

sanity, humanity and science

post-autistic economics review

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Forum on Economic Reform

In recent decades the alliance of neoclassical economics and neoliberalism has hijacked the term “economic reform”. By presenting political choices as market necessities, they have subverted public debate about what economic policy changes are possible and are or are not desirable. This venue promotes discussion of economic reform that is not limited to the one ideological point of view.

The Reform of Intellectual Property

Dean Baker (Center for Economic and Policy Research, USA)

Introduction

It is remarkable that economists, who usually view themselves as advocates of free market transactions, unquestioningly embrace various forms of intellectual property rights, especially copyrights and patents. Copyrights and patents are government granted monopolies. They have their origins in the feudal guild system, not the free market economics of Smith and Ricardo. In fact, at the end of the 19th century, Switzerland and the Netherlands actually eliminated patent and copyright protection, with the intent of promoting free market competition. In spite of their feudal legacy, and their obvious status as forms of protectionism, few economists ever question the merits of the patent and copyright systems.

This paper details the ways in which patents in prescription drugs and medical equipment and copyrights lead to economic inefficiencies.¹ It points out that the efficiency losses from these forms of protectionism are likely several orders of magnitude larger than the barriers to international trade that receive so much attention from economists.

The paper also outlines alternative systems for providing incentives for innovation and creative artistic work. In the absence of deliberate government policy, there probably would be under-investment in innovation and creative work, but that is not the relevant question. The relevant question is whether the existing patent and copyright systems are the most efficient mechanisms for supporting innovation and creative work. That would be the question that any honest economist would pose.

The Inefficiency of Drug Patents and Copyrights

The basic argument for patents and copyrights is straightforward. In a free market, without protections for intellectual property, there will be under-investment in research and creative activity like writing or recorded music or movies. As soon as an innovation is made public, others could duplicate the process and sell a comparable product, without having to bear the costs of the research that allowed for the innovation. In the case of recorded music or movies, copies can be made at minimal cost (zero cost in the Internet Age), which means that in a free market, the original producers could not sell the products at a high enough price to allow the creative workers to be compensated for their work. However, the fact that a free market will under-invest in research and creative work hardly establishes that the feudal institutions of patents and copyrights are the most efficient way to support such work in the 21st century.

The economics profession has devoted vast amount of research and textbook space to proving the inefficiency of various forms of protectionism. The basic story in this work is that protectionism causes the price to exceed the marginal cost of production. All of this work is entirely applicable to patents and copyrights, except the impact is at least an order of magnitude larger than with most instances of protectionism in international trade. While tariffs and quotas rarely raise the price of goods by more than 30 or 40 percent, patents on prescription drugs typically raise the price of protected products by 300 to 400 percent, or more, above the marginal cost. In some cases, patent protected drugs sell for hundreds or thousands of times as much as the competitive market price. In the case of copyrighted material, recorded music and video material that could be transferred at zero cost over the Internet, instead command a substantial price when sold as CDs, DVDs, or licensed downloads. Copyrighted software commands even higher prices.

The distortions resulting from these huge gaps between price and marginal cost should cause an honest neo-classical economist great pain. At the onset, the lost consumer surplus from patent and copyright protected pricing is enormous. The basic rule on this issue is that the size of the deadweight loss is proportional to the square of the gap between price and marginal cost. The United States alone is projected to spend \$210 billion this year on prescription drugs. In the absence of patent protection, the same drugs would probably cost no more than \$50 billion. (The savings would be equal to \$500 per person for everyone in the country.) The United States will spend more than \$30 billion on recorded music and videos this year, material that could be available at zero cost on the Internet. By comparison, many economists felt the need to comment on the NAFTA agreement in 1993 that reduced tariff barriers on imports from Mexico. At the time, U.S. imports from Mexico were less than \$40 billion a year, and the average tariff was already less than 5 percent.

Of course the deadweight losses are just the beginning of the story. As the textbooks tell us, monopoly profits encourage all sorts of anti-social rent-seeking behavior, activities that we see in abundance in the case of both patent and copyright protection.

Starting with drug patents, the newspapers are filled with stories about concealed or distorted research findings by pharmaceutical companies who are trying to exaggerate the benefits, or minimize the risks, associated with their drugs. The corruption from companies pursuing monopoly rents permeates the research process. Medical journals routinely receive and publish ghost written articles, where prominent researchers have been paid by the industry to lend their names to company authored papers. In the same vein, the medical experts who provide guidance to the Food and Drug Administration (FDA) on drug safety are often receiving payments from the manufacturers of the drugs they are evaluating.

The sales effort to doctors is similarly corrupted by the pursuit of monopoly profits. According to the industry own data, more people are employed in sales than in research, as the industry relies on an army of salespeople to push its latest blockbuster drugs to doctors. Often this sales effort involves dinners, trips to resorts, and sometimes even outright kickbacks – all ways in which drug companies share a portion of the monopoly profit that they earn by selling drugs at patent protected prices.

Monopoly profits also distort the direction of research. According to the FDA's classification system, roughly 70 percent of new drug approvals are for drugs that do not represent qualitative

improvements over existing drugs. While there is little social purpose served by developing these duplicative drugs in most instances, patent monopolies can make the development of copycat drugs very profitable. A copycat drug can allow a firm to cash in on a portion of the profits earned by a competitor on a blockbuster drug. In a world with patents, the introduction of a second drug in the market will have the beneficial effect of lowering prices to some extent (there is more competition with two drugs than one drug), however if drugs were sold in a competitive market, there would be little reason to pursue the development of most copycat drugs. The fact that most new drugs fall in this copycat category suggests that a very large share, possible a majority, of patent supported research is wasted.²

Drug patents also distort the direction of research by pushing it in the direction of patentable results. Research directed at finding cures or treatments based on diet, exercise, or environmental factors will not be pursued in a health care system that relies exclusively on patent monopolies to finance research. This neglect can be offset by government funding targeted specifically towards these areas, but the patent system will direct resources elsewhere.

Finally, the granting of patent monopolies will lead to the development of a gray market, in which unauthorized versions of patented drugs are sold. The large gap between the patent protected price and the marginal cost of production creates opportunities for profit in the same way that the high price of illegal drugs like cocaine and heroin create opportunities for profit. Since these unauthorized drugs will be sold outside of regulatory oversight (except when they are imported from countries with well-developed regulatory systems, like Canada), there will be limited quality control. Unauthorized drugs are likely to be less effective than the patented drug, and possibly even harmful. In either case, the health outcome is far from optimal.

To sum up, there are a long set of complaints against the inefficiencies associated with drug patents, all of which should jump out of any introductory textbook treatment of protectionism in international trade. Yet, the economic profession has been virtually silent on the inefficiencies associated with drug patents.

Alternatives to Drug Patents

This silence would be justified if there were no alternative mechanisms available to support the bio-medical research that leads to the development of new drugs. However, there are alternatives and they already exist. The most obvious alternative is direct government funding of drug research.³ This already occurs on a massive scale. In fact, the \$30 billion that the United States federal government pays each year to support bio-medical research at its National Institutes of Health (NIH) is approximately 20 percent larger than the \$25 billion that its pharmaceutical industry claims to spend on research. While this research is primarily directed towards more basic science (in order not to interfere with the efforts of the drug industry), there are many instances of new drugs being developed almost entirely through NIH support. It also requires some extraordinary claims about epistemology to argue that public funding of NIH is an efficient mechanism for supporting basic research (a contention strongly supported by the pharmaceutical industry), but somehow would prove to be a boondoggle if the agency took on the responsibility of developing new drugs and bringing them through the FDA approval process.

The basic numbers are very striking. If drug prices in the United States were to fall by 70 percent in the absence of patent protection, it would amount to savings of more than \$140 billion a year, given 2005 spending levels. This is almost six times as much as the industry claims it is currently spending on research. Since half of this money may go to research copycat drugs of little social value, the savings from eliminating drug patents in the United States may be more than 10 times as large as the spending necessary to replace the useful research performed by the pharmaceutical industry.⁴

There are clearly better and worse ways to structure a system of government financed research. For example, the Free Market Drug Act, a bill recently introduced in the U.S. Congress, called for establishing a set of competing government corporations that would be evaluated at periodic intervals (e.g. 10 years) for the quality of their work.⁵ The worst performers would be put out of business with new ones created to take their place. There are other mechanisms that could be created to ensure that the funding is spent efficiently, but given the incredible waste associated with the existing system of patent financed drug research, it seems that there will be huge payoffs for both the economy and for public health by investigating alternatives.

It is also important to note that this issue has taken on enormous importance in an international context. One of the major areas of dispute in recent trade pacts has been the ability of less developed countries to purchase drugs without paying patent protected prices. If new drugs were placed in the public domain so that they could be produced as generics everywhere in the world, then this whole issue would quickly disappear.⁶ This would facilitate access to essential medicines for hundreds of millions of people in the developing world.

Copyrights

While copyright enforcement may not raise the sort of life and death issues as do drug patents, it also leads to enormous economic inefficiency. Furthermore, the extent of this inefficiency will grow through time, as technology makes it ever easier to transfer recorded audio and visual material, as well as software.

The standard economic texts tell us that there are large losses of consumer surplus associated with the government monopolies created by copyright protection. In the case of items like recorded music, movies, and software, material that could generally be transferred at zero cost, instead carries a high marginal cost. In addition, the difficulties of protecting copyrights in an era of digital technology have led to enormous enforcement costs. These enforcement costs include not only the costs directly associated with policing against unauthorized uses of copyrighted material, but also efforts to restrict the development of hardware and software in ways that could facilitate unauthorized reproductions of copyrighted material.

There is an additional, less widely noted, cost of copyright -- it impinges on artistic freedom. In the absence of government intervention, any writer, musician, movie producer or other creative worker could take any existing artistic work and modify it in any way that they chose. This could be done for parody or as a creative extension of an existing work. (Imagine, for example, writers choosing to write dozens of different endings for a popular novel or to develop new works building off its fictional characters.) Copyright largely prohibits this practice, unless the creative worker has the copyright holders' approval.

It is possible to design a system that compensates creative workers, while still leaving the choice of material to individuals (rather than some government commission), and eliminates the economic distortions associated with copyright. The basic point of such a system would be to compensate the creative worker at the point where they do their work, rather than compensating them after the fact for the work. If the creative worker is compensated at the point where he or she produces the material, then there is no need for copyright, the work can be transferred as quickly and freely as technology will allow.

One mechanism for this sort of compensation is a system of individual vouchers, where each adult can be given a fixed sum (e.g. 50 to 100 dollars a year), which can only be used to support creative or artistic work. These “artistic freedom vouchers” (AFV) could be paid out through the tax filing system, so that individuals could make their payments each year directly through their tax return.⁷

The system of charitable contributions in the United States provides an excellent model for such a system. Under the United States tax code, a wide variety of organizations engaged in charitable work (this includes religious activity, aid to the poor, and even publicly oriented think tanks) can register for tax exempt status. This registration allows individuals to make contributions to these organizations and to deduct the contribution from their taxable income.

The role of the government in this process is to simply record that an organization engages in some specific activity that qualifies for tax exempt status. The government makes no attempt to evaluate the quality or appropriateness of this activity. The only monitoring involved (in principle) is to ensure that no fraud is being committed, specifically that financial records by the tax exempt organizations are being properly kept, and that it is fact engaging in the activities in which it claims to be engaged.

The role of the government in the AFV system would be very similar to its role in monitoring the system of tax exempt organization. Under the AFV system, anyone wishing to receive money through the system would be required to register as a creative worker, indicating what sort of creative work they do. Intermediaries could similarly register to receive funds by indicating that they support specific types of creative work (e.g. producing jazz music, writing mystery novels, etc.). This registration entitles the individual or intermediary to receive money through the system. (An individual would have to be registered with the system to receive money through an intermediary.)

The one other requirement for any individual or intermediary registered with the AFV system is that they would not be eligible for copyright protection. The logic here is simple, the creative worker is entitled to be compensated once for their work, not twice. If the worker has received money through the AFV system, then he or she has been compensated in advance for the work they produce. There is no reason that the government should then also act to provide this worker or their agent with a monopoly over the distribution of their product.⁸

Even a very modest sized AFV could support a vast amount of creative work. For example, a \$50 voucher would make approximately \$10 billion a year available in the United States to support

creative workers. If these workers received average compensation of \$40,000 a year through the AFV system, this money would be sufficient to support 250,000 workers.

