Introduction

This book presents throughout two different views of economics: the traditional, conservative view versus the critical, liberal or radical view. It may surprise you to learn that there is no single *truth* in economics but, rather, two or more conflicting approaches to it. That, however, is the sad fact in economics and in all the other social sciences. In the study of society there is no important point that is noncontroversial; on every important issue there is a range of opinions from the most conservative to the most radical. Certainly, there are some facts on which most economists agree, and there are some tools that most economists use, but we differ over what the important problems are, how to approach them, and how to interpret the findings.

One basic area of disagreement concerns the possibility of change. Radicals contend that society can and should be drastically changed. Conservatives contend that nothing can ever change because our behavior is rooted in an unchanging human nature.

TRADITIONAL VIEWS OF HUMAN NATURE

The traditional or conservative economists, like Wowsy, assume that people are born with certain ideas—such as eating people or holding slaves or being a competitive capitalist—and that there is no way to change those ideas. Since these ideas are held by everyone, our behavior is determined by these ideas and cannot be changed. Where do they come from? Some conservatives say God gives us our ideas. Others claim that certain ways of living are just "natural" and obvious, so everyone naturally knows they are best. Others, like Freud, simply say we are born with innate, inherited

drives—for example, all men are aggressive and domineering, while all women are passive and like to be dominated.

Similarly, conservatives in the South before the Civil War said that slavery was natural, that blacks were happy only as slaves, and that whites were natural slave owners. The clergy added that slavery was divinely ordained by God, that keeping slaves so that they would be happy—and whipping them occasionally for their own good—was the Christian white man's burden.

In the Middle Ages, conservative religious leaders and social thinkers held that serfdom was natural and reflected human nature. The serfs were happy working for landlords because that was a serf's nature. The landlords were happy directing serfs, judging them, and even executing them (but only when necessary) because that was a landlord's nature. Thomas Aquinas contended that some prices are normal and natural and that it is a sin to buy or sell at more or less than those prices. Chapter 1 will explore medieval economic views more fully.

During the Industrial Revolution, a school of economists known as the classical school preached that capitalism is natural and eternal, earlier economic systems being "unnatural." They claimed that it is the natural proclivity of every person to be greedy, to compete relentlessly, and to calculate rationally every purchase and every other economic activity. These views are further explored in Chapter 4 of this book.

Finally, most traditional economists of today (called neoclassical economists) take as given at birth all the preferences of individual consumers. They seem to think that we are born with a certain order of preferences for Cadillacs or TV sets. In Chapter 8 we shall see that these natural consumer preferences constitute the heart of their economics.

THE CRITICAL VIEW OF HUMAN NATURE

By contrast with conservatives, critical economists believe that all ideas and preferences—such as our desire for Cadillacs—are shaped by the society in which we live. Consumers are influenced not only by obvious means like advertising but also by more subtle and pervasive means, like family upbringing, religion, education, and the mass media. Similarly, it is no coincidence that the dominant view or ideology under slavery supports slavery, that under serfdom supports serfdom, and that under capitalism supports capitalism. Social scientists are human beings like everyone else and thus have their own ideas and preconceptions shaped by society.

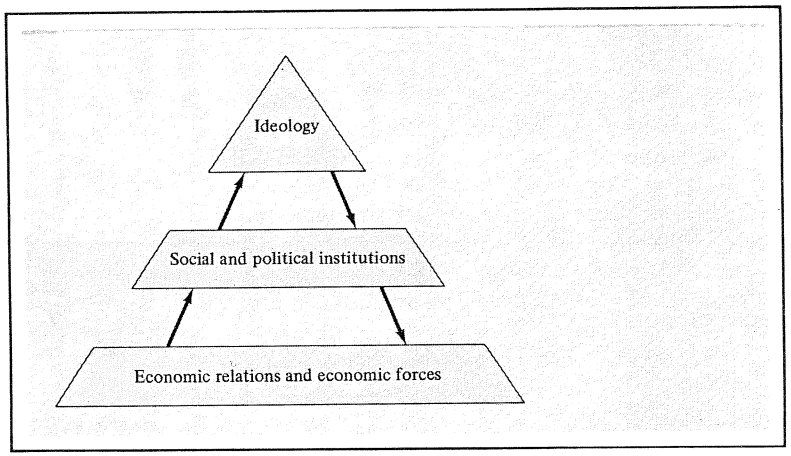
Critical economists contend that, since our ideology is determined by our social environment, a change in our socioeconomic structure will eventually change the dominant ideology. For example, before the Civil War most Southerners (including their social scientists) declared that slavery was natural and good; but after 100 years of capitalist socioeconomic institutions, most Southerners (including their social scientists) declared that

capitalism is natural and good. We conclude that dominant ideas are not given by human nature, but are shaped by socioeconomic relations and can be changed by changes in the underlying relationships. There is thus hope for a completely new and better society with new and better views by most people.

