

# Where Were You, Brother ?

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(A review of P.D. Groenewegen, 'Radical Economics in Australia: A Survey of the 1970s', in F. Gruen (ed.), Surveys of Australian Economics, Vol. 2, Allen & Unwin, 1979)

The revival of political economy is a consequence of the crisis of orthodox economics. The irrelevance of conventional microeconomic analysis oriented towards the study of perfect competition and other idealised market structures is all too blatant in an economy dominated by giant corporations. The failure of "bastard Keynesian" macroeconomic orthodoxy to cope with the current depression, characterised as it is by simultaneous inflation and unemployment, is equally important. At a more fundamental level the refutation of marginal productivity theory as a consequence of the "Cambridge Controversies" has revealed logical flaws in the very foundations of neoclassical theory.<sup>1</sup>

Economists have responded in a variety of ways. The disarray has provided the opportunity for what P.P. McGuinness calls the "snake oil" merchants, peddling odd postulates which appeal to particular interests: Arthur Laffer provides the most obvious example.<sup>2</sup> The majority of economists, as Glenn Withers notes, have continued refining and quantifying their orthodox analyses, such that the simile of deck-chair rearrangement on the Titanic is all too apt.<sup>3</sup> Still others have sought to modify and diversify the conventional analysis so as to make it less subject to the criticisms of restricted scope which have been levelled at the orthodoxy.

The limitations of orthodox theory as a means of understanding contemporary economic problems have also led to a major growth of interest in contemporary political economy. This challenges the whole analytical framework on which the conventional wisdom is based. It is an important development which has manifested itself in a variety of ways in Australia: through the introduction of political economy courses at the University of Sydney and subsequently at other universities and colleges of advanced education; through the development of journals such as Intervention and The Journal of Australian Political Economy; through the formation of a national organisation, The Australian Political Economy Movement; through its national and regional conferences; through the development of links between economic researchers and sections of the trade union movement and other progressive organisations; and so on. Arguably this is one of the most exciting intellectual/political developments of the 1970s. An appraisal of its significance is clearly needed.

Therefore, it is pleasing that a survey of political economy in Australia has been attempted. The one under review has been written by Peter Groenewegen, Associate Professor of Economics at the University of Sydney. His survey comprises five sections.

The first section provides a brief introduction to radical economics, drawing *inter alia* on the sorts of issues discussed by Wheelwright and Waters<sup>4</sup> and by Gruen<sup>5</sup> in articles published in the early 1970s. The subject matter is defined broadly to include the concerns of post-Keynesian and institutional economists as well as Marxists and neo-Marxists.

The second section seeks to sort out these groups into some sort of general classification. The primary distinctions drawn are those between (i) a "largely populist, highly descriptive and frequently anti-theoretical tradition"; (ii) "the Australian institutionalists whose inspiration derives from Veblen and Hobson"; (iii) Marxists and (iv) post-Keynesians (drawing on the ideas of Robinson, Sraffa, etc.). It is conceded that these groupings overlap to some extent, and that debates between neo-Marxists and neo-Ricardians need to be acknowledged.

The third section of the survey provides an historical perspective by tracing out the influence of Irvine, Fitzpatrick and others on the development of unorthodox economic views in Australia. The influence of the Communist party is also critically examined: up to the 1960s this "Minto Marxism" (a term used by Groenewegen and deriving from the name of the CPA's rural retreat near Sydney) is said to have been dominant, and often characterised by a "vulgarity ... that has to be seen to be believed". The section finishes with some very brief comments on the socio-economic conditions of the 1960s and early 70s which the author sees as contributing to the flowering of radical economics in the last decade.

The fourth - and largest - section surveys the Australian radical economics literature of the 1970s. The various books and articles selected for discussion are discussed under the following headings: (i) methodology and criticism; (ii) analysis of Australian capitalism; (iii) the capitalist crisis of the 1970s; (iv) the state, economic policy and public finance; (v) technocratic Laborism and the role of social democracy; (vi) imperialism and economic development; (vii) political economy and feminism; and (viii) Australian developments in "post-Keynesian" economics.