While there is no apriori way to know for certain whether the money distributed to creative workers through the AFV system would be more or less concentrated than the distribution of earnings under copyrights, there is good reason to believe that it would be less concentrated. The copyright system encourages entertainment companies to select a relatively small group of creative workers and to promote them as stars. The rationale is that it is costly to promote a singer, musician, or writer to the point where they have a mass following. Therefore, once they have succeeded in developing a star to this point, it is far less risky to continue to promote the star than to take a chance with a new prospect. As a result, the vast majority of promotional money gets spent promoting a very small group of creative workers.

Under the AFV system, there is likely to be less profit in promoting specific creative workers. Presumably intermediaries will attract support by demonstrating their efficiency, which is likely to mean minimizing the money spent on promotions rather than actually supporting creative workers.

However, the most important distinction between the AFV system and the copyright system is that all the creative material produced through the AFV system can be transferred at zero cost. Creative workers would promote the development of technologies that would allow their work to be spread as easily as possible, instead of insisting that hardware and software manufacturers find mechanisms to lock it up, so that those who do not pay cannot get it.

There is also no reason that copyrights could not co-exist with the AFV system. Creative workers who remain outside of the AFV system would have the option of getting copyright protection, just as is the case at present. The only difference is that the copyrighted material would be forced to compete against a large amount of creative work that is available at no cost. But copyright only provides a monopoly on the copyright holder's work, it doesn't protect the copyright holder from competition from free work.

Another desirable feature about the AFV system is that it requires minimal enforcement by the government. If a creative worker takes AFV funds, and then obtains a copyright for his or her work, in violation of the rules of the system, the copyright simply becomes unenforceable. Any person can freely distribute this person's work as though the copyright did not exist, since it would not in fact be a valid copyright. In this case, enforcement of the rules simply requires inaction on the part of the government. This is an enormous contrast with the current efforts to enforce copyright protection, which have included F.B.I. raids on college dorm rooms, prohibitions on the development of technology, and government propaganda efforts on the evils of copyright infringement.

Reforming Intellectual Property: Getting Away from the Middle Ages

The alternatives to patent and copyrights described above may not be the best ways to promote innovation in biomedical research or creative and artistic work.⁹ However, it is probably even more certain that the current patent and copyright systems fail this test. Given the large and

growing costs associated with patent and copyright enforcement it is imperative that alternative incentive mechanisms be explored.

Clearly there are very powerful interests that stand to lose from reform of intellectual property rules, specifically the pharmaceutical industry, the medical equipment industry, the software industry, and the media and entertainment industries. These sectors include many of the biggest and most powerful corporations in the world. But the strength of the resistance to reform does not affect the intellectual argument for reform. It would be difficult to identify more harmful economic policies than the current system of patent and copyright rules. They are few cases where the application of standard neo-classical economics could have such beneficial effects.

Endnotes

1. There is a distinct set of issues that arises in a case where a patent is issued for a product sold directly to consumers and accounts for the bulk of the product's price (as is the case with prescription drugs and medical equipment), compared with a patent on an industrial process. In the case of patents on industrial processes, the expected outcome is that patent holder will sell the patent to the user, who will then be able to use it at zero marginal cost, thereby eliminating the distortions associated with patent protection.

2. A study commissioned by the PhRMA, the industry's lobbying group, found that on average, copycat drugs cost almost as much to develop as breakthrough drugs (see Ernst & Young LLP. 2001. Pharmaceutical Industry R&D Costs: Key Findings about the Public Citizen Report. Pharmaceutical Research and Manufacturers of America. [<http://www.phrma.org/press/newsreleases/2001-08-11.277.pdf>]).

3. A fuller account of the economics of this sort of alternative to patent supported drug research can be found in Baker and Chatani (2002), (see "Promoting Good Ideas on Drugs: Are Patents the Best Way?" [http://www.cepr.net/promoting_good_ideas_on_drugs.htm]).

4. The industry estimates that approximately 8 percent of its research goes to studying production and safety issues. This research would be carried through even if all drugs were sold as generics, and therefore would not have to be replaced by the government.

5. A full description of this bill is available on the website of its lead sponsor, Representative Dennis Kucinich [<http://www.house.gov/kucinich/issues/freemarketdrugact.htm>].

6. It would be desirable to have some sort of international system that ensured that countries paid their fair share toward supporting biomedical research. Hubbard and Love (2004) provides an example of such an agreement (see "A New Trade Framework for Global Healthcare R&D." Plos Biology, V2, #2. [<http://www.plosbiology.org/plosonline/?request=get-document&doi=10.1371%2Fjournal.pbio.0020052>]).

7. The AFV system is described in more detail in Baker 2003 (see "The Artistic Freedom Voucher: An Internet Age Alternative to Copyright" [<http://www.cepr.net/publications/AFV.htm>]).

8. It would be important that this ban on access to copyright protection extend for a substantial period (e.g. five years) after receiving AFV funds. The point of the AFV system is to establish a competitor to the copyright system, not a farm system for the entertainment industry. If the most successful people in the AFV system could simply leave and immediately become eligible for copyright protection, then the system would end up just providing a subsidy to the copyright protected entertainment sector, since it would screen out less popular artists for it.

9. It is likely that some sort of direct funding mechanism would be the most efficient way to support software development, another area in which patents have led to massive waste, although a decentralized AFV mechanism may be appropriate for some types of software, such as video games.

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Greed (Part II)

Julian Edney (1)

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An essay concerning the origins, nature, extent and morality of this destructive force in free market economies. Definitions. Paradoxes and omissions in Adam Smith's original theory permit - encourage - greed without restraint so that in a very large society [USA] over two centuries it has become an undemocratic force creating precipitous inequalities; divisions in this society now approach a kind of wealth apartheid, and our values are quite unlike Smith's: this is an immensely wealthy society but it is not a humane society. Wealth and poverty are connected, in fact recent sociological theory shows our institutions routinely design inequality in, but this connection is largely avoided in texts and in the media, as is the notion that greed is a moral wrong. Problems created by greed cannot be solved by technology. We are also distracted by already-outdated environmental rhetoric, arguments that scarcities and human suffering follow from abuse of our ecology. Rather, these scarcities are the result of what people do to people. This focus opens practical solutions.

[Part I of Greed appeared in the last issue of this journal and is available at www.paecon.net/PAERreview/issue 31/Edney31.htm](http://www.paecon.net/PAERreview/issue%2031/Edney31.htm)

The Pivot

What drives this society? We proudly answer that what fuels people in this nation [USA] is a competitive drive to be better. The obvious result is inequality, because the intention is inequality. Competition deserves a closer look.

Anthropologist Ruth Benedict summarized her overseas work saying the most obvious difference among societies was whether the living was cooperative or competitive. This was the 1930s. She used the term synergy. A high synergy society is socially cohesive, cooperative and unaggressive - one person's acts at the same time serve his own advantage and that of the group, his gain results in a gain for all. But cultures with low synergy are highly competitive and the individual gains advantage only at the expense of another, aggression is prized, indeed humor originates from one person's victory and another's demolition. Low synergy eventually threatens the social fabric. Her example was the Dobu of New Guinea, whose daily atmosphere of ill will and treachery among all made it a showcase of Hobbesian nastiness, and feared among its neighboring tribes. The Dobu have no chiefs, no government, no legalities and live very close to the "state of nature" philosophers propose. Danger is at its height within the tribe, not from without, and the attitude lives that it is prudent and right to inflict pain on losers to protect your win. Hierarchy is based on ruthlessness which is admired, and inequality and injustice are believed to be in the nature of things ⁴³.

Benedict pointed out the world's societies can be arranged on a continuum from those with the highest synergy to those with the lowest.

In our own society, we love competition and we promote inequality. A team of sociologists headed by C.S. Fisher ⁴⁴ has recently tightened this argument with a treatise that first attacks the

Bell Curve explanation that inherited differences in IQ and natural talent can be used to explain our unequal fortunes. They summarily deny the economist's claim that inequality fosters economic growth. Third, they state, our inequalities are by design, and they are growing. The result is that in the last twenty years we have become a steeply hierarchical society, and this is with popular support. We are choosing inequality through government economic policies that chronically distributed wealth unfairly.

Clearly our own society has lower synergy than we boast - and it's falling.

Simply, any free market culture that would rather create a market in a resource than have abundance for all is creating inequality as it goes. But so long as we can attribute unhappiness to global limits, or to inherited individual differences, then nature is to blame. We can hoist a paradox. We can both have our levels of misery and congratulate ourselves on our modern attitudes and on a humane society.

Manipulation of Hope

That last hypocrisy is researched by two Yale scholars, Guido Calabresi and Philip Bobbitt ⁴⁵ who argue we practice inequality everywhere while pretending to equality (it is so close to our notion of justice). This subversion requires a nest of contradictory customs, a shell game designed to help us avoid and deny the moral consequences. And a retreat to other standards: sometimes, conceding inequalities, we will go through contortions to show that at least we are humane. The cost of all this, of course, is honesty.

Calabresi and Bobbitt argue that instead of universal abundance, there is perpetual scarcity. We calibrate it so. Society oscillates between two kinds of decisions. A first order decision is how much to produce or allow of a desirable good, and a second order decision is who shall get it. If this process were obvious, we would be outraged at the insight that there is needless suffering, because the scarcity is man made. Whether the desirable good is shelter, life-saving medical treatment, an education, or decent treatment by the police, we simultaneously manage the perception that all is well when in fact it is well with only a fraction of the population. Seeing certain medications or (in war) draft-deferments only go to the rich, or seeing that with our aggregate wealth, poverty need not exist, we search for reasons that suffering comes to some people but not others. The focus becomes methods of allocation. The central insight is to see that allocation by itself is an act signifying inequality. We realize certain methods of allocation are "acceptable," meaning they do not morally offend, for instance, the free market method acceptably allocates hunger because it decentralizes choice into individual decisions, and we can blame the hungry person. So this distracts from the scarcity itself. And hope is preserved. But each allocation method is rather arbitrary. We wonder if, keeping the same overall percentages, poverty could just as well be allocated by lottery. The market does not acceptably allocate the draft, so we have to shift to another method of allocating that inequality. Mistakes in choosing allocation method pull back the curtain on the fact of the original scarcities, creating fear and outrage. But the reality is, the scarcity of doctors, on whom lives depend, is a result of a human decision how many to train - and not a limitation of Earth's carrying capacity.

Sensation-hungry Press

While we are uncomfortable with the fact that the market runs an "acceptable" number of auto deaths, cancer fatalities, or hungry four-year-olds, it allows us to explain each case as personal misfortune. It will appear there is no other choice, and our morality is preserved. So while we believe in a strong, happy society, brimming with progress and good for all its people, we get daily news hinting at our less-civilized status. The facts are, shelters for battered women are always crowded, fear permeates some schools, barbarism spreads in our prisons, and in some precincts it is becoming harder to distinguish police behavior from that of criminals. Calabresi and Bobbit continue this argument describing a societal device we use in huge efforts to preserve this contradiction.

The perception of humaneness is crucial. It tells us our system is both strong and good; otherwise glimpses of inhumanity are a dangerous hint that things are not working. Two examples: some years ago, a million dollars was spent on the rescue of a single downed balloonist in a dramatic, highly publicized race of helicopters and boats. The drama proved our humanity. We make massive efforts for someone in distress. What was never publicized was the chronic underbudgeting of the Coast Guard which otherwise would make such rescues routine. In a second example, heroic amounts were spent to rescue prisoners from a fire in a penitentiary. But what was never revealed is that the prison's scarce medical resources meant hundreds of others routinely went without treatment or died at other times. This type of rare and heavily publicized humane event, fed to a sensation-hungry press, creates a "sufficiency paradox", an "illusion of sufficiency" ⁴⁶ that the goodness is there for us all. Generalized, this creates the illusion of abundance. The media deal in demonstrations of sudden and spectacular humanity. But for every person who gets the rare benefit, many others do not. A life-saving kidney goes to one of several people in need, and the life-taking decision about the others is not publicized. The "illusion of sufficiency" device massively confuses possibility with probability but on a societal level, it is a media-promoted and effective manipulation of hope.

We too use Potemkin villages.