This does not mean that ideas are unimportant in the process of social change. The ideas of at least a large number of people must change before a revolutionary social change is possible. The point is only that our ideological views are not God-given and do not change at random. New views—such as the revolutionary ideology of liberty, equality, and fraternity—appeared and caused the French and American revolutions only because they reflected underlying social conflicts. The needs of most people (farmers, workers, and industrialists) came into conflict with the old socioeconomic relationships (the French feudal monarchy or British colonialism). These conflicts caused social thinkers, such as Voltaire and Tom Paine, to present new ideologies. The new ideologies spread because they reflected most people's needs and desires. This led to political revolutions, which changed socioeconomic structures. The new structures reinforced the new ideas and made their ideological conquest complete. This circular process is charted in the figure below.

Economic forces are defined here to include all the labor that workers do, the tools and machinery with which they work, the use of known natural resources, and the use of the available level of technology. *Economic relations* are the relations among people engaged in economic activity—for example, the relations between slaves and slave owners, between workers and capitalists, or between debtors and creditors. In Chapter 6 we shall find that Karl Marx said that economic forces and relations, defined in this

Ideas and Economics



broad manner, form the *base*, or foundations, of society; on this base is built a *superstructure* consisting of institutions and ideologies. The social and political *institutions* include the family, government, organized religions, all the laws, the educational system, and the media of communication. *Ideologies* include philosophy, much of the social sciences, religion, and all folk customs and biases (such as white or male supremacy).

In any nonrevolutionary period, all the elements of this system reinforce each other. Suppose the economic forces consist of a fairly low level of technology on isolated agricultural estates and the economic relations are those of feudalism, of landlords ruling over serfs. The political institutions reflect feudal relations in a hierarchy of power reaching up to the largest landlord, the king. The ideology reflects this hierarchy, claiming that the whole system—especially the king—is divinely ordained. In this way the ideology reinforces the existing institutions, which reinforce the existing economic relations.

In the rare revolutionary situations, conflicts (which are always present to some extent) suddenly become very evident among the elements of the system. For example, over a long period in feudal Europe, commerce and industry slowly replaced agricultural economic activity. As a result, a new economic class of capitalists and merchants appeared. There was conflict because the old feudal lords had control of the political institutions and did not want to surrender any power to the upstart capitalists. Eventually, these conflicts led to revolutionary new ideologies, new institutions, and new relations.

DIFFERENCES BETWEEN TRADITIONAL AND CRITICAL VIEWS

Traditional, conservative views have mainly been stated by the schools of economics known as classical and neoclassical. Critical, liberal to radical views come mainly from the followers of Karl Marx, Thorstein Veblen, and John Maynard Keynes. In Part One of this book, we shall explore these different views of economics in detail as they developed. In Parts Two and Three we will contrast their views on each of the main issues of economics. Here we merely give the reader an appetizer, a brief glimpse of things to come.

Briefly, the main differences between the traditional and critical views are:

1. Traditional economics begins with the assumption of fixed human nature with given desires and preferences. Critical economics shows how different economic systems have evolved and how these have changed people's ideas and preferences.
2. Traditional economics is most concerned about how the economy reaches an equilibrium or static situation. Critical economics thinks

it is unrealistic to say that our dynamic economy is ever in equilibrium, so it concentrates on change and historical evolution.

