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## COMMENT

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## INTRODUCTION

Radicals usually have trouble communicating with economists.<sup>1</sup> The reason is that the two are generally interested in different questions. At the moment, however, we are fortunate enough to have an economist who is interested in the same questions that activate radicals. For this reason, Assar Lindbeck's *The Political Economy of the New Left—An Outsider's View* is a useful book for presenting the radical critique of economics and setting the stage for further dialogue.

The questions being asked by the New Left are (1) what is the connection between corporate capitalism and the obvious evils in our society, and (2) how do we go beyond capitalism towards the achievement of a decent society? Lindbeck begins his book explicitly accepting the validity of these questions: "The salient features of New Left economics are . . . its critique of present-day capitalist societies, with the important role played by large corporations, and the vision of how the economy should be reorganized" (p. 6).

The fact that Lindbeck begins with the right questions enables us to avoid sterile arguments about the internal consistency of his presentation and to concentrate instead on the general usefulness of economics in dealing with the questions we agree on. Along the way, however, we shall have to examine whether the method favored by Lindbeck does not in fact lead him to change the questions themselves—or dodge them altogether.

In evaluating the relationship between Lindbeck's economics and the questions raised by the New Left, we will use the now familiar notion of a "paradigm" developed by Thomas Kuhn.<sup>2</sup> A paradigm provides a fixed conceptual framework for scientific research, placing limits on the type of *questions* that can be asked, the

*methods* that can be used, and the *answers* that are acceptable. Thus a paradigm is like a flashlight in that it allows the scientist to shed light on certain questions, while at the same time leaving large areas in the dark. It is our contention that Lindbeck, while pointing with one hand at the right questions, holds in his other hand a flashlight (the economics paradigm) that is shining in the wrong direction. Hence, he must either change the questions or point his flashlight in another direction (i.e., adopt a new paradigm). We shall find that insofar as he illuminates anything, he has changed the questions.

But the New Left will not tolerate changing the questions. For they have arrived at their questions not, as Lindbeck suggests most economists choose theirs, "by considerations of available analytical techniques" (p. 22), but through their experience. This experience began, as a rule, in the comfortable homes of the middle class. As Adam Smith noted, "Before we can feel much for others, we must in some measure be at ease ourselves."<sup>3</sup> Having been reared in conditions of relative affluence and security, a new generation naturally became sympathetic to the plight of others subject to poverty, prejudice, and colonialism.

At first the new generation tried to overcome social injustice with the tools of its class: reason, technical knowledge, legal maneuvering, and electoral reform politics. They worked in settlement houses to assist poor people. They went to the South to help blacks obtain their civil rights. They peacefully protested the involvement of U.S. corporations in South Africa. They went abroad in the Peace Corps to aid people in the underdeveloped countries. They marched with Martin Luther King and against the war in Vietnam. They patiently tried to introduce reforms in the universities to make them responsive to students. And, finally, they publicized the shoddiness of consumer products and the destruction of the environment. But in all of these activities the newly aroused young people operated on the assumption that the various evils they fought were only imperfections in a basically sound system.

The results obtained by the young activists, however, did not measure up to their expectations. They discovered personally the violence backed up by law and government that was used against blacks; in underdeveloped countries they saw ruling elites cooperating with international business to obstruct the most obviously needed reforms; they saw that their university administrators would resist mild demands with incredible tenacity; they saw how

1. In this discussion we follow Lindbeck's general practice of using the words "economic" and "economist" to refer to the *neoclassical* (or orthodox, traditional, conventional, bourgeois) type of economist-economic theory.

2. *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962).

3. *The Theory of Moral Sentiments* (New York: Augustus M. Kelley, 1966), p. 297.

social welfare programs and prisons terrorized and degraded the very people they were supposed to uplift; and, in politics young people found that even if they could rouse a large groundswell against the War and force a President to give up, it did not stop the War. From this experience, they began to wonder if there is not something fundamentally at fault in the system itself.

To the people who were now coming to see themselves as the New Left, the socioeconomic system appeared more and more clearly to be rotten at its roots. It tended both to encourage and to depend upon greed; it almost always placed a higher priority on things than on people; and its very foundations seemed to rest upon relations of domination and subordination. In 1933, Keynes had said of modern capitalism: "It is not intelligent, it is not beautiful, it is not just, it is not virtuous — and it doesn't deliver the goods."<sup>4</sup> The experience of the New Left had brought them to the point of agreeing with this opinion of Keynes'.