Kafkaesque

What about all the people who lose to scarcity? People hate themselves for failing, but unless society is honest, they must absorb the original scarcity plus the anguish of not knowing how they failed and not knowing what to do. To the loser the frustration and humiliation of not knowing why, creates "the Kafkaesque cost of being in a process without knowing how to help oneself" ⁴⁷. If people compared our national inequities in wealth with the insight that, through decided levels of scarcity, the aggregate amount of suffering is controlled, public emotion could erupt.

Calabresi and Bobbitt's point is that we must keep examining our values. Equality and honesty are prime values. But in these machinations, they are chronically opposed. We must chose honesty, then we can begin the struggle to reclaim our real humanity.

Corporations

Next we bring into this mix the vastly wealthy American transnational corporation.

Businesses exist to make profit. Corporations are a type of business association, ones with special legal powers and durability. They have been a usual part of the business environment since the fifteenth century. International corporations were the muscle behind European colonization in the second half of the last millennium, but in that era of horse and sail, their power was a fraction of what it is today. Some corporations have now grown gigantic, actually becoming global forces with more power and resources than some countries.

Actually the largest corporations derive power not only from wealth but because they can fluidly migrate to whichever nation offers the least legal restraints, the cheapest labor, the most amenable economies and the friendliest politics. In this sense they float above the world's constraints.

But as a rule American corporations differ sharply from the nation which hosts them. They are alien to the notion of democratic responsiveness, internal or external. In the universe of corporations everything focuses on the acquisition of resources, labor, and markets. These are the sources of power. Inside corporations Equality hides her face.

Corporations are not elected, so they are concerned with nobody's approval. Aside from occasional shareholder meetings, they never ask the public for ideas or permission. Nor do the workers elect their leaders. Inside, most business corporations are steeply hierarchical structures, in which employees' freedom to do what they want is openly bought for the wage. They are not responsive to the will of those they employ; some have inner dynamics that are feudal; some of their hierarchies are also jungles of dysfunction. In democratic America most corporations are iridescent examples of autocracy, thriving on soil where the Constitution guarantees everybody's freedom and equality.

Nevertheless, the overwhelming portion of our population denies any problem. Charles Derber, among several writing on this topic, believes there are specific reasons we don't even think about corporations. First, we are all educated to look elsewhere, for instance to unchecked government, as the primary threat to freedom. Second corporations make and sell our creature comforts, so we can't tamper with them without threatening our prosperity. Third, we feel powerless. The concentration of corporate power is inverse to people's feelings of personal power. Fourth, we see no alternative ⁴⁸.

Powers without Obligation

If wealth is the only standard we use to judge, then we have to admit corporations are staggering successes and everything to venerate. They absorb people's lives. We consume their products daily, use their services hourly, rely on them for information. We are dependent. We compete to work in them.

What protects them is that we are taught the system is rational. We are also taught that the goodness of a society depends on how well its topmost members are doing, so the higher our topmost members, the more they are discussed with awe.

The natural foe of corporations is government. But international corporations are so wealthy they slide over governments. They have become like tourists in their own country. As they lose national loyalties, they come close to becoming powers without obligation. As the largest transnational corporations grow, they become sovereign and untouchable ⁴⁹.

The Corporate Personality

Roughly there are, I suppose, two kinds of people. The first divides the world into Good versus Bad. The second divides the world into the Strong versus Weak. These two types never can communicate. Among the latter, the concern is never to be caught weak because hell takes the hindmost, and among them all talk about goodness and ethics is irrelevant, and every effort is given to staying strong. This second type infests corporations. They are refractory to talk of humanity and you can shout all you want and they will not listen; every ounce of their attention is given to their competition.

Their rules of engagement are Darwinian.

Large scale competition among these massive corporations is what upgrades greed from whimsical excess to lethal force.

Two Areas of Corporate Control

First, Christopher Lasch points out that private universities depend on corporations, through investments, grants, or otherwise; and wherever their money is used, corporations influence state universities too. Consequently you will find free discussion on university campuses on almost any topic but one. Academic debate is not used to deconstruct the corporations that feed them.

The News

The second important area of control is corporation ownership of the media.

Through corporate competition, we now live in a system in which a few colossal media conglomerates dominate the news outlets. A typical conglomerate owns film studios, television studios, publishing houses, retail outlets, theaters, newspapers, music studios, cable channels, and in some cases, amusement parks. This oligopoly of conglomerates is small. It has overwhelming financial power, and it is not responsive to the will of the public.

Corporations exist for profit, so the news has become a commercial product. Largely, the same mentality making decisions about entertainment is now making news decisions (and the two, according to Neal Gabler, are increasingly difficult to tell apart ⁵⁰).

Analyst Robert McChesney ⁵¹ says commercialization of the news has been a slowly growing process, starting in the 1840s when it was realized that selling news could actually make an entrepreneur money. Greed rather than journalistic standards took journalism astray in the era of the Yellow Press when stories were written for what sold and all the money came in from readers. Later on, newspaper owners started getting bigger money from advertisers. Nobody objected,

because then as now, the myth is that the prime enemy of a free press was the government, that competitive free market capitalism would always keep the media unbiased and democratic.

Missing Topics

We do have some control over which media programs we watch. We still can choose among television channels, but the overwhelming majority of channels are commercial, and corporations exert fine-grained control over the consumer's viewing diet. And unlike Canada's and Britain's, America's noncommercial channels are not guaranteed by the government. They depend on grants, charity and viewer contributions. They cannot hope for the stability, size and power of their commercials rivals.

The result? Television news viewers are carpet-bombed with advertising. Advertisers actually survey for the kind of news that is interesting to the viewers who have money to buy products. Advertising firms are so influential that current journalism avoids antagonizing them and politicians avoid antagonizing them. McChesney says their control extends to blacking out certain topics. So while education, drug testing, gay rights, religion are mentioned on commercial television, other topics such as the representativeness of the media system is a topic that is never aired. Social class issues are avoided. If we live in a society of inequality, then we can wonder, every time the television shows us the upper reaches of abundant success, which scenes of poverty have been excised. Programs about the poor are rare.

In effect, says McChesney, "media firms effectively write off the bottom 15-50 percent of society."⁵²

All of which, he continues, is undermining democracy.

Among McChesney's remedies: first, make how the media are used a political issue. Second, a separate 1% tax on advertising would raise substantial revenues (he estimates \$1.5 billion annually) which could be used to subsidize the nonprofit media.

Advertising

We absorb from the television, and that is what advertisers want.

We take advertising seriously. Over a hundred billion dollars is spent annually on advertising. Its goal is to occupy the drive and psyche of the nation with wants, so that the nation will spend.

But the media are doing much more.

It is decided not to show on television the varieties of fear in our rooming houses and alleys where people live in the lowest reaches of poverty. It is decided not to show our hungry people living in tilting rural shacks. Nor the ranks of exhausted faces in city sweatshops. Lost, abject, hostile, desperate, these people's glances are pulled aside by complicit belief that failure is the lot of the damned. These people are quite available for filming and quite imageable. Instead, television is filled with cacophonous distraction.

Contradictions are withheld in the news. For instance, new technology is lionized in commercials. But technology itself is amoral. For example, it is also making torture easier. No one would mythologize the kind of free market where people made profits marketing whips and thumbscrews, but a recent Amnesty International investigation reports that currently more than fifty U.S. companies manufacture equipment like stun belts and shock batons designed specifically for use on humans (these devices inflict great pain but leave little physical evidence)⁵³. Difficult topics encourage thought, and they take time away from commercials.

War on Logic

Somehow the painful gap that exists between poverty and abundance must be anesthetized. Television is the means. We stuff television reality in the gap. Twenty-four hours every day commercial television is an ongoing polychromatic display of games, short dramas with gunplay and florid sex, perpetually interrupted by iridescent advertisements. Television both provokes fear and promises ecstasy in ultra short attention spans. It feeds a national obsession with beauty, teasing with glossy bodies, glossy cars, luscious scenery.

What is shown in commercials is overflowing abundance, specifically in terms of climactic moments. Now a race is run and now a prize is taken; now a man works for all of a second and a half, then it's time for beers; now all the cooking has been done, and a sumptuous meal is ready⁵⁴. The troubling theme is that human effort is noisily trivialized in commercials. This is the narcotic. Television lathers a bright, noisy blur over anything like sustained effort, perseverance, focused long term goals, and over a society with chronic stresses.

The evening news systematically distorts normal time. Downtown riots in Seattle are given less than a minute (some of which is the reporter's talking face), shift to shots of a dog frolicking in a fountain, shift to minutes of a freeway chase. The picturesque is pursued, the serious is trivialized.

These are moves in a war against logic. And if you watch television, you are having your thinking disrupted. The busy-ness of rapid shifts of focus, the effervescent color, the edgy, dramatic music, all make it difficult for viewers to build independent ideas.

Neuroses

But instead of asking what the frenetic distraction is about, we follow suit, with impulse. It's not just that advertisers say, you can solve your problems by drinking our wines or wearing this underwear. It's not just that each product is introduced as if it was the future of mankind. It's that the commercial saturation has been effective. No one mentally argues with the advertising. The real loss is that advertising is now accepted as if it was information.

As with any other drug, we need increasing strengths. The only way to find out what television is doing to you after years of watching is to turn it off for a month. Turn it on again after abstinence, and it seems like a television's bid for our attention is like repeatedly shooting a pistol into a chandelier.

Television also grows neuroses in the corners of its watchers. It grows invidious comparisons in us. Comparison shopping, comparison socializing - eventually we live life by the method of comparisons. Television is carefully producing hordes of viewers who are good at one judgment, namely, whether the neighbor or the person sitting across the room is a little better or a little worse off. This powerful judgment, 'I'm a notch better than he; I'm not quite as attractive as she', is what Alfred Adler diagnosed as a neurotic style ⁵⁵, with powerful motives to compensate. Television grows envy in us, and the fix is to acquire. The result is a powerful narcissism, and an increase in the rates of depression ⁵⁶ among watchers who cannot keep up, unable to match their lives to television's perfection.

Greed, like many addictions, is all about the sudden and spectacular. Advertising is passionately decorative, if thin as a billboard. It serves the sudden and spectacular.

Against images of poverty, fear and hunger, television also churns routine optimism into its daily programming. All is delivered in a happy, chatty style. More, each day, television will be noisily emptied out and reinstalled the same.

Sum

In a free society, some people's greed inevitably means deprivation for others. This does not require environmental limits, it only requires persistent and competitive self-promotion, and in a vast nation whose economy is two hundred years devoted to these principles, we now inhabit a society with a small fraction of astronomically wealthy individuals towering over a growing mass in poverty. America is arguably now more unequal than any of the original European cultures, yet we cling to and proselytize a horribly outdated economic theory which implies equality but actually delivers more inequality. Greed is the outstanding wrong because it reverses the utilitarian ethic. It produces the greatest good for the smallest number. Democracy's founding virtues are freedom and equality, so greed without restraint, producing great inequalities, becomes an undemocratic force.

This is an amazingly complex economy but we still raise our young on sleeveless country myths. They never explain a market's preferences for ensured scarcities, designed inequalities, and increasingly segregated economic classes. Our schoolbooks teach, after the demise of communism, that there is no superior alternative to Smithian economics. Adherents believe that free market capitalism is the end of history.

Remedies

The reflexive defense, of course, is that we already have remedies. That we protect our poor with aid and support, that our government provides a safety net for the least fortunate in the form of welfare and food stamp programs.

These programs are a shambling failure. Reports detail the thin efforts of our sprawling agencies to get food to Americans who are now hungry. In California, of the millions who need aid, only 45% of the eligible are able to get food stamps even when they qualify. The other largest states show similar agency breakdowns. The hungry are trying other sources, so demand at food banks is rising ⁵⁷. But Americans turning to emergency facilities are too often rebuffed. Cities are failing

to meet an average of 26 percent of requests for emergency shelter, 30 percent of requests by homeless families. Government safety nets are simply broken, and at this writing some states are cutting back further ⁵⁸.

We do not properly protect our poor. Decades-long efforts in the Great Society program and the War on Poverty have failed to improve opportunities for the poorest Americans. As an index of our current concern, consider the national allocation for Food Stamps. It stands at 0.0017 of the Federal Budget ⁵⁹. Already tiny, Federal food assistance allocations actually declined from 1995 to 1999 ⁶⁰.

I'll sketch other options that don't work.

What about private charity? Since droves of homeless people (one quarter of whom are children) still roam the big cities, since we have unfed hungry, and since it has been that way for a long time and is not getting better, private charity has obviously been ineffective. It is too little, or sporadic and unreliable.

