

Copyright of Full Text rests with the original copyright owner and, except as permitted under the Copyright Act 1968, copying this copyright material is prohibited without the permission of the owner or its exclusive licensee or agent or by way of a licence from Copyright Agency Limited. For information about such licences contact Copyright Agency Limited on (02) 93947600 (ph) or (02) 93947601 (fax)



200501267

## **SOME THOUGHTS ON METHOD IN POLITICAL ECONOMY**

**Tim Anderson**

There is controversy over the nature of political economy, and to what extent it constitutes a distinct analytical approach. Liberals, realists, institutionalists and Marxists (among others) have laid claim to various parts of this tradition, from the 19th Century onwards. I will argue that, in a practical sense, political economy has enduring relevance more by identifying broad avenues of enquiry than through received canonical knowledge.

How is political economy distinct from model-driven 'pure economics', or the formal politics and policy focus of 'political science'? I suggest it is by the combination of certain approaches to enquiry. No single conceptual tool can define this role, nor is there a closed door on the subject matter of enquiry. To develop this suggestion, and to look at some practical implications for research, I will look at the centrality of creative syntheses, the problems of grand theory, the legacy of Karl Marx and then at what seem to be the distinctive avenues of enquiry within political economy.

### **Creative Syntheses**

The experience of practical liberalism and practical Marxism - indeed most theoretical as well as religious approaches - should teach us that dogmatism is a greater danger than eclecticism. Concern for coherence and adherence to principle has driven fundamentalists over the centuries, and it is a concern that has some basis. Revision of principle according to

convenience remains a problem. Yet most attempts to view the world through a single lens have proven limited, if not dangerous. This is most clearly the case in mainstream 'economics', where rationalist logic dominates — a fact not lost on those with imperial ambitions. When American historian Brooks Adams (1896) argued that "all civilization is centralization [and] all centralization is economy" (also Vidal 1998), he linked 'economics' to the project of empire building — a place economic determinism and rationalism has occupied ever since.

There is not just one such form of rationalism, but the principal form has been 'market economics'. The conception of the world as an impersonal and homogenous 'market' (hiding key power relationships) is one of the great propaganda myths of the last century, a myth which political economists have a special role in assailing. A range of conceptual tools (eg. related to class, institutional history, disaggregated and spatial analysis) have been deployed in this effort, which tempts many to claim pluralism as a central theme of contemporary political economy.

Pluralism is certainly useful (eg. King 2002), but more as an educative approach than a focal point of analysis. It helps provide access to a range of tools and 'languages' which may then form the substance of argument or the focus of attack. In this sense, pluralism is capacity building. It may be, also, that heterodox (or 'post-autistic') economics is pluralistic as a matter of practical alliance, and that this serves the purpose of "offering different windows on economic reality" (Fulbrook 2002: 23). Yet in any particular analysis, one could not expect a conclusion that all conceptual tools are of similar worth. What we are left with, instead, is really a palette of tools from which the analyst might either construct an insightful new intellectual framework, or an incoherent *pastiche* - just as artists and musicians crossing boundaries may create a remarkable new work of art or music, or an awful mess.

As with art and music, creative syntheses in political economy come from new combinations of older themes. Often they don't work. But when they do, they can be enlightening. A novel synthesis can advance coherent understandings. This is a long standing phenomenon. For example, a study of the dogma and the heresies of the Catholic Church, I suggest, shows the heresies (eg. monism, iconoclasy, rationalism) to be in many cases more interesting than the dogma. This is not simply

because they are heresies, but because they have explored the creative tension of their doctrine, and have generally struggled to reapply principle in light of experience. Similarly, indigenous technologies and lifestyles survive the centuries not because they are pure, but because they have been adaptive. Grand theories (eg. of Marxism, or market economics) have themselves arisen out of such syntheses, yet there is little reason to believe that any such synthesis represents the 'end of the road'.

### Problems with Grand Theory

There are three broad theories in political economy - theories of accumulation, of markets and of growth. I will try to explain why I am skeptical of all three, as overarching explanations. At the same time, there seem to be at least two good reasons why it may be useful to develop a working knowledge of each theory. First, elements of each theory can help us understand some aspects of socioeconomic relations and phenomena. For example, accumulation theory (from Marx) can help identify class interest, as well as tendencies towards monopoly, commodification and over-production, within capitalist society. Market theory (neoclassical) can help identify short term price and revenue movements; and growth theory (from Adam Smith to Keynes) can help explain some aspects of productive capacity, employment and public finance. Second, as each theory has some currency, it may be useful to understand and be able to engage with the distinctive language of each.