The experience of the New Left also led them to Marx. Finding themselves unable to deal with the waste, injustice, alienation, and entrenched power in their society, these young people had arrived existentially at the point from which Marx began his critique of capitalism. They found that he offered an explanation of social problems that went deeper than any they had previously encountered. And they were attracted by his vision of socialism and communism.

But it was difficult for young people to gain access to Marx. His language seemed impenetrable, and there were hardly any courses in the universities to help people understand him. In fact, there were few who had any idea even of what was different about Marx. When one of us was a graduate student in economics at MIT, he asked his professors if they knew of anything in Marx that might be valid but was not included in the economics curriculum. Most of them answered "nothing," but Paul Samuelson responded: "the class struggle."

In what follows, we will argue that it is essential to take into account the class struggle — i.e., the fact of antagonistic relationships between groups of people — if one wishes to understand what is going on in the world. With Marx, we see this struggle occurring in modern society mainly between workers and capitalists. And it is important to observe, again following Marx, that capitalists and workers confront each other in two separate but interconnected

4. "National Self-Sufficiency," *The Yale Review*, XXII (June 1933), pp. 755-69.

realms: (1) the sphere of circulation, and (2) the sphere of production. The sphere of circulation is the realm of the market where the various actors meet each other as owners of commodities intent on exchanging them. The sphere of production is the more important realm where we find not only the production of commodities going on but also the capital-labor relationship itself being reproduced.

We have introduced these distinctions at this point because they help to explain the differences between the economic and the Marxian paradigms. They also help, in our opinion, to account for the different degrees of usefulness of the two paradigms in providing answers to the questions raised by the New Left.

Until recently it did not seem that economists cared much one way or the other about the New Left. As Samuelson put it in his foreword to Lindbeck's book: "It says something for the complacency of American economics that, prior to Lindbeck's lecture (1969) at MIT, many of our graduate students had thought of the New Left as having something to do with politics, not with honest-to-goodness economics" (p. xii). But now Lindbeck has come over from Sweden to tell us that the New Left has something to say to economists and to claim that economists, in turn, have something to offer to the New Left: "When trying to evaluate the New Left criticism of economists, it is also important to note that considerable parts of economic analysis do in fact deal with exactly those problems in which the New Left seems to be interested," (p. 23). To evaluate this claim is one of the main purposes of the present essay. We will proceed first by reconstructing the economics paradigm from Lindbeck's discussion and then by comparing it to the Marxian paradigm. We will let the reader judge which paradigm comes closest to answering the questions of the New Left.

#### THE ECONOMICS PARADIGM

In his survey of the New Left's critique of economics, Lindbeck presents us with a balance sheet of the strengths and weaknesses of his way of looking at the world. First, he tells us what tools economics *has* for analyzing various social problems, and, a moment later, he is good enough to indicate what economics *lacks* (in several cases associating the name of Marx with the excluded concepts). We will find that the items on the negative side of Lindbeck's balance sheet add up precisely to the Marxian set of tools, and we will contend that these tools, when brought together, prove more useful in dealing with the problems Lindbeck is addressing. Let us now take the

problems one by one, in the order established by Lindbeck, and set up the balance sheet.

1. *Distribution.* Lindbeck takes up the New Left's charge that "academic economists . . . have insufficiently studied problems of the *distribution of income, wealth, and economic power in society*" (p. 9, italics in original). He concedes "that 'academic' economic theories of the distribution of income are still based on the marginal productivity analysis — and hence on demand-supply models . . ." (p. 10) but dismisses the alternative theory of distribution that has recently been developed in Cambridge, England. Nowhere does he make clear that one of the chief differences between these two theories is that the first takes the existing distribution of wealth and economic power for granted (claiming that it will give the same results no matter who owns or controls what), while the second holds that nothing can be said until the general wage-profit division is determined (giving a central role to the distribution of wealth and economic power).

In contrast to the "academic" economists' theory of income distribution, Lindbeck correctly observes "that the emphasis in New Left writings is more on institutional arrangements and on the role of notions of the 'distribution of power' and the 'class struggle' in explaining the distribution of income" (p. 11).

2. *Tastes — Resource Allocation.* Here Lindbeck cites the New Left criticism "that economists tend to utilize too partial an approach in their analysis of . . . the problems of the *allocation of resources* . . . taking household preferences mainly as given, thereby leaving investigation of the formation of such preferences to other disciplines. . . ." Asserting that "today very little is known about the formation of preferences which is useful for economic analysis," Lindbeck concludes: "It does, therefore, seem that this criticism is well grounded . . ." (p. 12).