What about the churches? Their purpose for existence includes helping the weak and needy. Curious for numbers, I divided the number of homeless (conservatively estimated at 700,000 on any given night, 2 million sometime during the year) by the number of Christian churches. This nation is filled with churches: the World Almanac lists over 330,000 Christian houses of worship ⁶¹. If each church took in 6 homeless, there would be no more homelessness. (We are taught that God and money don't mix. But actually the struggle between church and capitalism has always been subtle.)

What about positive thinking? With enough love and trust and hope and unity and sensitivity and inclusiveness, will antisocial greed disappear? Well, we might hope that goliath profiteering corporations will desist in their exploiting, voluntarily come to their knees and want to be part of godly world harmony. But they will not. Universal tolerance will not stop transnational corporations wringing their profit from the sweat of laborers' faces. And these bromides do not create change, just a lot of weary smiles from well wishers. On the topic of attitude, we'll treat smiling rationalizations the same, such as the rationalization that 'greed is the sin that's good for the economy'. This sort of solution is just a delay which will float us over relatively good times. At present we have relatively high employment, so the vast majority of Americans are at least earning some amounts of money. But this is like a tide risen high, which covers all manner of unsightly things on the sea floor. They are not gone. Should the tide go out, they will reappear. Opines business professor Jim Johnson, "If you ask where all this could be heading, in the event of an economic downturn, we could see another 1992 civil unrest." ⁶².

Stopping the Gap from Becoming Wider

Harvard's John Rawls ⁶³ has a way to repair a whole society skewed into these inequalities. Rawls asserts the misery of some is simply not made acceptable by having a greater good, as proposed by utilitarianism, because that violates the principle of justice. First Rawls insists that in addition to freedom and equality, there must be a prior value in democracy, justice. And that economic rationality and justice should forever be opposed.

Rawls insists on a shift in focus. We should not judge a culture by how its topmost members are doing, but by how it treats its lowest. His solutions follow. First, this society should decide how low any member can go. That establishes minimum rights. It requires we identify the least-advantaged person in society, and draw focus to him. Next, the very top and the very bottom of society should be (and all intermediate levels should be) connected, as if by a loose linked chain. Then if the top rises, it pulls the bottom up with it. If the bottom moves up, that closes the gap toward equality. This arrangement does not prevent any upward rise; but it establishes consequences on movements at the top.

Other Remedies

We must look down. Even Business Week pointed out that if the current wave of prosperity recedes, America's many social ills, with hunger and homelessness, could return with a vengeance, editorializing that the Federal Reserve and Congress should be guided in their policy actions by what's happening at the bottom of society, not by the bubble at the top ⁶⁴.

The mystique of poverty has to be cracked. A television series 'Lifestyles of the Broken and Hungry' would not top the popularity charts, but my point is that if media paid attention to the bottom rungs with one-tenth the insistence in our commercial advertising, remedial changes would occur. Further, public service messages resurrecting the concept of the common good, would be a beginning.

Actually remedies for greed do not have to be expensive, nor big, organized programs. Primary education depends on the skills of individual teachers, and if talented educators can reinstall the Golden Rule (Do as you would be done by) in their primary classrooms, some of the damage could be reversed. We need preventatives. Greed has to be reinstalled as a moral wrong, and in religious circles, as a sin.

Up the educational ladder, remedies will be resisted. Here lives the fashion for nonjudgmentalism. An extension of moral relativism, this trend to universal acceptance is a couple of decades old and "Who am I to judge?" is now the standard of the gentle classes and educated elite, even spreading to exotic healing practices and 12-Step programs where it is thought that to suspend judgment of self and others is for the betterment of society. This is nonsense. Comfort only brings inaction, nonjudgmentalism is moral vacuum ⁶⁵, and eventually we will have no conscience to stop what is happening.

High on the academic ladder, of course, is economics but our best economic theory has delivered us contradictions and reverses. Volumes produced by economists, all written with graphite dispassion, seem to promote opposites, and you wonder if a coup was carried out by those adept at complicated thought. Just drive through any big city, you will see newsstands sporting magazines with glossy coverage of billionaires, these newsstands adjacent to people living among girders and sewage drains, alleys, scaffoldings and grates.

Among the social sciences, psychology may provide a specific remedy. The Diagnostic and Statistical Manual of Mental Disorders (DSM IV) ⁶⁶ is a standard used by all psychotherapists. It is a compendium of all mental illnesses and it is used as a diagnostic tool in training psychiatrists, clinical psychologists and social workers. This book has been expanding through succeeding

editions as more and more mental conditions have been described (which has expanded the domain of clinicians so far it is now said that about half America's population could be diagnosed with some mental pathology or other ⁶⁷). It is time that greed be listed in DSM IV. With well directed psychological research of course greed will turn out to be a personality trait with a distribution in the population, and personality tests will be able to screen for extremes.

Moral Inertia

So there is a moral cause here. But the average person hangs back from active protest.

The problem is, even if we are not personally greedy, we have connections to corporations that are. We are happy consumers. Challenging the company we work for - would that be hypocrisy?

Second, activism, we think, is radical action, and what about all that street rant "if you're not with us, you're against us!" - but we cannot rebel because our corporation is also our rent, and we enjoy the good living we make, and we're not giving that up.

Perhaps that explains why our most articulate writers are so quiet on this topic. They also look within. So, bluntly, we need a whole new strategy for change, in which a person who feels he is part of the problem may also be part of the solution.

Enter some new thinking. Max Bruinsma is a sharp critic of the damage wrought by contemporary advertising in the service of relentless acquisition. But times have changed, he says, and he argues the polarizing slogans of past social revolutions (you're either with us or against us) don't apply. We're in a historical shift. The modern activist is different. The rationale: culture today is driven by commercial advertising. In it, a particularly worrisome new trend is for advertisers to soften up our thinking with billboard-size paradoxes. Building-size ads fill our view and state that buying a very mainstream computer (Mac) is 'thinking different'. Across the street another billboard shouts that acquiring a glossy SUV is a singular act of rebellion. Bruinsma quotes more examples: "Sometimes you gotta break the rules," (Burger King), "Innovate, don't imitate" (Hugo Boss), "Be an original" (Chesterfield cigarettes). The central insistence of these is that conforming = rebelling. And we remember the Orwellian slogans, Peace = War, Slavery = Freedom which, in 1984, reduced a future society's minds to value-free mush.

Well, we can follow suit. We can generate our own examples of contradictions. So, perhaps, commercial success and social responsibility are not incompatible anymore. Everything is possible if you use self-contradiction; you are able to both work for a company, and rebel against it. Corporate rebellion = loyalty.

This leads to a technique a 'Sixties activist, Rudy Dutschke, once called "the long march through the institutions." It is a long term and less bloody strategy. Go in, behave - and take over. The new culture agent is stylishly dressed, well paid, and works in a plush ad agency, designing resplendent ads which promote the return to honesty and social justice, humaneness, equity and the common good ⁶⁸.

The next revolution will be inside corporations.

Conclusions

As the rich get richer and the poor get poorer we drop our pretenses to humanitarian democracy, instead salute material excess, accept Darwinian business ethics, and pin up as our national polestar the most powerful corporations.

Money and effort maintains a particular way of seeing and evaluating our society; we focus on the topmost members, cover current inequalities with a rotating blur of nearly a trillion dollars of advertising a year, and by not paying attention to the lowest, we deny them. But they are there. Inevitably, as our economic tree reaches up, its roots grow further down.

It is not enough to say hopefully we accumulate layers of experience from error and progress. Technology will not deliver us equity. Logic has not delivered us equity.

We want our morality back.

Nuts

For readers thinking these themes overwrought, I'll describe a small game in which you can watch greed in the person sitting next to you. Three people sit around a kitchen bowl. You, the fourth person, with a timer, start off placing ten small items in the bowl - quarters, dollar bills, or nuts. Tell the three players the goal is for each of them to get as many items as they can. Tell them one other thing before they start: every ten seconds (you have your watch ready) you will look in the bowl, and double the number of items remaining there, by replenishing from an outside source (a separate pile of quarters on the side).

In the original Nuts Game, I used hardware nuts, and the players were college students. You would think the players would figure out that if they all waited, and didn't take anything out of the bowl for a while, then the contents of the bowl would soon get very big, automatically doubling every ten seconds. Eventually they could each divide up a pot that had grown large. But in fact, sixty percent of these groups never make it to the first 10-second replenishment cycle. They each grabbed all they could as soon as they could, leaving nothing in the bowl to be doubled, and each player wound up with none or a few items. This can be an energetic game. I've seen the bowl knocked to the floor and I've seen broken fingernails in the greedy melee. In the original game, players are not allowed to talk. Even when they are allowed to talk, not all groups collaboratively work out a patient, conserve-as-you-go playing style, necessary for eventual big scores. They don't trust each other.

This makes a good classroom demonstration of what greed can do. Actually mathematicians have designed a variety of these games, microcosms of the free economic process ⁶⁹. Behind them all is a problem always nagging at Adam Smith economics. In the short run, what is good for the individual is bad for the group. The game is a microcosm of a community sharing a slowly regenerating resource (clean water, timber, whales) and individual greed can actually destroy the common good. The game involves two opposing rationalities: what is rational for the individual vs. what is rational for the group. And the resolution has less to do with reason than building a shared morality.

Details of **The Nuts Game**. <http://www.g-r-e-e-d.com/Nuts%20Game.htm>

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Tackling greed while recognizing ecological limits: A reply to Edney

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Julian Edney's essay on "Greed (Part 1)" (*post-autistic economics review*, issue no. 31) raises critically important moral issues around accumulation, consumption and deprivation, and the relationship between greed and poverty. Edney sets out some of the ways in which economic theory has justified greed, a task that post-autistic economics theorists should vigorously contribute to. I agree with Edney that greed, and the ways in which economics has given greed a cloak of acceptability, represent a significant impediment to a more just economy and a more humane society, and indeed lead us to an array of social problems and human tragedies. I agree with Edney that we need to explain and challenge the simultaneous occurrence of life-threatening scarcity and unimaginable wealth. Unfortunately, in arguing against greed, Edney simultaneously attacks a straw man version of the ecological scarcity argument. He thereby seeks to undermine one of the most compelling practical and moral arguments against greed and ends up promoting the very type of injustices that he decries.

In the section of his essay entitled "Distraction," Edney not only denies that environmental degradation and exploitation is an issue that leads to human suffering, he argues that it is an already outdated rhetoric, a distraction from the real issue of poverty being what people do to people, and that predictions of scarcity have not been borne out. Edney cites two sources to support this position: an article arguing that people in rich countries do not consume too much, published in the *Atlantic Monthly* by Mark Sagoff, a philosopher; and the controversial writings of Bjorn Lomborg, a political scientist and professor of statistics best known as the author of *The Skeptical Environmentalist* and a key force behind the Copenhagen Consensus.¹

Edney's sources represent a curious choice for someone tackling the issue of greed, as both these authors take positions which weaken arguments for constraints on greed. As a philosopher, Sagoff is hardly the most qualified individual to assess our ecological predicament. Of the seemingly impressive 128 footnotes in Sagoff's article, at best 5 can be considered to be published in the peer-reviewed natural science literature. This same article was refuted a few months later by five natural scientists, with a long list of peer-reviewed publications to their credit, in that same magazine.² Lomborg's assessment of our ecological predicament is simply not credible. *The Skeptical Environmentalist* was the subject of a detailed rebuttal in the January 2002 edition of *Scientific American*. "Misleading Math about the Earth: Science defends itself against *The Skeptical Environmentalist*." Lomborg's pet project, the Copenhagen Consensus, involved a panel of respected mainstream economists in choosing projects on the basis of their economic efficiency to best address global problems. The outcome of this project was to rate liberalizing trade as a very good project (the further liberalization of trade would exacerbate the inequities condemned by Edney³), while improving infant and child nutrition, reducing the prevalence of low birth weight, and scaling up basic health services (all projects that would be consistent with decreasing inequities, improving health, and redressing some minimal aspects of life-threatening scarcity decried by Edney) were all rated as merely fair projects.