On the other hand, by reliance on structural explanations, all these theories tend to obscure the great moral questions that underlie most 'economic' issues. It seems to me that political economic analysis has an important task to draw out these moral debates, while maintaining a critical engagement with 'economic' argument. The force of economic argument (backed as it often is by powerful interests) often demands more specific and evidential responses that cannot be provided by general socio-moral argument.

Each of the grand theories (accumulation, markets, economic growth) shares some common and critical weaknesses. All have their origins in

19th century 'modernist' thinking, which was centralising and reductionist, imagining that all communities, societies and cultures were converging on an equivalent path. So productive logic, impersonal markets or aggregate commerce have been set up, respectively, as proxies for the development of each and every society. This is far too simple, and often dangerously simple.

The practical implication of reliance on grand theory in political economy has been to encourage centralisation in thinking and administration. For example, broad growth theory maintains aggregate measures (eg. growth in GDP) as the yardstick of socioeconomic welfare, against a catalogue of well established arguments to do with distributional, environmental, subsistence, voluntarist, domestic work, and productive/nonproductive concerns (see for example: Samuelson *et al* 1992; Eckersley 1998, Stilwell 2002: 40-42). An honest student of political economy simply cannot ignore the weight of these criticisms, and take seriously the claim that economic growth is the central indicator of social welfare.

Similarly, market theory obscures power relations, ignores or misrepresents developmental and institutional histories and tends to reduce human value to money transactions. Yet market slogans (eg. 'free trade') are repeated so often that it can seem heretical to question them. However, short-term, competitive markets aside, market theory has always provided a poor measure of 'economic', let alone social developments. Market theory cannot explain historical processes of industrialisation, the peculiar forms of oligopoly competition, different rates of profit or even the development of consumer preferences. Its association with growth theory compounds rather than resolves these problems.

Finally, while accumulation theory can help disaggregate differing interests, it also suggests a centralising logic of productive relations, which tends to obscure non-industrial social struggles. As a result, regional and indigenous self-determination struggles, resistance by customary land owners and subsistence farmers, and the struggles of women, students, youth and marginalised peoples are sidelined. While the Marxist tradition has been important in identifying monopoly and class power (including the class-state relationship and the distinct

fractions of class power), the 'economic' focus on a central logic of accumulation and surplus creation has often proved reductionist and ahistorical. So, for example, a Marxist analysis may identify the logic of foreign investor interest in a developing country, but it struggles to recognise the role of customary land owners and indigenous communities in local self-determination struggles. In western countries, the numerical decline and political conservatism of the industrial proletariat has encouraged millenarian views where various social struggles are thought to be misconceived, the argument being that they be deferred pending the development of grand social and economic forces.

### **Marx's Legacy**

Yet there has been a process of creative synthesis at work in the Marxist tradition, and important elements of Karl Marx's thought survive because of adaptation and revision. Indeed, it is strange to see unreconstructed or essentialist arguments in the name of a man who, in his time, sought to synthesise elements of German philosophy, French politics, English political economy and European scientism (ie. Hegel, the French Revolution, Ricardo and Darwin). Marxian ideas certainly deserve some special attention within, without defining, contemporary political economy.

Marx's initially simple class analysis (1848) survives through revisions concerning the identification of class power and its mechanisms (hegemony, new views of monopoly, class fractions and the relative autonomy of the state), though less so in the identification of resistance. History has not borne out the supposedly unique and central progressive role of an industrial proletariat, and Marxist theory has struggled to identify the sources of actual resistance to class power. Peasant, student, intellectual, lumpen, women's, migrant and indigenous forces have proven of great significance in socialist revolutions, as well as in self-determination and progressive struggles around the world.

Similarly, Marx's value theory sought to identify some key structural (and implicitly ethical) concerns in modern capitalism, but the attempt at purely 'technical' explanations has become a backwater. This is not to say

there are no useful concepts there. The labour theory of value is more than simple identification of an ethical principle, and it may also be more than just saying that 'owning capital' is not productive (Robinson 1942: 18). It usefully locates distributional concerns in social relationships, as well as in (post-production) allocative mechanisms. However, successive attempts to prove the 'laws' of declining profit rates (linked to a rising 'organic composition' of capital) have been unconvincing (eg. Mandel 1980). The suggested primary tendency of a rate of profit to fall is often outweighed by the various 'counter-tendencies', weakening any real empirical analysis. Similarly, debates over Marx's definitions of productive and unproductive labour, while interesting, often seem limited by concern for scriptural integrity (ie. "what did Marx consider 'productive?'"). And serious intellectual interest in a Marxist theory of prices through the 'transformation problem' is long dead.