While Lindbeck clearly recognizes that preferences *change* (he calls for more studies of "the extremely complex mechanisms by which values and preferences are formed and changed"), he proceeds throughout the book to make policy recommendations — e.g., in favor of markets, reliance on material incentives — on the basis that they result in the optimal satisfaction of *given* consumer preferences. (See e.g., pp. 33, 34, 40, 71–72.) This procedure would be justifiable only if it could be assumed that the policies and institutions recommended have no effect on preferences. Since this is clearly not the case, Lindbeck's arguments — and indeed all normative conclusions drawn from the theory of "efficient" allocation of

resources — are undermined.<sup>5</sup> It simply will not do to jump from ignorance of change to assumption of stasis.

At the root of the difficulty here is the "partial" approach of economics that takes preferences as being exogenously determined and then shifts the burden of studying their formation and change onto "other disciplines." The New Left rejects this compartmentalization and takes the Marxian view that preferences change endogenously — i.e., that new needs are created in the same process by which their means of satisfaction are produced.

3. *The Quality of Life.* Under this heading, Lindbeck brings up the New Left criticism that the quantitative orientation of economists leads them to "concentrate on the satisfaction of preferences for consumer goods, and possibly for leisure time, thus partly neglecting such problems as working conditions, the ways in which decisions are made, and the problem of the quality of the environment . . ." (p. 13). What strikes the critical reader of this section is that Lindbeck brings up *three* distinct problems (which in the next paragraph he refers to as: "Deterioration of the environment, alienation in work, and neglect of collective services") but only discusses *one* of them — the environment. This is no accident, for the only tool economists have to deal with "the quality of life" is the theory of "external effects."

Looking at qualitative problems in terms of "externalities" is a necessary consequence of the economists' focus on the sphere of circulation. If something is going wrong — e.g., poor working conditions, lousy decision making, fouled-up environment — it *must* be because people's preferences or firms' costs are not adequately represented in market prices. Hence the solution offered by the economists also falls in the realm of exchange: one must simply find out what the "external effects" are and induce people to take them into consideration by having the government tax or subsidize those market transactions that are causing all the trouble. (Cf. Lindbeck, pp. 14–15.)

Now this approach seems plausible when it is applied to environmental problems. (Companies might pump less waste into the river if they were taxed accordingly.) So this is the problem Lindbeck discusses. But what about "the ways in which decisions are made" and "alienation in work"? It is hard to see how any programs of taxes or subsidies might deal with these problems — even if we assume that such programs can actually be adopted and imple-

5. Cf. Herbert Gintis, "Alienation and Power: Towards a Radical Welfare Economics," Ph.D. thesis, Harvard University, 1969.

mented by governments in capitalist societies. In fact one must leave the sphere of exchange and enter that of production even to understand these problems.

Lindbeck points in the right direction when he mentions — albeit condescendingly — what has been excluded from the economists' analysis, namely, "Marxist notions of the 'obsession' of capitalists with the accumulation of capital and the 'unlimited' expansion of production, regardless of other values in society" (p. 14). We contend that if one starts from these "notions" and keeps in mind the interest of capitalists in preserving the capital-labor relationship, it will be much easier to understand why "working conditions," "the ways in which decisions are made," and even "the quality of the general environment" have developed the way they have under capitalism.

4. *Large Versus Small Changes.* Here Lindbeck presents the New Left's charge that "economists are obsessed with *marginal changes* within a given economic system" and fail to "discuss large, *qualitative changes* in the economic system." There are really two issues here.

First, there is an issue that can be seen in terms of comparative statics. As Lindbeck puts it, "economists are criticized for confining their studies mainly to 'local optima,' in the neighborhood of the initial position, rather than asking whether there may be some superior 'total optimum' position in a society organized quite differently from those we know" (p. 16). This is the framework in which economists are relatively comfortable. While refraining from value judgments, they may speculate about "comparative economic systems." In this regard, Lindbeck applauds "the vast literature on market systems and the differences between centralization and decentralization" but admits that "the literature on comparative economic systems is not among the strongest in economics" (p. 16).