Rather than relying on authors who have little, if any, qualification to pronounce on our ecological predicament, Edney could have turned to scientifically credible sources. For instance, the United Nation's Millennium Ecosystem Assessment, which involved over 1360 experts around the world, was released earlier this year. Its objective was to assess the consequences of ecosystem change for human well-being and to look at actions required to ensure that natural systems would continue to contribute to human well-being. A number of its conclusions, as summarized in the Statement of the Millennium Ecosystem Assessment Board, *Living Beyond Our Means: Natural Assets and Human Well-being*, are particularly relevant to Edney's discussion of greed:

- "At the heart of this assessment is a stark warning. Human activity is putting such strain on the natural functions of Earth that the ability of the planet's ecosystems to sustain future generations can no longer be taken for granted."
- "The loss of services derived from ecosystems is a significant barrier to the achievement of the Millennium Development Goals to reduce poverty, hunger, and disease."
- "In many cases, it is the poor who suffer the loss of services caused directly by the pressure put on natural systems to bring benefits to other communities, often in different parts of the world."
- "The negative impacts of climate change will fall disproportionately on the poorest parts of the world..."⁴

It seems that Edney believes that when we act to address threats to the continued viability of ecosystems upon which humanity depends, that we will set aside concern for issues of poverty, or that we will fail to see that greed and poverty are linked. The opposite is true. Mainstream economists have fought vigorously against the recognition of ecological limits, and have been staunch promoters of the concept that the scale of the economy can keep growing for ever. And for good reason. If the poor only receive crumbs from society's pie, and the pie is not growing, the only way to improve the lot of the disadvantaged is through redistribution. If we can hold forth the illusion that the pie can grow infinitely, then society is off the hook for inequity since with time the poor person's crumb will grow into a satisfying forkful and eventually a modest slice of pie.⁵ The lack of interest on issues of distribution amongst neoclassical economists, and their simultaneous defence of growth once again shows Edney to be aligning himself with those who would not support him in his arguments against greed.

Ecological economists have promoted the concept of ecological footprint analysis to make clear the linkages between consumption and ecological impact, and how one person's material standard of living affects prospects for people in other places or in the future.⁶ The ecological footprint of the average person in North America is equivalent to that of a couple of dozen people in most poor southern countries; the footprint of the millionaires with whom Edney opens his essay could easily approach that of an entire village in the South. Such analysis clearly shows that the well-off appropriate more than their fair share of the Earth's resources and ecological services, and that the typical lifestyles of the well-off (or greedy) in rich countries would require several more Earths were all of the world's population to live at their standard of living. It begs the question, "Why should greedy individuals be allowed to impose such a burden on the Earth, and reduce the opportunities for other people now and in the future?"

In responding to Sagoff's *Atlantic Monthly* article, Ehrlich and fellow natural scientists clearly take a moral position against greed and for a more just economy: "For decades in the rich nations

increased consumption has not been correlated with increased satisfaction, and perpetuating Third World poverty is a luxury that the prosperous can no longer afford.” Amongst other measures they call for, “reduced consumption among today’s superconsumers” in order to close “...the rich-poor gap without an ecological collapse... humanity could create a sustainable global society with a higher quality of life for everyone.”

In the future one would hope that Edney would use to advantage rather than seek to skewer with broken spears one of the most potent arguments against unfettered greed. The notion that we are approaching ecological limits is entirely compatible with the idea that much scarcity and human deprivation is the result of an inequitable economic system. Nor is it accurate to blame the poor multitudes for our ecological predicament, or to use scarcity as an argument against improving the living standards of the poor. Edney’s characterization of the scarcity argument, “we have poverty and scarcity because our Earth has limits...” is a caricature of a complex issue. Most researchers who raise the issue of ecological limits raise the issue of equity and point to the need to impose rules to ensure market economies lead to more equitable *and* sustainable outcomes. One would hope that future contributions to the *post-autistic economic review* would not follow the autism of mainstream economics with regards to the natural environment. In 2005, the world is faced with a dizzying and still accelerating rate of biodiversity loss, the wide-scale contamination of water bodies and groundwater, the already observable harmful effects of excessive CO₂ in the atmosphere, the tragic loss of fish biomass in the ocean, an alarming rate of soil loss, degraded forests and heavily fragmented natural habitat. All these problems harm poor people somewhere in the world, while the very well off are able, for the time being, to insulate themselves from such problems. The time for arguments within the economic literature about the existence of limits is long past. Limits exist, and limits imply that greed is unconscionable.

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Adam Smith - the Father of *Post-Autistic Economics*?: A reply to Edney

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In his article on Greed (Part 1, PAE Review, issue no. 31), Julian Edney recycles, with a radical twist, a common myth about Adam Smith's work that has long been propagated in mainstream economics. According to this myth, Smith saw people as wholly self-interested:

"Adam Smith's contribution was a step further, to give happiness a mercantile slant. In the new philosophy there is no conspicuous concern with sympathy, compassion, honesty, courage, grace, altruism, charity, beauty, purity, love, care nor honor. It accepts that humans are fundamentally selfish and egoistic and that they don't care about society-as-a-whole. . . . He simply declared that the selfishness of each man [sic] and the good of society go together. The general welfare is best served by letting each person pursue his own interests." (Edney, 2005)

Edney goes on to treat Smith as a utilitarian theorist, and accuses him of dispensing with justice. Is this the same Adam Smith that wrote about "the remarkable distinction between justice and all the other social virtues . . . that we feel ourselves to be under a stricter obligation to act according to justice, than agreeably to friendship, charity, or generosity; that the practice of these last mentioned virtues seems to be left in some measure to our own choice, but that, somehow or other, we feel ourselves to be in a peculiar manner tied, bound, and obliged to the observation of justice."? (Smith, 1759; II.ii.1.5).

The myth is based on an extraordinarily selective reading of just a few short passages from *The Wealth of Nations* regarding the invisible hand and motivation in market exchange, taken out of context. Some versions of the myth acknowledge that before *The Wealth of Nations* (1776), Smith wrote *The Theory of Moral Sentiments* (1759) but assume that the latter's deep analysis of moral sentiments, which include but go beyond self-interest, was abandoned for a concept of motivation based on narrow self interest. However, the main arguments of *The Wealth of Nations* were included in Smith's lectures even before *The Theory of Moral Sentiments* was published, and the latter was not only his first book, but his last, the final revised (sixth) edition being published in 1790, a year after the final (fifth) edition of *The Wealth of Nations*. It is inconceivable that Smith could have regarded them as incompatible, and indeed there is now a large literature arguing that they are compatible, so that there was, in effect, only one Adam Smith, and that he bears little resemblance to the caricature recycled by Edney.

The last 30 years of Smith scholarship demonstrates Smith's lifelong attachment to a thoroughly social conception of individuals, as beings who are psychologically dependent on the approval of others, capable of (and indeed requiring) fellow-feeling, concerned for others in themselves and not merely in relation to their own self-interest, hence capable of benevolence and compassion as well as selfishness, susceptible to shame as well as vanity, and as having a sense of justice. Smith was not Mandeville or Hobbes and his whole philosophy and social theory was utterly at odds with what we now term the autistic model of individuals assumed by contemporary economics. It would be a tragic irony indeed if the post-autistics movement were to overlook this.

Here are a few references from this literature, though a careful reading of both the *The Theory of Moral Sentiments* and *The Wealth of Nations* is indispensable.

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The Rand Portcullis and PAE

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These days people like to call neoclassical economics ‘mainstream economics’ because most universities offer nothing else. The name also backhandedly stigmatizes as oddball, flaky, deviant, disreputable, perhaps un-American, those economists who venture beyond the narrow confines of the neoclassical axioms. In an attempt to understand how this has happened, the first half of this article very roughly traces the strange history of economics from the 1870s through to the recent challenge to the neoclassical hegemony from the Post-Autistic Economics movement, henceforth PAE. The second half surveys some of the substantive dimensions of PAE, a movement that began in Paris in the summer of 2000 and now involves thousands of economists worldwide in a long-term effort to free economics from its neoclassical straitjacket.

Physics envy

The origins of neoclassical economics are not what an outsider might think. Though today it cavorts with neoliberalism, it began as a honest intellectual and would-be scientific endeavour. Its patron saint was neither an ideologue nor a political philosopher, nor even an economist, but Sir Isaac Newton. The founding fathers of neoclassical economics hoped to achieve (and their descendants living today believe they have) for the economic universe what Newton had achieved for the physical universe. Its aim was to fashion an economic model in the image of Newtonian mechanics - in which economic agents could be treated as if they were particles obeying mechanical laws. In principle it would be possible to describe the behaviour of such agents simultaneously, by a solvable system of equations. This narrative required the treatment of human desires as fundamental data: like the masses of physical bodies in classical mechanics, they would not be affected by the relations being modelled. It was to this end - not to the understanding of economic phenomena - that *homo economicus* or economic man and the hedonistic calculus were invented. Thorstein Veblen sums up the core metaphysic as follows:

the human material with which the inquiry is concerned is conceived in hedonistic terms; that is to say, in terms of a passive and substantially inert and immutably given human nature ... The hedonistic conception of man is that of a lightning calculator of pleasure and pains, who oscillates like a homogeneous globule of desire of happiness under the impulse of stimuli that shift him about the area, but leave him intact. He has neither antecedent nor consequent. He is an isolated definitive human datum ...^{1}

With this construct at its centre, the dream of a determinate model of the economic universe was realised in the 1870s by William Stanley Jevons and, especially, by Léon Walras, both of whom were in part physicists by training: it was called the model of general equilibrium. And this elaborate mechanistic metaphor, proudly devoid of empirical content, remains today the grand narrative of economic theory, for students and economists everywhere.

The model, which invariably is expressed in language so metaphorical that it would make a good poet blush, works by laying down *a priori*, like Euclidean geometry, a set of axioms:

- The economic universe is determinate.
- It exists in a void rather than in an ecosystem.
- All relations in an economy are self-regulating, in the sense that any disturbance 'sets in motion forces tending to restore the balance'.
- These 'forces' result exclusively from the behaviour of isolated individual agents.
- The behaviour of these agents conforms to certain mathematical properties. For example, consumer choice is characterised by transitivity (if X is preferred to Y and Y to Z, then X is always preferred to Z), completeness (out of the set of all possible bundles of goods, given a consumer's income, she will consider her preference between every pair of them) and independence (consumers are not influenced by the choices of other consumers).

To their credit, few economists have tried to provide empirical support for these axioms. Instead this is a realm in which formalistic expediency rules. The entities of the model, and the relations between them, must be conceived in a way that makes them isomorphic to those of Newton's model of the physical universe. The exigencies of the grand metaphor rule even when the model is - as in the pedagogically popular Marshallian tradition - applied piecemeal and non-mathematically to individual markets. An example of such formalism is the elementary and ubiquitous notion of market demand for a product. Because a macro mass is *in fact* an additive function of its micro masses, neoclassical economics *defines* market demand as the additive function of the demands for product X of individual agents. But this assumes that everyone's demand for a product is independent of everyone else's demand for that product; for example, that one's choice of a disco is not influenced by whether it is crowded or dead empty. Without such an assumption of independence (that is, the absence of all intersubjective effects) market demand as understood by mainstream economics does not exist. But as everyone knows - even neoclassical economists when they are off-duty - in consumer societies strong intersubjective effects in markets are the rule rather than the exception. However, in spite of such obvious and widespread empirically observable difficulties, the metaphors of neoclassicism have remained dominant.

Veblen and Keynes

At the very end of the nineteenth century, Thorstein Veblen launched a counter-revolution against the growing domination of the neoclassical approach in economics. Besides critiquing the neoclassical assumptions, he analysed institutions as well as isolated individuals, emphasised emergent social phenomena, argued that habit influenced economic choice more than rational calculation, rejected all forms of reductionism, and stressed the importance of knowledge in economic evolution. This approach steadily gained adherents in the years leading up to the first world war, and in 1917 one its leaders, John R. Commons, was elected president of the American Economics Association (AEA). The following year this new school was christened 'institutional economics' at the AEA meetings, and was embraced by the association as a means of making economic theory capable of addressing the problems of economic development that would follow

the conclusion of the war.² In the 1920s the Institutionalists came to rival the Neoclassicals in the US, but in the 1930s their numbers declined. Like neoclassical economics, institutional economics had no explanation of, or solution to, the calamity that had befallen capitalist economies.