The final section attempts an overall assessment. Groenewegen's general contention is that "this is still a formative stage in the development of political economy in Australia but the infant is rapidly growing up, ... [and, as a consequence, it] ... will have to be gradually accepted as a legitimate field of study even though some of its conclusions may not be palatable to the more conservative members of the [economics] profession".

Groenewegen makes some interesting observations on the "state of the art". He points out the empirical orientation of much of the Australian literature, though it could be argued that this emphasis is by no means inappropriate. More importantly, he emphasises the imported nature of the conceptual framework: to the extent that this is true, it does pose problems in that Australia, like Canada and New Zealand, is developed but dependent, and hence not amenable to the mechanistic application of analysis developed in the context of U.K. or U.S. capitalism. There has recently been a growing awareness of this latter issue and, indeed, the emphasis on empirical work has been very useful in ensuring that the problem is minimised.

The survey is subject to many problems. The general style is rather "bitty" - a paragraph on that book, a sentence on this article, and so on. This may be understandable, given the author's attempt to be reasonably comprehensive within the confines of a shortish paper. However, it does result in a lack of coherence,

such that anyone other than an academic already familiar with much of the debate would probably find it extremely confusing. It fails to provide an assessment of the overall political significance of the radical analysis and limits itself to a more piece-meal discussion based on academic criteria. The approach is also very personality-oriented and sometimes degenerates into a sort of "heroes and villains" approach: cf. P.P. McGuinness' description of "Bruce McFarlane of Adelaide University, David Clark of the University of New South Wales and Peter Groenewegen of Sydney University" as the honourable exceptions to the "culpable lack of curiosity concerning the real sources of policy" among Australian political economists.<sup>6</sup> Geoff Harcourt of Adelaide University also joins Groenewegen's personal list. (Of course, McFarlane and Harcourt have made major contributions to the development of political economy in Australia: the point is that a good review of the state of political economy needs to go beyond the identification of "good guys" and "bad guys" to an evaluation of the overall social and political significance.)

There are also some confusions. For example, the survey makes much of the distinction between radical economics and political economy but ultimately conflates the two by talking of "the emphasis in all radical economics (political economy) on the integration of economics, politics and sociology". The contention of the editors of The Journal of Australian Political Economy (mistakenly cited as The Australian Journal of the Political Economy) that the national political economy movement really swung into gear with the 1976 conference is described as "highly misleading" because "this re-awakening of Australian radical economics has roots in the past". Of course, none of the political economists have ever sought to deny these roots, and it seems strange that the author should seek to thereby reduce the significance of the formation in 1976 of the first national political economy organisation - the Australian Political Economy Movement. Similarly, Groenewegen sets up a straw-man in alleging that the situation in the late 1970s is seen as being characterised by a "new and monolithic radical political economy, similar to the creation of the Union of Radical Political Economists (mistakenly cited as the Union of Radical Economists) in 1968 in the USA". APEM has never sought to be monolithic, and URPE is certainly not either; both are characterised by considerable heterogeneity, as any mildly curious investigator would rapidly discover.

Any survey is likely to feature some detailed problems of this sort. What is more important is to appraise the general underlying assumptions and criteria. It is when one does this that the survey can be seen to be systematically misleading in certain important respects. In particular, it is based on a faulty analysis of the role of economic analysis under capitalism. Groenewegen states that political economy must be "accepted as a legitimate field of study" because at least parts of it are "of high quality and exhibit standards which cannot be said to disgrace the academy". What he chooses to ignore is that the acceptability of ideas - and economic ideas in particular - is determined at least as much by the class interests they serve as by academic elegance and/or rigour. Universities and other tertiary institutions are a part of this process. They provide a forum for the development of some ideas, but in various more or less subtle ways, they discourage the development of others (witness the continued opposition to the development of courses in political economy). Groenewegen's argument implies that it is academic confrontation that makes for progress in the discipline, that good ideas must triumph over bad ones. But if that were really so, neo-classical theory would already have collapsed like a pack of cards. As noted earlier, the Cambridge controversies have revealed the shaky intellectual underpinnings of marginal productivity theory and aggregate production functions. But the neoclassicals

cling on, declaring their attachments to the framework to be a "matter of faith".<sup>7</sup> Orthodox courses (including those in which Groenewegen is involved in teaching at the University of Sydney) still use such devices as central theoretical positions. Thus ideology triumphs over logic.