The more serious omission on the part of economists is their neglect of the dynamics of historical change of economic systems. Here again, Lindbeck hints at the necessary but excluded analytical tools when he notes that "the criticism is given a Marxian touch by the New Left when they emphasize the need for the study of great historic processes and transformations of systems when their inherent 'contradictions' become too strong" (p. 16). That he himself has no use for such analysis is evident in his supercilious references to "the 'grand visions,' found in much of the New Left literature, of the historical development of capitalist societies" (p. 1). What the economists are left with is a comparative blueprints ap-

proach that does not help them determine what policies are relevant to any particular historical situation.<sup>6</sup>

5. *The Role of Political Considerations.* We have now come full circle. Having begun by excluding "notions of the 'distribution of power' and the 'class struggle'" from his theory of how the economy works (marginal productivity analysis), Lindbeck finally returns to consider the New Left criticism of economists "for having neglected the *interaction between economic and political factors*. In particular, economists are said to have avoided problems of the distribution of power in the economy along with its implications for both domestic and foreign policies" (p. 17). But, of course! If economists consciously exclude power from their models, they will inevitably fail to understand what is going on in the world.

After a superficial discussion of the consequences of uneven distribution of power on both the domestic and international levels, Lindbeck concludes: "I think it is hard to deny that economists have had little to say about such problems, that is, about the relation between economic power and the political process" (p. 20). Later in the book, he himself serves as a good illustration of the economist's inability to say anything about questions involving power and the economy. Taking up the subject of imperialism again, he considers the view that the poverty of the underdeveloped countries "to a considerable extent is 'caused' by the affluence of rich countries and by the activities of capitalist firms in underdeveloped countries." Given what Lindbeck himself has said previously about the competence of economists in these matters, we are hardly surprised that the economics paradigm allows him only to find this "a belief that is quite difficult to prove or disprove" (p. 32).

Let us now draw up Lindbeck's balance sheet for economics in a table. It is our contention that the items on the positive side of the balance sheet that form the basic tool kit of economics are insufficient for dealing with the New Left's questions. They relate exclusively to the sphere of circulation and thus cover only an arbitrarily circumscribed area of economic phenomena. Within this framework the economist is constrained to move in one dimension back and forth along a continuum with free markets at one end and central planning at the other.

6. The practical shortcomings of the economists' approach are reflected in the sense of futility that pervades Lindbeck's description of his own proposal to reduce income inequality by expanding education: "However, then we are in the world of conventional liberal-social democratic policies, in which various kinds of inequalities in the distribution of income have always, though not necessarily successfully, been fought in this way (or at least it has been proposed to have them so fought)," (p. 58).

Question	Included in Economics	Excluded from Economics
Distribution	Marginal productivity theory	Distribution of power Class struggle
Tastes — allocation	Assumption of given preferences exogenously determined Theory of efficient allocation of resources	Endogenous preference change Development of needs through productive activity
The quality of life: environment working conditions decision making	Theory of external effects	Drive to accumulate capital Capital-labor relationship
Large vs small changes	Marginal analysis Comparative economic systems	Transformation of systems Contradictions (dialectical anal- ysis)
Political considerations		Distribution of power and its role in the economy

But the capitalist process of production taken as a whole represents a synthesis of production and circulation. If we wish to understand the roots of the evils in our society and assess the possibilities of going beyond capitalism, we must be able to move also in the second dimension of production relations. This involves an analysis of the excluded items on Lindbeck's balance sheet, which, taken together, form the basis of the Marxian paradigm.

#### THE MARXIAN PARADIGM

The Marxian system begins with the process of production. In every mode of production, labor and means of production are united to produce output. But it is the specific manner in which this union is accomplished that distinguishes the different socioeconomic formations from one another. Under capitalism they are united through the wage-labor contract under which the laborer alienates his labor power and agrees to submit to the control of the capitalist or his representative during the process of production.

In the market the laborer was a "free agent" who owned his own labor power and dealt with the capitalist on equivalent footing in pursuit of his own private interest. The bargain completed, however, he finds himself no longer free or equal or a property owner or an individual but a subordinate in an authoritarian hierarchy working with and on materials he does not own in a collective process of production.

The dualism between freedom in the marketplace and authoritarianism in the workplace is the essential characteristic of capitalist society. If the marketplace furnishes the economist with the model to justify capitalism in terms of freedom, equality, possession, and individualism, the actual conditions of work furnish the New Left with the critique of capitalism (with its nonfreedom and nonequality) as well as the clues to a future society (with a non-possessive and nonindividualistic organization of work).