In stepped John Maynard Keynes. He offered a new theoretical interpretation of capitalist economies, which both explained their collapse and pointed to practical measures that would - without interfering with their general principles - get them going again and keep them functioning smoothly. Given the dire straits of capitalism and the growing fear of revolution, not even neoclassical economists dared for long to keep Keynes's theory from being given a try. When it was shown to work, that, at one level, ended the argument. Henceforth, in the basic management of the economy, all American presidents would be Keynesians. But at the theoretical level, which in the neoclassical tradition means theory that is axiom-led rather than empirically-led (otherwise their axioms would have been abandoned long ago), the argument had only just begun. In 1946 Keynes died and neoclassical economists began their counterinsurgency. This time they would not be satisfied until most economics departments in the world had been cleansed of economists who voiced non-neoclassical ideas.

The Pentagon

Keynes had trained at Cambridge University as a mathematician. In his mid-twenties he wrote *Treatise on Probability*, a book that was lauded by Whitehead and Russell ('it is impossible to praise too highly'), and launched what has become known as the 'logical-relationist' theory of probability. When he turned his attention to economics, he was shocked by the way mathematical economists abused mathematics, especially when they applied them in meaningless ways to unsuitable phenomena, and he made no secret of his professional contempt for their empty pretentiousness. But these economists were soon to have their revenge. Led by Paul Samuelson in the US and John Hicks in the UK, they set about mathematicising Keynes's theory. Or, more accurately, a part of his theory. They left out all those bits that were inconsistent with the neoclassical axioms. Their end product was a formalised version of Keynes that is like a Henry Miller novel without sex and profanity. This bowdlerised version of Keynes, called 'Keynesianism', soon became standard fare in undergraduate courses. Even graduate students were discouraged from reading the primary text. With the real Keynes out of the way and Veblen and all the other free spirits forgotten, the road was now clear to establish a neoclassical tyranny.

Following the second world war, the United States increasingly came to determine (one might say dictate) the shape of economics worldwide, while within the United States the sources of influence became concentrated and circumscribed to an absurd degree. This state of affairs, which persists to the present day, was engineered in significant part by the US Department of Defence, especially its Navy and Air Force.³ Beginning in the 1950s it lavishly funded university research in mathematical economics. Military planners believed that game theory and linear programming had potential use for national defence. And, although it now seems ridiculous, they held out the same hope for mathematical solutions of 'general equilibrium', the theoretical core of neoclassical economics. In 1954 Kenneth Arrow and Gerard Debreu achieved for this mathematical puzzle a solution of sorts, and it has been the central showpiece of academic economics ever since. Arrow's early research had been partly, in his words, 'carried on at the RAND Corporation, a project of the United States Air Force'.⁴ In the 1960s, official publications of

the Department of Defense praised the Arrow-Debreu project for its 'modeling of conflict and cooperation whether if be [for] combat or procurement contracts or exchange of information among dispersed decision nodes.' In 1965, RAND created a fellowship program for economics graduate students at the Universities of California, Harvard, Stanford, Yale, Chicago, Columbia and Princeton, and in addition provided postdoctoral funds for those who best fitted the mold. These seven economics departments, along with that of MIT - an institution long regarded by many as a branch of the Pentagon - have subsequently come to dominate economics globally to an astonishing extent. Two examples will show what I mean.

The American Economic Review (AER), the *Quarterly Journal of Economics (QJE)*, and the *Journal of Political Economy (JPE)* have long been regarded as the world's three most prestigious economics journals; being published in these journals adds the most value to an economist's CV, and most helps an economics department's ranking and research funding. A study has been made of the affiliation of the authors of full-length articles appearing in these journals from 1973 through 1978.⁵ For the *QJE* it found that the eight departments with the most articles were the seven favoured through RAND by the US Department of Defence plus MIT, and that this Big Eight accounted for 77.3 per cent of the articles published. In the *JPE* all of the RAND Seven were in the top ten and, together with MIT, accounted for 63.1 per cent of the articles published. In the *AER* the top eight contributing departments were again the RAND Seven plus MIT, which together accounted for 59.3 per cent of the articles published. Even within this Big Eight there was an astonishing concentration of success. In the *QJE*, which is controlled by Harvard, 33.3 per cent of the articles were by Harvard-affiliated authors. In the *JPE*, controlled by Chicago, 20.7 per cent of the articles were by Chicago-affiliated authors. In the *AER*, nearly half of whose editorial board during these years was from, in rank order, Chicago, MIT and Harvard, 14.0, 10.7 and 7.1 per cent of the articles were by authors from these departments respectively. About 70 per cent of the board members were from the Big Eight, as were nearly 60 per cent of the members of the nominating committees for officers. As Canterbury and Burkhardt argue, it is unsurprising that these departments are seen as 'distinguished': 'The "best" departments are those who publish in their own journals, which are "best" since they publish the "best" departments. As they comment, this academic incest would be considered genetically unsound if it involved biological reproduction (p28).

A glance through the 2003 edition of Penguin's *Dictionary of Economics* illustrates the accentuated continuation of this tiny all-powerful closed shop. The dictionary has entries for 29 living economists. Of these, 26 - 89.7 per cent - are from the US, or have had all or the most important part of their careers there. Think about that: 26 for one country and 3 for the rest of world. And that is in a British publication by a team of three British authors. And what are the affiliations of the 26 US economists? 100 per cent of them have either taught at or received their PhD from one of the Big Eight.

The post-autistic economics movement

In Paris in June 2000, a group of economics students wrote a short petition lambasting their curriculum and stating what they wanted instead. They passed their document among friends and posted it on the web. To everyone's amazement, especially the students, their little protest has turned out to be a tipping point of sorts. Like the late Soviet Union, mainstream economics is

caught in a time warp, and when reality catches up with such worlds the events that follow nearly always take everybody by surprise.

There was a bit of conceptual genius at work in the French students' petition. For forty years most critiques of economics had been filtered through sets of ideas such as Popperian falsification, Kuhnian paradigms, Lakatosian research programmes and related notions. The students' petition ignored all that. Instead it assailed mainstream economics for failing to illuminate most of economic reality (hence the term 'autistic'), and identified the causes as the establishment's commitment to viewing the world only through the narrow neoclassical point of view; its prohibition of critical thinking towards that system of belief; and its preoccupation with meaningless formalism. The solution was simple and realisable if given the political will: dump most of the maths, drop the prohibition on critical thinking and introduce 'a plurality of approaches adapted to the complexity of objects analysed.'

The students were making - they may not have realised it but their mentor Bernard Guerrien must have - a major epistemological point. They were breaking with the previous century's philosophy of science (which had included its application to economics), which had preoccupied itself with situations of transition - transition between theories that highlighted the same aspects of some corner of reality, but offered different conclusions and agendas. Thus Karl Popper's *The Logic of Scientific Discovery* argued for falsification as the ideal and operative criteria for change of theory allegiance; others, most notably Imre Lakatos and Thomas Kuhn, argued for other criteria. The epistemological concern of the French students is a fundamentally different one. They have identified a situation in which one theory illuminates a few facets of a domain, while its practitioners suppress other theories that illuminate some of the many facts that their theory leaves in the dark. In such a situation the solution is not abandonment of a theory or research programme, or a paradigm shift, but pluralism.

The history of economics is diverse, but the idea of pluralism is nevertheless anathema to economists. Beginning with the French Physiocrats in the mid eighteenth-century, economists of all varieties have been inclined to believe that their approach to economic phenomena reveals, if not the whole truth, at least all of it that is worth knowing. It is with these broad conceptualisations, which are called 'schools', rather than with subject areas, that economists form their primary professional identity. The assorted teachings and members of these schools are labelled orthodox or heterodox depending on whether their school is the dominant one or not. Until very recently economists of all varieties have been comfortable with this quasi-theological scheme of things.

The French students asked that their economics education be oriented primarily toward understanding the world's economic problems (globalisation, inequalities, environment, technical progress, etc). Any 'school's' teaching would be welcome to the extent that it threw light on the real world. Likewise, implicitly, a school's members would not be welcome if they did not place the pursuit of empirical understanding ahead of the inculcation of articles of faith. Furthermore, and this is extremely important, the inclusion of different 'schools', with their different conceptual viewpoints, would neutralise the ideological implications that every conceptual system, by design or accident, contains. No strong precedent existed for this demand, and its novelty, coupled with its self-evident reasonableness, came as a shock for economists, orthodox and heterodox alike.

Traditionally non-neoclassical schools of economics have quarrelled among themselves hardly less than with the neoclassical. But in the mid-1990s a peace movement began. Under the banner ICARE (Confederation of Associations for the Reform of Economics) (later changed to ICAPE, with 'Pluralism' substituted for 'Reform'), it sought 'to promote a new spirit of pluralism in economics, involving critical conversation and tolerant communication among different approaches'. ICAPE's pluralism in the mode of a council of churches was several giant steps away from what the French students were proposing, but it helped to decontaminate the p-word and breakdown blind acceptance of the simplistic Popperian and Kuhnian, us or them, notions of science. So when the ideas of the French students were spread through the profession internationally by the *Post-Autistic Economics Newsletter* (now *Review*) they fell on partially prepared ground.

The speed with which the free email-delivered *PAE Newsletter/Review* picked up subscribers and became a focal point for the radical reform of economics surprised everyone, especially its editor. Nor does the momentum show signs of decreasing. The journal now has 8000 subscribers, mostly academics but also many economists employed in other capacities. Its website - www.paecon.net - receives 5,000 visitors a month.

Policy implications

The neoclassical monopoly in the classroom and its prohibition on critical thinking has meant that it has brainwashed successive generations of students into viewing economic reality exclusively through its concepts, which more often than not misrepresent or veil the world, especially today's world. Nearly all of these neoclassical notions have a bearing on judgements about social, cultural and economic policy. Consequently, if society were to learn to think about economic matters outside the neoclassical conceptual system, it would almost certainly choose different policies. One of PAE's projects has been to expose some of the many conceptual lunacies of today's mainstream, both in terms of the concepts it uses and the concepts it lacks. Drawing on recent essays by PAE economists in *A Guide to What's Wrong with Economics* (especially the chapters by Michael A. Bernstein, Geoffrey Hodgson, Peter Söderbaum, Hugh Stretton, Richard Wolff, Robert Costanza, Herman E. Daly, Jean Gadrey, and myself), I am going to briefly consider some of these concepts.⁶

Neoclassical economics regards *competition* as a state rather than as a process. It defines perfect competition as a market with a large number of firms with *identical* products, costs structures, production techniques and market information. But in real life competition is a process by which firms continually seek to re-establish the conditions of their own profitability. To compete in a market requires firms to seek out and exploit differences between them in production, technology, distribution, access to information and awareness of trends in consumption. These differences are the essential dimensions in which competition takes place. However, once the neoclassical conception of competition becomes embedded in the student's mind, appreciation of real-world competition, and hence the policies that might enhance it, becomes logically impossible.

Neoclassical economists love to talk about *freedom of choice*. But this is pure rhetoric, because they define rationality in a way that eliminates free choice from their conceptual space. By rationality they mean that an agent's choices are in conformity with an ordering or scale of

preferences. The 'rational' agent chooses from among the alternatives available the one which is highest on his ranking. Rational behaviour simply means behaviour in accordance with some ordering of alternatives in terms of relative desirability. In order for this approach to have any predictive power, it must be assumed that the preferences do not change over some period of time. So the basic condition of neoclassical rationality is that individuals must *forego* choice in favour of some past reckoning, thereafter acting as automata. This conceptual elimination of freedom of choice, in both its everyday and philosophical meanings, gives neoclassical theory the hypothetical determinacy that its Newtonian inspired metaphysics require. Without indeterminacy there can be no choice. Without determinacy; there is no neoclassical model. This is far from just an academic matter, because society needs an economics that is able to address questions regarding freedom of choice.

No terms in neoclassical economics are more sacrosanct than *rational choice* and *rationality*. Everyone identifies with these words, because everyone wants to think of themselves as rational. But few people realise that economists give these words an ultra eccentric meaning. Neoclassical economics begins with an *a priori* conception of markets and economies as determinate systems that, by the action of individual agents alone, tend towards an efficient and market-clearing equilibrium. This requires that the individual agents, like the bodies in Newton's system, behave in a prescribed manner. Neoclassicalists have then gone on to deduce the particular pattern of behaviour that would make their imagined world logically possible, and named it 'rational choice' or 'rationality'; they have then declared that that is the way real people behave. But, thankfully, they don't. Everyday economic actors do many things that, in the neoclassical meaning of 'rational', are 'irrational'. Many common consumer behaviours are prohibited under the neoclassical notions of rational choice and rationality, including: looking to the choices of other consumers as guides to what one might buy; buying a stock because you believe other people will be buying it and so increase its value; spending your money in a spirit of spontaneity rather than stopping to calculate the consequences and alternatives up to the limits of your cognitive powers; indulging a taste for change, that is, buying something that you did not previously prefer. All these actions are considered outside the scope of analysis of neoclassical economics.