3. Traditional economics sees economics as a purely technical subject about people's preferences and scarce objects with economic laws that are the same everywhere. Critical economics believes that the economy must be seen as a set of human relations, so each economic system has different human relations and different economic laws in each system.
4. Traditional economics sees the economy as purely harmonious with everyone benefiting from it. Critical economics sees the economic system as characterized by conflicts between groups, differing amounts of power (such as between the poor and the big corporations), and in some systems oppression or exploitation of one person by another (for example, under slavery).
5. More specifically, traditional economists find very little environmental destruction, very little discrimination against women or minorities, very little monopoly power exerted by the giant corporations, and they find that most unemployment is voluntary. Critical economists, on the contrary, are extremely concerned about widespread environmental destruction, extensive discrimination against women and minorities, the enormous power of the giant corporations, and the human misery caused by massive involuntary unemployment in recessions or depressions.

This thumbnail sketch has laid out the issues that divide traditional and radical economists. Before we examine the evolution of economic ideas in the modern world, it is worth a brief look backward in time at earlier economies and how they worked.

PRIMITIVE ECONOMIES

As an example of the various economies that have existed, let us examine the so-called *primitive* type. One British archaeologist (Childe) lists the characteristics of most areas of human settlement in our first half-million years or so as follows: (1) very small communities; (2) communities that are quite isolated and self-sufficient, with little or no trade; (3) no writing; (4) a homogeneous group of people; (5) no full-time specialists; (6) an economic unit that is the family or extended family of kinsmen; (7) personal and status hereditary relationships rather than economic ones; and (8) few or no political institutions. There is one still-existing primitive community where even today "there is no private property in productive goods, and whatever the hunting band manages to kill is shared out among the members of the group." (Nash, p. 3). In general, the most primitive societies have no market exchange, no money, and no economic competition in the modern sense. It is true that even the most primitive peoples known to anthropologists usually own their weapons, tools, and ornaments as individual

private property; but the basic means of production at this stage are the hunting groups, and these are owned collectively.

The point cannot be overstressed that in primitive societies people are not hired for jobs, they are not paid money, and purely economic relations do not prevail in any area (nor is force used in most cases). Rather, "men work together because they are related to each other, or have social obligations to one another." (Forde and Douglas, p. 17). Furthermore, work is done collectively, and the results are shared collectively. Or, as another anthropologist writes, "with qualifications such as the special shares locally awarded for special contributions to the group endeavor—the principle remains . . . 'goods collectively produced are distributed through the collectivity.' " (Sahlins, p. 142).

The striking thing about such primitive societies from our present view is that everyone is on about the same plane of economic and political power. There is no ruling class, such as the ancient Roman or Greek or Egyptian slave owners, and no ruled class, such as the slaves in those societies. How did some collectivist, primitive societies evolve into class-divided societies, as in Greece, Rome, and Egypt?

THE TRANSITION TO CLASS SOCIETY

When "civilization" became established in the Middle East in the Bronze and Iron ages, it was marked by large communities, taxes, public works, writing, use of mathematics and astronomy, internal and foreign trade, full-time specialists such as farmers and metallurgists, political organization beyond family or kinship, a privileged ruling class, and an exploited class of workers, whether slaves or feudal serfs or peasants paying tribute. The key revolution, however, is the earlier transformation from hunting and gathering food to animal herding and agriculture.

How did the agricultural revolution occur, and how did it end the primitive classless societies of these areas and bring about class rule? We know there was a slow expansion of technical knowledge and improvement of tools over hundreds of thousands of years. Then, in a few particularly fertile areas—perhaps more or less independently in China, Mesopotamia, Egypt, Mexico, and Peru—people discovered how to tame and breed animals and how to grow the most edible plants. This "revolution" did not occur in a momentary flash of insight to some individual. Rather, it seems to have been a very gradual process over thousands of years.

Both in ancient Mesopotamia and in the Aztec areas of Mexico, first, communities became more permanently settled, intensively collected food, and hunted in a smaller given area than previously (see Adams, pp. 39–43). Second, the New Stone Age saw better tools being produced, including improved bows, drills, digging tools, and even boats and nets. Third, some crop—wheat, for example—that was already growing in the area might be moved to different areas as desired, protected by such means as the

removal of any weeds, and eventually selected so as to obtain the desired food characteristics. Similarly, hunters of goats or cows might begin to follow one particular herd, protect it against its other enemies, and finally feed and shelter it at times. All these changes could take thousands of years.