In an era of growing political reaction associated with the deepening economic crisis and Australia's changing role in the world economy, cutbacks on education expenditure hit particularly hard at liberal and radical study programmes irrespective of their "objective" merits. What tends to survive such attacks is a sterile Marxist scholasticism: elective courses in Marxist economic theory and post-Keynesian economics which are more or less harmless to the existing social order since they are accessible to only a handful of students and do not confront economic orthodoxy in the mainstream.

This last category describes Groenewegen's "political Economy". He has earlier written on the need for "the destruction of the capitalist system",<sup>8</sup> but he has also aligned himself with Warren Hogan (economic advisor to the Liberal Party), and Colin Simkin (prominent anti-Marxist and leading light in the right-wing Centre for Independent Studies) in opposing the development of courses in political economy at the University of Sydney. He seeks to justify this position in his article by arguing that political economists should not seek separate courses. This is pejoratively termed "academic apartheid" (so how could one possibly support it?). In taking this position, Groenewegen misses the point that, in the absence of some degree of administrative autonomy, courses in political economy are likely to be very short-lived. They typically come under recurrent attack through discrimination against staff. Thus, the argument for some degree of autonomy is not a "cop-out" from intellectual controversy but a response to particular institutional circumstances. Of course, political economy is not a separate discipline, no more than economics, sociology and politics are clearly separate. Distinct organisational forms for such subjects exist to facilitate their development at particular stages (though they may hinder the furtherance of knowledge at other stages). At this period in its development in Australia, political economy is in danger of being throttled, precisely because the "intellectual confrontation" with orthodoxy is not purely intellectual. Inside the velvet glove of academic discourse lurks the iron fist of political discrimination!

Further, in an attempt to justify his own personal position, Groenewegen feels the apparent need to find villains in the political economy movement - enter the University of Sydney political economy group and all who have fallen under their influence. Wheelwright's stance is described as anti-theoretical and populist. White's "very critical" review of one of my books is quoted approvingly, while other articles I have written on this and related issues are ignored. Simpson-Lee is criticised for writing an article which did not mention Irvine, while there is no recognition of other efforts to draw attention to the significance of his pioneering work. Power's work on the political economy of women is referred to as "hardly radical because it uses neo-classical tools" (among others) and is included in the survey only "because of her association with the Sydney political economy group which styles itself as radical economists". O'Donnell "misrepresents Sraffa". Collins and Brezniak's article in JAPE 1 is described as making the "required genuflections to Marxist terminology" while "differing little from the contemporary journalistic treatments". Another article by Collins (with Boughton) on the Henderson poverty study is dismissed by postulating that the authors' argument amounts to nothing more than saying that "because Henderson is not a Marxist, he cannot really understand poverty". The two volumes of Readings in Political Economy

edited by the Sydney PE group are said to be based on a rationale that its compilers would certainly not accept. The political economy courses at the University of Sydney are said to be characterised by a "shallow pluralism" and the survey approvingly quotes Goddard to the effect that the approach should be wholly Marxist. However, Groenewegen elsewhere emphasises the need for a strong background in orthodox economics. (How these latter objectives are to be reconciled is not explained. Presumably it requires some years of study of orthodoxy before the select few are to be admitted to the secrets of Marxism and post-Keynesian political economy. Such elitist thinking consigns the majority of economics students to an education in orthodox economics.)