These failings all connect with another. For neoclassical economics is by its own axioms incapable of offering a coherent conceptualisation of the *individual or economic agent*. It cannot explain where the preferences that supposedly dictate the individual's choice come from. The preferences cannot be explained through interpersonal relations, because if individual demands were interdependent they would not be additive, and thus the market demand function - neoclassicalism's key analytical tool - would be undefined. And they cannot come from society, because neoclassicalism's Newtonian atomism translates as methodological individualism, meaning that society is to be explained in terms of individuals and never the other way around.

This leaves an awful lot unexplained. For in the main, despite the neoclassical axioms, we all tend to categorise and classify according to prevailing cultural norms. Likewise our tastes and preferences for this and that reflect the social conventions and institutions with which we interact. Consequently individual choice is unavoidably and inextricably bound up with historically and geographically given social worlds. An economics that has nothing to say about the formation of economic tastes and preferences is silly and irresponsible, especially in an age of consumer societies, and in a world now threatened with climate change or worse.

For half a century neoclassical economics has hidden its ideology behind the notion that it calls *positive economics*. This is the idea that it contains no value judgements because it mentions none. Of course such a notion belongs to an intellectually more naive age than today, but it nonetheless persists as an effective tool of indoctrination of undergraduates. The fact that neoclassical economics requires a highly restricted focus in order to maintain its atomist and determinist metaphysics compels it to make many extreme judgements about what is and is not economically important. There is not space here even to list them. But one key example is its notion of 'economic man' - an acutely ideological term, as it emphasises some roles and relationships and excludes others; by allowing only decisions based on utility maximisation, it excludes other forms of ethics. As an economic agent, each individual acts in many roles, not just market ones, and is guided by his or her 'ideological orientation'. That orientation may be founded on utilitarianism or not. It may, for example, be based on social and environmental ethics. PAE economists do not believe that economists have the right to select one ethics as the 'correct' one for framing economic analysis. Furthermore, the neoclassical insistence upon the utilitarian ideology legitimises a kind of 'market ideology' and 'consumerism' that increasingly appears dangerous to society, and sidelines the debate about sustainable development.

Like rationality, nearly everyone thinks *efficiency* is a good idea. Neoclassical economists adore using this word, especially when addressing the public. But the meaning of 'efficiency' always depends on what you choose to count. For example, suppose five firms all manage to lower by the same amounts the production cost and selling price of a standard product that they all produce. One does it by cutting its workers' pay, another by working them longer hours, another by getting materials at lower prices from a poorer country, another by replacing some of its workers with robots, and another by inventing machinery improvements that allow it to cut work hours with no loss of output, profit, jobs or pay. Are all of these changes equally efficient (or inefficient)? A neoclassical economist will answer yes, because the five firms all end up producing the same product at the same cost and selling it at the same price. For them that is all that matters.

The prevailing mainstream also holds that in the realm of public affairs this concept of 'efficiency' can and should determine the net balance between the positives (total benefits) and negatives (total costs) that would result from an economic policy or act. In place of public debate, economists would substitute 'cost-benefit analysis'. But any such analysis depends on the consequences selected and the kinds of 'measurements' made. No efficiency claim is ever based on an identification of all the consequences, and quantitative guesstimates of the future inevitably have a crystal-ball dimension. In the final analysis, 'efficient', like 'beautiful', is little more than a way of expressing a positive opinion.

Mainstream economics, and in consequence most policy dialogue, also conflates two very different meanings of *economic growth* that are in common usage, with GNP mistakenly taken to be a measure of both. There is *quantitative growth*, meaning an increase in the quantity of production and consumption, and there is *qualitative growth*, meaning an improvement in well-being. For example, an epidemic may lead to growth of medical expenditure and hence increase GNP but not well-being. Pollution and congestion lead to huge expenditures to escape them (e.g. commuting from the suburbs, double glazing, air filters, security measures), the creation of new industries and an ever larger GNP, but they also decrease well-being. Quantitative growth that

causes negative qualitative growth can also be called *uneconomic growth*. This is both a reality and a concept with which policy-makers must come to terms, the sooner the better.

Closely related to these new anti-neoclassical concepts is another one, *sustainable development*. This refers to the physical scale of the economy relative to the ecosystem. Ecological economists view the economy as an open subsystem of the larger ecosystem which is finite, non-growing and, except for solar energy, materially closed. This point of view compels asking questions regarding scale. How large is the economic subsystem relative to the earth's ecosystem? What is its maximum possible size? What is its most desirable size in terms of human welfare? These questions, around which policy decisions will and must increasingly be made, are not found in standard economics textbooks. Neoclassical economics can not accommodate the concept of sustainable development, because, if it was adopted as a goal it would require that goods be valued in part by their contribution to that goal and not solely on their contribution to individual utility maximisation.

The close to monopoly position of neoclassical economics is incompatible with normal ideas of democracy. Economics has some of the qualities of a science, but because of the very nature of its subject matter, it is forever and fundamentally ideological. It is best not to deceive oneself and others about that. The preoccupation of economics with values and worldly acts means that in a democratic society it has a moral responsibility to promote the exploration of economic knowledge from more than one point of view, so as to make possible the informed and intelligent debate and discussion that democracy requires. But the hegemony of neoclassical economics means that departments of economics have become political propaganda centres. In 2002, Joseph Stiglitz, a recent winner of the Nobel Prize for Economics, wrote in *The Guardian* that economics as taught 'in America's graduate schools ... bears testimony to a triumph of ideology over science'. Is this a legitimate use of public funds? What is certain is that it is a dangerous state of affairs, but one that is now being challenged. The PAE movement immodestly seeks over the next ten years a revolution: the transformation of economics into a genuinely pluralistic enterprise wishing to contribute to, rather than subvert, democratic processes. The success of this movement depends in part on other disciplines and professions withdrawing their patronage from the neoclassical hegemony, in favour of the now thousands of economists working for the new order.

Notes

1. Thorstein Veblen, 'Why is Economics not an Evolutionary Science?', *Quarterly Journal of Economics*, Vol. 12, 1898, p373.
2. Geoffrey M. Hodgson, *How Economics Forgot History*, Routledge 2001, p155.
3. This paragraph draws heavily on Michael A. Bernstein, 'Rethinking Economics in Twentieth-Century America', in Edward Fullbrook (ed), *The Crisis in Economics*, Routledge 2003.
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Perestroika in American Political Science

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Does democracy, or the lack of it, affect research methods? Philosophers of science Paul Feyerabend, and, less flamboyantly, Thomas Kuhn are among those who have implied such a link. In the superpower that advertises itself as the world's greatest democracy (despite the precipitous Iraq invasion, the Patriot Act, Abu Graib and suspicions of electronic and other forms of vote rigging in the 2004 US election) one might imagine that the American Political Science Association (APSA), which represents 15,000 scholars and teachers of the art of politics, preaches the gospel that the best system of government, despite all its faults, is democracy. Actually, as with any group fancying itself an elite, many eminent APSA members harbor grave doubts as to how far this unruly form of government ought to go not only in the world but inside their own club. From inception the Association has never entertained the subversive notion of conducting internal elections through a secret ballot, that is, until recently. Does this situation exert any impact upon the content of political science research? A rebellious group of US political scientists explicitly connect the recent dominance of a stultifyingly formal and quantitative view of political life to the absence of internal democracy in the APSA.

What governs the APSA is a cozy arrangement where a committee chosen by the president nominates his (eighty times "his" versus four times "her") successor who then picks the governing council who pick the next president who picks the next Council, and so on. APSA officers are answerable to people whom they themselves appoint, a splendidly regal arrangement. What does this coziness mean for the vitality of teaching, research and democracy? An ancient academic joke has a surly scholar complain about a successful experiment: "That's all very well in practice but how does it work in theory?" The joke is only a slight exaggeration about the otherworldly plight of American political science. Today it is the elegance and artificial neatness of models - not relevance to real world activities - that reap the greatest kudos. Other sorts of scholars have gotten the clear message that they need not apply. This disturbing trend would not have come to light except for a sudden surprising revolt against what disgruntled scholars claim is the suffocating grip of mathematical models and of formal theory (rational choice, public choice) in economics as well as political science.

Rational choice theory derives from an especially abstract version of neo-classical economics, which political scientists cannot help but enviously notice win Nobel Prizes, though often for no intelligible reason and with no discernible benefit to mankind. The theory deploys an arid set of assumptions about human behavior which reduce complicated lives and societies to prioritized "rational" choices that we supposedly make in order to maximize our patently obvious "utility" in any given situation. In this dusty chalkboard universe people are viewed as specimens of 'homo economicus,' a stern concept wherein any trace of culture, history, personality, accident, whimsy, self-reflectiveness or any other impurity that might smudge the model's tidiness is erased. In the political science discipline the equation of 'empirical' with 'quantitative' is a commonplace and,

indeed, increasingly compulsory error, as Peri Schwartz-Shea of the University of Utah, among others, notes .

Although some dissidents exclude statistical techniques from their critique of the hubris of formal theorizing, Greg Kasza of Indiana University insists that it is "radical quantifiers" who "popularized the study of politics outside of its historical and cultural setting, who made methodology into the core of graduate education while degrading political philosophy and foreign language study, and who spawned the trend toward method-driven rather than problem-driven research." Kasza observes, with a good deal of justice, that American graduate students are forced to "earn their passports to the clouds in qualifying exams that grill them on multiple regression, most-different-systems analysis, and the small-n problem" when many have yet to master the history, economics, social structure, and politics of even one "n" . . ."

Few critics deny that rational choice, and the statistical apparatus that often accompanies it, has merit if employed with a bit of humility, especially in studies of collective action. The chronic trouble is that formal models dangle the tantalizing appearance of explanations for almost anything, although these explanations, critics retort, either are trivial or reinvent (and rephrase the invention of) the wheel or fail to display even a nodding acquaintance with recognizable reality. Unscholarly citizens especially in the UK and US may well wonder why recent economic growth consistently generates a maldistribution of wealth or why the best and brightest market economists encouraged the Russians to send their economy, so far as the average Russian is concerned, straight to hell. Few economists or rational choice connoisseurs pay any serious attention to such vulgar everyday policy questions. Can this serene disengagement from public life go on forever?

'Beyond generic group death and disability insurance, discounts on otherunreadable scholastic publications, cheap tickets to APSA meetings, and periodically-issued surveys of what many academics pretend is 'cutting edge research,' the APSA does very little," Professor Timothy Luke of Vermont drolly accuses. "It no longer aspires to guide the nation's public life, it bars members from making political pronouncements in any collective manner, and it produces a fairly apolitical and largely unscientific run of self-referential literature by, for, and of college professors.'

Like the "post autistic economics" movement erupting in France in 2000 against formalistic "excesses" of economics, the American perestroikans too advocate a "plurality of approaches adapted to the complexity of the object studied." American economics proved fiercely resistant and so the reform movement ignited instead within political science, which zealously imitates economics. The clarion call of the US revolt came in October 2000 in an e-mail circulated by "Mr. Perestroika" - perhaps a junior faculty member or group of junior faculty and graduate students-who lashed out against "poor game-theorists who cannot for the life of me compete with a third grade economics student" yet are able to stifle the "diversity of methodologies and areas of the world that APSA 'purports' to represent." Perestroika, according to its - ahem - original sponsors, promoted the "vital creativity" of society's members; development of democracy, "initiative and independence" and "the widening of criticism and self-criticism in all spheres of social life" in the long gone Soviet Union. Mr. Perestroika recently stated that the goal of the movement is providing "a forum where people can discuss and debate methodology, politics, theory, and the world in such a manner that APSA and APSR (American Political Science review) and our

discipline become more open and more diverse in gender, racial, ethnic, and methodological terms - in teaching, publishing and hiring practices.'

