny of words" (10), but he sees the origin of this phenomenon in subjective human shortcomings: "The world is complicated enough without introducing further confusions and ambiguities. . . ." (ibid.). Here as elsewhere, conceptual confusion and ambiguity is merely a reflection of the "tyranny" of capitalist reality, that is, of the strange manner in which social relations become inverted on the surface of capitalist society.

In the instance of "employers" and "employees," it is clear that the former are the active and the latter the passive agents, those who use and those who are used. This terminology indeed reflects the appearance of capitalism in which the capitalist "provides" or "offers" work which the worker gratefully accepts.

If, however, we look beneath this surface appearance, we find that the "secret" of capitalism is the unpaid labor the capitalist appropriates from the worker; this unpaid labor—embodied in the commodities produced by the worker which are transformed into money by being sold—permits the capitalist to buy more capital in the form of machines, etc., and "employ" more "employees." In fact, all capital is unpaid labor, and since the capitalist can "give work" only on the basis of his ownership of the means of production—in this case, capital—he is able to do so only because in the past generations of workers have given part of their labor free.

Thus, in fact, the terms "employer" and "employee" invert what is taking place in capitalism, for in reality the workers are giving their labor (free) to the capitalists, and it is this gift which enables the capitalists to "employ" workers. Here we have an example of the "neutral manner" (10) in which bourgeois economics creates concepts to fit reality.

Let us now turn to the philosophy of science and the methodology of economics. S's discussion is marked by two trains of thought which in the last analysis are incompatible and contradictory. The first, which we shall call *positivist*, concentrates on so-called value judgments:

Basic questions concerning right and wrong goals to be pursued cannot be settled by mere science as such. They belong in the realm of ethics and "value judgments." The citizenry must ultimately decide such issues. What the expert can do is point out the feasible alternatives and the true costs that may be involved in the different decisions [7-8].

This statement prompts the following question: If science can indeed reveal the feasible possibilities and the "true" costs involved in executing them, what else remains to be done before we decide on goals? S would have to have a strange notion of "truth" if once he found it he would not choose it over nontruth. A major problem with this approach is that it is at best built on half-truths, because bourgeois economics cannot concede that these various "decisions" are being made within a mode of production that creates the very constraints necessitating these "choices." In other words, it does not understand that capitalism itself produces objectively a set of "value judgments" that form the basis for the relatively peripheral "decisions" bourgeois economics allows into its field of vision. Thus, for instance, the "modern" preoccupation with "trade-offs" between various "evils" (e.g., unemployment and inflation, efficiency and equity) has become the focal point in discussions of value judgments. But the basis for

all these concrete situations—namely the fact that independent and private producers own the means of production and exploit the workers—is overlooked. Rather, only the questioning of this basis itself—that is, of the forces inherent in capitalism leading to its destruction and replacement by another mode of production—is considered a value judgment and relegated to the sphere of ethical irrelevancies.

Thus it has become apparent that S's positivism is marked by internal incoherence. And he adds to this ambiguity when he goes on to say that "there is only one valid reality in a given economic situation, however hard it may be to recognize and isolate it" (7th ed., p. 6; in the 8th and 9th editions this assertion has been weakened to "there are elements of valid reality. . . [7]). In other words, the expert can detect and isolate this "valid reality" and give us the "value-free" facts for our evaluation.

On the other hand—and here we get the second train of thought—S contends that the "modern approach" to the methodology of science "insists on the irreducibly subjective element of our perception of facts depending upon the theoretive system *through* which we look at those facts" (7th ed., p. vi). And again: "Which questions we ask, and from what perspective we photograph the 'objective reality'—these are themselves at bottom subjective in nature" (8 n.2).

The contradiction in this position becomes evident when we pose the question of how the expert will be able to arrive at an objective, value-free set of facts (or a value-free, objectively valid theory) when confronted with this allegedly irreducible element of subjectivity; for although S is right when he says that "how we *perceive* the observed facts depends on the theoretical spectacles we wear" (10), his positivism fails to tell us how to deal with this truth. In fact, this truth refutes his positivism and transforms objectively valid theory into an impossibility.

The problem at this point would appear to boil down to how to grind our theoretical spectacles in order to perceive the one valid reality. But merely posing this question predetermines the answer, because it is couched in subjective terms. It severs the connection between the development of

a science and the development of the society and the subject matter of that science. This severing is given very clear expression by S even when he explicitly touches on the history of economic theory for the first time. (Actually this is not correct; the 5th edition [1961] already contained a "Thumbnail Sketch of History of Economic Doctrines" [pp. 833-36]):

The brand new chapter "Winds of Change: Evolution of Economic Doctrines" brings into the elementary course—at long last—a view of where political economy fits into the history of ideas and the intellectual history of our times. . . . Political economy is about the economic system, not about economists. . . . At the end of a long book, though, we may perhaps indulge ourselves with a brief excursion into the history and present status of economics as a scholarly discipline and as a chapter in the intellectual history of mankind [ix, 839].

In other words, S considers such a history as a discipline unto itself with which we may amuse ourselves or leave to the specialists, as is our pleasure. Yet, unwittingly to be sure, he himself provides the evidence that an understanding of the connection between the development of theory and reality is essential to an understanding of contemporary economics. On the one hand he says that at any given time there cannot be one theory for workers and one for "employers" (7), and on the other, he seems to admit that true economic theory will change *over time* in accordance with changes in the underlying economic structure. (A note of caution must be entered here: This is our reading of what he means, for at times S's ahistoricity goes so far as to claim that the "neo-classical synthesis" would actually have been adequate to the Middle Ages *if* the proper institutions had existed.) Thus in speaking of the transition from mercantilism to industrial capitalism (though not explicitly in these terms), S points out that "in a real sense, the rising bourgeois class needed a spokesman for their interests. Smith provided them with the ideology that served their purpose" (841).

Now the point is that the reason the mercantilist period

did not bring forth an Adam Smith is that it was not an industrial capitalism. Mercantilist theory served the purposes of the ruling class in a given situation; when new socioeconomic relations arose which changed the interests of the ruling class, the old theory became obsolete along with the reality. (It must not be thought that theories are mechanically replaced on orders of the ruling class; the struggle between theories is a highly complex process that cannot be summed up by a vulgar-materialistic reference to "sordid interests" [8]).

If it is indeed true that in the past valid theories lost their validity with the change of the reality upon which they developed and were supplanted by other theories, then it is puzzling why S claims universal and sole validity for his theory. It is not clear why he fails to entertain the possibility that his own theory may be superseded, just as capitalism itself may be superseded.

Instead of coming to grips with this possibility, S takes refuge in witticisms: "Careful critics of all political complexions generally think this (i.e., Marxism) a sterile analysis both of capitalism and socialism. But try to persuade a billion people of that" (5th ed., p. 836n. 1).

Those "billions" who see Karl Marx as their "ideological hero" (847) are largely beyond S's reach. In writing his textbook, S hoped to "persuade" millions of students to refrain from joining that vast mass.