Of course, constructive criticism is necessary and welcome but the overall effect of Groenewegen's survey is sectarian and divisive. What the Sydney PE group and APEM in general have done is to try to expose as many people as possible to the ideas of radical political economy, to help them understand the linkages between economic ideas and economic interests and to explore the systemic forces leading to contemporary socio-economic problems. This requires both theoretical and empirical work. It requires a method of presenting economic ideas which is accessible to non-specialists. It requires a pedagogy which is sensitive to the needs and interests of young people. It requires a personal practice which does not involve alignments with reactionaries.

As for the content and analytical structure of contemporary political economy, this is quite properly a matter of continuing controversy. There has been an ongoing debate about the need to "revise" particular aspects of Marxist economics (the importance of the trend towards "monopoly capital" in general and the dominance of multinational corporations in particular, the role of the state in the transition from capitalism to socialism, and so on). There is much scope for disagreement over appropriate analytical frameworks. Other writers have emphasised the need for more empirical/institutional development. The neo-Ricardian vs. Marxian debates continue, both internationally and in Australia. Groenewegen's personal predilection for the post-Keynesian approach emerges clearly from his article but precisely why this is the wave of the future is nowhere justified. Is it because it "exhibits standards which cannot be said to disgrace the academy" (possible translation: "bears a close resemblance to orthodox economics")? Or is it because, in Groenewegen's own words "the best of the young talent in radical economics in Australia is being steered (my italics) into this line of enquiry"?

Political economy is an important stream of thought, not because of its potential academic "respectability", but because it provides an accessible means of de-mystifying the workings of the capitalist system. It provides a means of showing the inter-connections between elements of our society to which people would otherwise remain blind. Within this framework, there is a clear place for sophisticated theoretical development, empirical research and quantitative methods. Groenewegen himself has done useful work on public finance, intergovernmental relations, federalism and so on. However, his review of political economy in Australia is divisive and misleading in some quite clever ways. It is appropriate that it should be in a book of readings edited by Fred Gruen, who proved himself in the early seventies to be one of the more sophisticated critics of the political economy movement.

Some orthodox economists have ignored the challenge of political economy. Others have sought to suppress it. Still others have sought to negate its impact by seeking to depoliticise it and accommodating it as within the mainstream of economic orthodoxy. Groenewegen's survey has the last of these effects. As such

it fulfils a useful function for the establishment. What is needed in a political economist's survey of political economy is an assessment of its contribution to explaining the nature and causes of the wide range of contemporary socio-economic problems. Indeed, one could go further and argue that what is needed is an assessment of its contribution to the broader movement to replace capitalism by a more rational and humane social order. Groenewegen's survey adopts neither of these standpoints. Rather his criterion is the concept of academic respectability. The result is a thoroughly bourgeois survey of Australian political economy.

#### FOOTNOTES

- 1 For a relatively straightforward introduction to these issues see the article by Ed Nell, 'Economics: The Revival of Political Economy', in R. Blackburn (ed.), Ideology in Social Science, Fontana, 1972; reprinted in E.L. Wheelwright and F.J.B. Stilwell (eds), Readings in Political Economy, Vol. 1, ANZ Book Co., 1976; or see G. Harcourt, 'Much Ado About Something', Economic Papers, March 1975.
- 2 The National Times, 28/7/79.
- 3 Glenn Withers, 'The State of Economics', The Australian Quarterly, December 1978.
- 4 E.L. Wheelwright and W.J. Waters, 'University Economics - A Radical Critique', The Australian Quarterly, September 1973.
- 5 F. Gruen, 'The Radical Challenge to Bourgeois Economics', The Australian Quarterly, March 1971.
- 6 The National Times, 28/7/79.
- 7 See, for example, C. Ferguson, The Neoclassical Theory of Production and Distribution, Cambridge University Press, 1971.
- 8 P.D. Groenewegen, 'Consumer Capitalism', in J. Playford and D. Kirsner, Australian Capitalism: Towards a Socialist Critique, Pelican, 1972.

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