The anonymous 'Mr. Perestroika' became the elusive catalyst for a lively reform movement. Within a month of the original e-mailing an enthusiastic movement of insurgent professors crystallized, led by a bevy of eminent scholars whom APSA authorities simply could not afford to ignore. By January 2001 more than 200 tenured faculty signed a slightly toned-down version of the original petition, charging that formal modelers are slowly but surely elbowing out other valuable forms of research. Signatories included 24 named chairs - luminaries ranging from Yale's political ethnographer James Scott to University of Chicago's South Asia experts Susanne and Lloyd Rudolph to Penn's political semiotician Ann Norton and American studies scholar Rogers Smith.

Political science has "been taken over by methodological parochialists who believe that the only worthwhile scholarship in political science speaks the language of mathematics," stated Chicago security specialist John Mearsheimer. Only counting "counts" inasmuch as mathematics conveys a seductive and illusory sense of precision. Numbers cannot lie. Just ask vote tabulators in Florida, accountants at Enron or any tax attorney. The dubious, indeed daft, belief that quantitative data are not themselves an interpretation has become widely institutionalized, a sad fact which forecloses many potential analytical insights. One consequence is that economists and political scientists have less and less to say about anything that mere mortals recognize as the actual world they move in.

Young scholars, like it or not, bend to prevailing disciplinary winds. In America rational choice modelers rapidly became notorious for forming potent coterie intent on expanding their paradigmatic presence. This imperialistic behavior has not gone unnoticed in Britain either: "The governing principle in most sensible political science departments is that rational choice theorists should be on tap but not on top," the former Chair of a top UK politics department, who preferred diplomatic anonymity, told me. "They should exist, be permitted to flourish, but never be permitted dominance. Once dominant they are incapable of appointing other than their own; the more vulgar they are the more this is true." Dissidents complain that rational choice/mathematical modelers cannot admit that equations are just as much metaphors as any lofty literary image deployed by supposedly "soft" (and, therefore, second-rate) social scientists. Giandomenico Majone, who lectures in the US and Europe, believes the fault lies not with formal models in themselves but with the excesses of undereducated disciples: "You should know more than the tool you use," he observed. Indeed.

One side benefit of this strenuous hyperspecialization - what Thorstein Veblen long ago labeled a 'trained incompetence' - for acolytes (at least those without any sense of intellectual adventure) is that whenever they encounter flak from more broadly (multi-disciplinary) educated colleagues, they just retreat along a trail of numerological platitudes into the APSA institutional fortress where like-minded number crunchers rule the roost. Other fields are virtually off-limits. The result is that they can punish anyone who knows more than they do. It is all too common for formal modelers to take a framework derived from a Western context and apply it blithely and blindly. An example I witnessed is a paper by overly numerate academics who imposed a one-size-fits-all conflict framework upon Northern Ireland where, among other howlers, they asserted that the Irish Republic could pressure the Reverend Ian Paisley to endorse the fitful peace process, which is

akin to calling on the Pope to control Osama bin Laden. A graduate student in the perestroika list serve recalled an ambitious faculty modeler who decided to incorporate India into his data set without developing any grasp of its history or culture. "Isn't Dehli the national language of India?," the undaunted chap asked. Everything looks like easy prey if you never tried to capture it and just need to look as if you have. Practitioners often slip into the touristic assumption that American values and practices are, or ought to be, universal. They often get away with flawed concoctions by invoking the axiom that numbers and their allegedly neutral formal theories make whatever they do scientific.

The American reform movement has two prongs. One is opposition to the non-competitive process by which political scientists in the world's second largest democracy have chosen to organize themselves. The second is opposition to the hegemony of formal and quantitative work in the journals and fori of the Association, and support for diversity in forms of knowledge. Opposition has taken several forms. The most severe criticisms of monopolistic formal-quantitative approaches have targeted the American Political Science Review, flag ship journal of the Association. The journals of regional associations likewise have come under scrutiny. These august organs are used by many departments as a certifying authorities for faculty recruitment, promotion and tenure, which is useful particularly for departments who wish to relieve themselves of the onerous burden of personally reading and evaluating the work of prospective candidates.

In an initial dismissive response to perestroikans Ada Finifter, APSR journal editor in 2001, evinced her belief that only sordid ambition was at stake, and was unable to imagine why so many prominent dissenters were upset since they are so successful at publishing their work anyway. Finifter was wholly oblivious to the ominous ambiguity inherent in claiming that all is well so long as scholars provide "high-quality work using methods appropriate to the research problem" - as if the very definition of those esteemed methods were not the major issue.

Still, in 2001, a conciliatory APSA announced the selection of a Perestroika-backed candidate as President, Harvard's Theda Skocpol. Even this move was viewed with some suspicion out of concern that the APSA honchos reckoned that Skocpol, despite renown for being no pushover, might be co-opted into the tight coterie of the East coast network and so opt to preserve the old undemocratic mechanisms. Everyone has read their Machiavelli - in which case, of course, it is rather harder to be successfully Machiavellian. Most dissidents were pleased that, as Mr. Perestroika put it, there was a tantalizing prospect of a "dismantling of the Orwellian system that we have in the APSA." Yet it speaks volumes that junior scholars today still fear to reveal identities in a profession that purports to prize vigorous open exchange. When lifelong students of the way power works express surprise, and in some cases dumbfounding indignation, that some perestroikans must conceal their identities for fear of reprisals, one gets a whiff of apparatchiki or else naifs at work, even among some perestroikans. 'One does not need to be a rocket scientist - or a political scientist - to see that transparency does not always serve insurgency well,' Anne Norton replied to a few indignant perestroikans who primly demanded that Mr. Perestroika disclose his/their identity.

"If P 'came out of the closet' and turned out to be a graduate student at Michigan State, a junior faculty member at Los Angeles Community College, a recent PhD with no job and no book contract, one esteemed recent PhD from Chicago with a visiting post at a small college, and some senior scholar somewhere, how many of us would give their collective opinions equal

weight with those of Anne Norton, Rogers Smith? Sure we all would," pointedly writes Michael Bosia. "But talk to graduate students and recent PhDs (and many scholars) about why they don't post on Perestroika, and you might learn that we don't weigh all voices equally. The group P, then, equalizes the discussion. Perestroika or P is a disembodied voice with no more power than the ability to remind and recall."

Since 2001 the network has undergone two 'constitutional crises': one over whether to become a formalized institution with officers (rejected) and the other whether to become a forum for general political criticism (mostly rejected). Apart from the decision not to become a formal organization, the e-mail net-work, which continues to be brokered by the mysterious Mr. Perestroika, has become semi-institutionalized. It has given rise to relatively coherent project collaboration by colleagues who often have never seen each other. In 2003 a committee of major scholars was formed to oversee list serve traffic while at the same time protecting Mr. Perestroika's identity. A list serve, of course, cannot be free from foibles. Discussants often get diverted to hobbyhorse concerns of a few garrulous members. The list serve recently seemed in danger of takeover by prominent conservatives who, in a hard era spanning Reagan, Bushs senior and junior, and a Southern Democrat who scuttled the US welfare system, complained that they suffer awful discrimination inside the liberal Academy.

Theda Skocpol was succeeded as APSA President in September 2003 by perestroikan Susanne Hoeber Rudolph. Rudolph, Skocpol and predecessor Robert Putnam appointed perestroikans to various decision bodies of the Association. An initiative set in motion earlier to launch a new journal as an alternative to the parochialism of the APSR, and give members a choice, was accelerated by the Perestroika presence. Jennifer Hochschild oversaw the first few years of 'Perspective on Politics.' New APSR editor Lee Siegelman acknowledged the grievances concerning absence of diversity in his journal. Issues of the APSR under his watch have shown improvement. From the September 2002 to the February 2004 issue, an inquisitive Perestroikan found that twice as many qualitative articles (10 - 14%) appeared as in the prior decade. A self-nominated committee on reform of Association governance also was busy formulating proposals for competitive elections..

Not everything smacks of sweetness and light. A "Mr. Pravda" intervened in the list serve to suggest Perestroikans were motivated by sheer careerism. There is a grain of truth to this, as no movement is made up entirely of saints (not even saints). Still, association with Perestroika hardly wins you points from most hiring committees. Skocpol testily chided Perestroika itself as being unrepresentative while APSA nominating committee member Joan Vecchiarelli Scott opined that many reforms were in the pipeline anyway. Rudolph received many letters warning of sinister cooptation, that the reform agenda might well be buried by sly inertia and resistance. One prominent Perestroikan warned of Thermidore. Some fear that the new journal is fated to be deemed a second-class repository of non-formulaic manuscripts. Studies of the regional journals show they "continue to represent a narrow section of the scholarship and a small section of the membership in our profession." During Rudolph's term, which concluded last Fall, plans for elections were stymied within the Election committee. Current President Margaret Levi of the University of Washington, the third woman in a row, is not regarded as a perestroikan sympathizer, favoring instead a somewhat left-wing variant of rational choice. However, President-Elect Ira Katznelson of Columbia University, who assumes office in September, very much favors methodological pluralism.

One formidable problem that Perestroikans haven't solved is how to introduce diversity into departmental hiring processes, which are said to be largely controlled by the hegemonic formalist persuasion. Recent discussions in cyberspace raised the possibility of an informal process to rank departments according to degree of diversity, relying on the information process itself as a form of critique and consciousness-raising. So far, the discussion is held up by finicky questions of, you guessed it, methodology. Perestroikans certainly do not oppose formal methods or mathematical models, Susanne Rudolph stresses, but only resist their consecration as holy devices, squeezing out rival cultural, historical and psychological approaches. Rudolph asserts that the essential objective is "high-quality work using methods appropriate to the research problem," but follows fellow dissident Margaret Keck of John Hopkins University in believing that "the problem dictates the method" - not the other way around.

Like much else in the world of American politics, the Perestroika movement is many-stranded. The objectives of several marginalized demographic groups within the Association overlap with those of Perestroika. Skocpol was supported by the women's caucus while Rudolph was supported by the women's caucus, the black caucus, the lesbian and gay caucus, and the Hispanic caucus.

Ironically, when the September 11 attacks occurred a ferocious debate erupted that was sidetracked quickly to other websites. Most perestroikans are shy of provoking splits within their fragile melange of methodological approaches and political leanings. In contrast, Chris Howell of Oberlin argues that over-reliance on quantitative methods are only a symptom and that the "real goal is a critical and engaged political science that does not readily conform to what the powers that be want of it." Certainly, a key "purpose of education is precisely to promote reflection on preferences," Mark Graber noted. Timothy Luke observed how "formally inclined rational choicers look down on others as story tellers and journalists" Indeed, no single epithet is more damning. A rigidly self-defined political science department in North Carolina some years ago contemptuously discarded a young academic as being little more than a mere journalist -- just months before he was awarded a Pulitzer Prize for a political biography.

Mr. Perestroika sees the nature and organizational form of the insurgency as aiming to retain "the amorphous character of this movement and list group. However, we will form working groups in democracy, publishing, future initiatives to broaden intellectual base. In the same vein, perestroika as it stands needs to make a real effort to draw in people of color and other oft-marginalized communities if it is to make any valid claims to representativeness." There is always a lurking danger of serious rifts among a delicately constructed coalition of scholars who are up against a cohesive set of opponents. There also is always room for humility. "I rarely encounter any political scientist," said Professor Rogers Smith during an online chat, "who is 100 percent versatile in all the methods that are employed within political science." A discipline that is "methodologically dexterous is bound to advance more effectively," observed former president Skocpol, "than one becoming overly specialized in narrow or fixed techniques."

The hard tasks now for the rebels are to consolidate gains, decide an agenda, mollify various factions, debate strategy, and maintain a perestroikan presence at regional and national conferences. All rebels do agree that diversity of methods must be encouraged and that APSA elections must be democratized. They are looking into and contesting NSF and SSRC funding

practices, which some believe have uncritically backed the rise of quantitative hegemony. There is also some attention trained on the permanent non-elected APSA bureaucracy who, as perestroikan Ido Oren found, have a rather intriguing history of links to the national security establishment.

The overwhelming practical challenge remains inducing changes in hiring and promotion criteria, which are controlled not by the APSA but by individual departments. So there is a long struggle ahead on literally hundreds of fronts. The dissidents hope that the effort to improve democracy within their profession will also help improve democratic practices outside. The increasingly otherworldly methods of "the social sciences make it difficult to communicate with and make our work relevant to the wider public," laments Chicago's Lloyd Rudolph. "We have to know and live with differences within our profession as well as in the world." Or, as Forrest Gump might aptly have put it, "rational is as rational does."

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