Nevertheless, the identification of shifting patterns and mechanisms of class power underscores the continuing relevance of aspects of Marxist analysis, into the 21st century. This is the more so in view of the constant efforts of liberalism to obscure class power and to negate disaggregated analysis. Marxist economic sociology lives. It is the more technical or more 'economic' elements of Marxism that have fared less well.

Because of the inconclusive nature of evidence to support the 'declining rate of profit' theory, the Marxian idea of accumulation crises (Marx 1972) survives largely through his view of over-production, now linked to Keynes's thoughts on demand-deficiency and to under-consumption (Keynes 1936). Associated ideas of crisis through disproportional production and workers' alienation are interesting, but less important. We are left with several important conceptual tools from Marx - in the areas of class interest, state-class analysis and hegemonic ideology - which must be somehow made to 'talk' to the other significant elements of political economic analysis.

### **Avenues of Enquiry**

As a result of the contention (in many respects, a necessary contention) over the relative merit of heterodox conceptual tools, I suggest that

political economy as a disciplinary approach cannot be defined in terms of a supposed canon. We must look instead to the broad avenues of enquiry opened up by the range of non-orthodox traditions, including those which help explain "the embeddedness of markets in non-economic conditions" (Dow 2002: 80). In this process, we can consider selectively borrowing conceptual tools from the grand theories.

Defining avenues of enquiry is a challenge to which several practical considerations attach themselves. First, the analysis must address what orthodox economics does not. Excluding the prediction of short term price movements in competitive markets, this is a very wide field. Second, it must have some relevance to practical social concerns. Just as neoclassical thought remains the orthodoxy by supporting powerful interests, political economy stays alive by informing broad social concerns, social movements and resistance struggles. Third, it will attempt some more or less coherent views of economic and social questions; though the failures of grand theory tell us that ambitions here are best kept modest. Finally, we need some structured approach to analysis which can be passed on to students and researchers entering the discipline; this is particularly so in view of the fact that we can make few assumptions about students' experience or influences.

As a teacher of political economy I have begun to use a broad depiction of what these avenues of enquiry might be. These avenues are set out simply as guideline 'steps' of analysis, in the table below. Here is the rationale for each step.

Analysis of a political economic issues begins with a deferral of judgement (eg. of a strategic concern, a policy issue or an ethical matter) until a fuller assessment and analysis has taken place. This approach is in recognition of the fact that, on the one hand, many analytical questions do involve ultimate judgements and are 'normative' (ie. we cannot *really* understand the world through computer generated spreadsheets) but on the other hand, such judgements are generally best informed by consideration of empirical information and rational argument. Political economy has often effectively mixed the western traditions of empiricism and rationalism and, while avoiding discredited 'positivist' economics (eg. Lipsey *et al* 1985), is sufficiently enchanted by 'material'

detail (evidential and quantitative) to avoid *hasty* excursions into ethical argument.

Historical and institutional context is important, when the analyst (eg. in the Marxist and institutional traditions) assumes that socioeconomic developments are significantly historically contingent. Such is not the case with monistic neoclassicism, where one model in comparative statics fits all, so that 'free trade' or some other such rationalist conclusion may be presupposed for any given country or region. A political economist, however, will generally want to explain what particular histories and social structures bear on the analytical question, including considerations of the possible fragility or resilience of those systems.

**Table 1: Method in Political Economy: Approaching a Question**

	Theme	Associated Considerations
1	Defer judgement	discount the stated aims and objectives of actors defer ethical or summary judgement
2	Explain historical and institutional context	explain why the issue/question arises explain what particular histories and social structures bear on the issue/question discuss the fragility or resilience of systems
3	Apply group/class interest analysis	disaggregate general claims identify which formal group/class rights are stressed or advanced identify the interests of monopoly power
4	Identify the argument	identify ideologically charged concepts discuss the interest group-concept relationship critically analyse 'rights' claims
5	Discuss value distribution	identify any distributional issue embedded in social relationships explain how value might be (re)distributed explain impact on effective group/class rights
6	Present a considered judgement	apply above considerations to form a conclusion

Class analysis has been important in political economy, both from its

classical origins and through the Marxist formulations. As mentioned above, refinements of the Marxist theory of class power (the ideological mechanisms of class power, distinctions between class fractions and the relationship of class power to the state) keep it relevant. Yet resistance from indigenous, peasant, lumpen, women's, migrant, student and other interests forces us to maintain a more open view of class interests. At the same time, powerful interests and the logic of monopoly must be identified. In most cases, the analysis of political economy requires some form of disaggregation, and an immediate shift away from liberal claims of common interest or common benefit. Relevant questions may be 'who benefits?', and 'which interests are advanced?'