Once the pastoral-agricultural revolution is well under way, several important changes occur as a direct result. Obviously the level of productivity per worker increases. The first consequence of this fact is a much higher population density; herding and agriculture can support many people per square mile, whereas hunting and gathering require several square miles per person. At the same time, agriculture means that the population must settle in one place rather than move here and there around the country. Such large, settled agglomerations mean the founding of permanent villages and, eventually, towns and cities in the most favored places.

There is enough economic surplus above immediate needs so the economy may support various specialists, such as carpenters, shoemakers, and the like. Specialization, in turn, calls for exchange of products between individuals and between groups. Moreover, the higher productivity makes wealth available in the form of cattle and gold as well as consumer durables. Then the specialization and exchange slowly destroy the collective use and possession of property, so that some individuals come to own more wealth than others.

With this increase of private property and larger, more permanently located groups of people, there is a need for a broader and stronger political structure to replace the family unit. At first, in both possession of private property and control of political power, the families or clans retain the semblance of unity and direction. Individuals slowly accumulate private property as there is more of it; so, too, do individuals slowly accumulate more political power as politics grows more complex.

A war chief may be elected from time to time as a result of small tribal conflicts; the post is likely to become lifelong or even hereditary as larger armies come into being. The area and intensity of wars increase because wars for economic motives are used by advanced agricultural societies for obtaining cattle or slaves. Most often, the large-scale introduction of slavery seems to follow as the effect of a war of conquest. Yet such wars seem to occur only as the effect of new technology high enough to be profitable to keep a slave (because he or she can produce a surplus). Slavery and wars of conquest are thus intertwined as cause and effect at a certain level of economic evolution.

To oversimplify a bit, better technology following the agricultural revolution led to higher productivity per worker. The higher productivity, in turn, meant that a society could for the first time "afford" to have some nonworking individuals (such as slave owners, landlords, priests, full-time warriors). Conversely, until product per worker passed the point at which one worker could just keep himself or herself alive, there could have been no surplus left for the ruling classes. Before that point, slavery or serfdom could not pay; hence prisoners were simply killed or eaten.

A similar increase of power might have accrued to those in charge of public works. A director of irrigation for a small tribe might have been appointed for a short time in one season; a director of irrigation for a large agricultural area along the Nile might have been given more power for a longer period. Thus, in Egypt the government separated from and rose above family or clan for two different reasons: (1) to carry through public projects, including irrigation and warfare, and (2) to guard private property, including slaves (and to prevent slave revolt).

TYPES OF ECONOMIES

There have been many different types of economy in the world. We have examined in detail the *primitive* type, in which people worked in collective groups and shared the fruits of their labors. Another type is the *slave* economy, in which one class, the slaves, does all the work. The class of slave owners legally owns both the slaves and their whole product. They give the slaves barely enough to live on, keeping the surplus for themselves.

Still another economic system is *feudalism*, varieties of which appeared at different times in Europe, Asia, and Africa. Under feudalism, serfs are bound to the land of an estate. Serfs owe to the landlord—by tradition, but also by force if necessary—150–200 days a year of service on the landlord's land. Yet serfs are better off than slaves, since they are not owned in body by the landlord and may work their own tiny plots of land when they finish their chores on the landlord's land. In Chapters 1 and 2 we discuss the transition from feudalism to capitalism in western Europe.

Most of this book discusses *capitalism*, the system existing at present in the United States. In this system, capitalists are the class of people who own all factories and equipment. Capitalists employ workers, paying them a wage. Workers are not forced to work by physical coercion, as are slaves and serfs, but are "free" to work for a capitalist or not to work and hence to starve. Capitalists own the entire product beyond wages and material costs; they produce only if they expect to make a profit.

Part Four of this book discusses socialist economies. *Socialism* means ownership and control of the economy by the entire working population. Production is carried on for the benefit of society. Many countries, such as Cuba, the Soviet Union, and China, claim to have socialist economies.

SUGGESTED READINGS

A full statement of the theory of history and society sketched in this Introduction has been given by Howard J. Sherman and James L. Wood,

Sociology: Traditional and Radical Perspectives (New York: Harper & Ro 1989). The best overall book on economic history is *Studies in the Dev opment of Capitalism*, by Maurice Dobb (New York: International Pu lishers, 1946). A comprehensive history of economic theories from a criti view is *History of Economic Thought, A Critical Perspective*, 2d ed., E. K. Hunt (New York: Harper & Row, 1990).

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