Ideological arguments are identified and distinguished in political economy, an important linguistic process of analysis, and potentially a way of hunting out the relationships between concept and class/group interest. Unlike the claims of 'positivism' in neoclassical economics, there is no pretence at philosophical 'neutrality' in political economy, nor are distinctive arguments (eg. 'economically irrational' views) treated lightly or as simple caricature (eg. just as claims for 'protection', or for 'autarky'). Many suggested accommodations simply disguise the underlying liberal arguments. For example, World Bank claims of 'poverty reduction' and 'pro-poor policies' have simply been grafted on to old broad-based growth notions. These accommodations, and their general claims ('all benefit from economic growth'), must be scrutinised carefully.

Finally, some form of distributional analysis is an essential element of a political economic approach. Ricardo (1815) considered distribution amongst classes to be the central question of political economy. Marx helped us see distribution as embedded in social relationships. However, important distributional issues (eg. to do with land and the environment) remain outside the capital-labour relationship. Many strategic, developmental and policy questions have distributional implications, yet these implications are often buried in liberalism's seductive but misleading inclusive language. Political economic analysis performs an important task in drawing to attention the distributional implications of social and productive relationships, and the ways in which effective

group or class rights and interests are facilitated by social developments and policy changes.

When some or all of the above forms of analysis are applied, the political economist—can return to his or her initial question, and deliver a considered judgement.

### **Conclusion**

This article argues that some synthesis of the several methods of political economic analysis, located in several broad avenues of enquiry, may be applied to a wide range of questions. This can be a useful process of creative synthesis, and can take account of the range of conceptual tools available. The practical considerations associated with this process include: the need to provide an effective critique of orthodox economics, to inform social resistance, to help reconceptualise socioeconomic problems and to construct a relevant economic pedagogy.

Several steps are suggested, as the basis of analysis. First, analyses in political economy tend to defer (but not ignore) developmental, strategic and ethical judgements. They then consider the historical and institutional context of the question under study, including possible assessments of the fragility or resilience of socioeconomic systems. Third, they disaggregate broad claims and consider the class power and distinct group interests involved in the question. Fourth, they tend to assume that there is an ideological argument, probably linked to group interests; so important concepts linked to those interests must be identified and discussed. Fifth, there may be distributional questions which deserve attention, often rooted in social relationships. Finally, and after reviewing some or all of the above concerns, a considered judgement, and a response to the question, can be presented. These points may be regarded as a 'checklist', rather than a formula. Judgement is needed in deciding which have particular relevance to particular questions.

A fairly distinctive approach to study and analysis is thus constructed through a process of deferring judgement, contextualising, disaggregating, and identifying interest, power, ideology and distribution.

These seem to be the broad avenues of enquiry in contemporary political economy. Practically, students and researchers could review the above mentioned concerns over context, interest, ideology and distribution to help further their analysis.

### References

- Adams, Brooks (1896) *The Law of Civilization and Decay*, Alfred Knopf, New York, 1943 edition
- Dow, Geoff (2002) 'Anti-Rationalism in Political Economy', *Journal of Australian Political Economy*, No 50, December
- Eckersley, R. (1998) *Measuring Progress: Is Life Getting Better?*, CSIRO Publishing, Collingwood
- Fulbrook, Edward (2002) 'The Post-Autistic Economics Movement: a brief history', *Journal of Australian Political Economy*, No 50, December
- Keynes, J.M. (1936) *The General Theory of Employment, Interest and Money*, Macmillan, London
- King, J.E. (2002) 'Three arguments for pluralism in economics', *Journal of Australian Political Economy*, No 50, December
- Lipsey, Richard, Paul Longley, Dennis Mahoney (1985) *Positive Economics for Australian Students*, Weidenfeld and Nicholson, Melbourne
- Mandel Ernest (1980) *Long Waves of Capitalist Development*, Cambridge University Press
- Marx, Karl (1972) *Theories of Surplus Value: Part 3*, Lawrence and Wishart, London
- Marx, Karl and Frederick Engels (1848) *Manifesto of the Communist Party*, FLP, Peking, (1977 edition)
- Robinson, Joan (1942) *An Essay on Marxian Economics*, MacMillan, London (1971 edition)
- Ricardo, David (1817) *Principles of Political Economy and Taxation*, Harmondsworth, Penguin (1971 edition)
- Samuelson, PA, WD Nordhaus, G, Scott and R. Wallace (1992) *Economics: Vol 1 Microeconomics*, Third Australian Edition, McGraw-Hill, Sydney, Chapter 3
- Stilwell, Frank (2002) *Political Economy: the contest of economic ideas*, Oxford University Press, Melbourne
- Vidal, Gore (1998) *The Decline and Fall of the American Empire*, Odonian Press, Chicago