When the worker sells his labor, he in effect surrenders his freedom; but this does not mean that he passively accepts capitalist production. The laborer's daily work is involuntary, and so each day involves a struggle between capital and laborer. The capitalist tries to get the worker to do something he or she does not want to do; the worker tries to resist doing it. In Volume I of *Capital*, Marx analyzes the capitalist system of production in terms of this constant struggle, showing the forms of resistance put up by the workers and the types of pressure (e.g., organization, introduction of machinery, social legislation) devised by the capitalist to maintain control over the workers' labor time. These problems, which lie outside the market sphere, are hardly touched on at all in the modern economics curriculum. Although detailed and explicit discussion of them can be found in the literature of corporate organization, personal relations, industrial sociology, and psychology, they are always approached from the point of view of control rather than resistance. One of the tasks of radical social scientists is to turn this literature on its head and develop counter-organization theories in continuation of Marx's work.

How does the market fit into this? In the market numerous buyers and sellers confront each other under more or less competitive conditions and exchange commodities according to the laws of supply and demand. This aspect has been extensively analyzed by economists. But they have neglected a second aspect: the constraints placed on the market outcomes by the need to maintain the capitalist nature of production. Volume II of *Capital* attempts to deal with this problem by showing how the circular flow of goods and money reproduces the capital-labor relation — i.e., results in a distribution of income and wealth such that the capitalists end up again owning the means of production and the laborers end up again having to sell their labor in order to live. The wage must be sufficiently high to maintain the laborer but not high enough to allow him to become a capitalist. For example, if wages rise and eat into profits, investment dries up, growth slows down and unemployment

results. This exerts a downward pressure on wage demands, restores the rate of profit, and allows the capitalist system to go on.

When we examine the interconnections between markets and production, it becomes clear that we cannot restrict our methodology to the economic plane alone — consideration must be given to the political and ideological planes as well. It is only by breaking the ties that bind circulation and production together that economists can ignore the relations between economic and political power.

Since capitalism requires unequal relations of dominance and subordination in production, the game of the market must be a loaded game. The players begin with unequal endowments of wealth and education and at the end of play find themselves in much the same relative position as before. Of course a certain degree of mobility exists: a small number of people change ranks; but in cycle after cycle over the last two hundred years, the pyramid has remained a pyramid. In each round the top 10 percent of the population gets from 30 to 40 percent of the take, the bottom two thirds get only one third. The players are then ready to play again in production — the poor to work, the middle to manage, the rich to accumulate.

In one section of his book, Lindbeck abhors the existing distribution of income and wealth and proposes that it be made more equal. Here he is thinking at the level of the market: if we can somehow make the distribution of human capital more equal, people will be able to exchange their skills for relatively equal amounts of income. (Cf. Lindbeck, pp. 57–58.) However, in other places he favors maintaining wage differentials and relying on material incentives to get people to work. He can see wage differentials only “as incentives for efficiency, education, and training, or as a method of allocating labor to different jobs” (p. 69). We see them as necessary to the continuation of the capitalist mode of production.

Much force was needed to bring this system into being. Though economists have generally overlooked its brutal origins during the period of primitive accumulation in the sixteenth and seventeenth centuries, we can today see in the underdeveloped countries a replay of the violence of modernization. Pacification of the countryside, the police state, the pass system are the seeds and fertilization from which a free market is growing in the “backward” areas.

Once free markets are established, force takes on more respectable forms. One of these respectable forms is the education system where people are trained to accept competition, discipline, authoritarianism, rigid schedules in preparation for life in capitalist pro-

duction. This form of coercive socialization has been of particular interest to the New Left and is being extensively investigated by radical economists using the tools of class analysis rather than the market methodology of human capital.<sup>7</sup>

Another respectable form of coercion is the propagation of ideologies that disguise the nature of human relations in our society. In our view, economics is one of the most important of these ideologies. By concentrating on market relations that mask the real nature of the transaction between capital and labor, economists have mystified the economic processes in our society and hindered the development of analytical tools for going beyond them.

While economists have focused on the relation between things — e.g., the price of apples in terms of bananas — Marx has pierced the veil of the market to discover its connection to the relations between people. Having started from an analysis of production in Volume I of *Capital* and traced through its connection of circulation in Volume II, he returns in Volume III to the various forms capital assumes on the surface of society (in the actions of different capitals upon one another, in competition) and in the ordinary consciousness of the agents of production. In production, the capitalist is acutely conscious of the relation between himself and the laborer — but in circulation he is more concerned with his competitive relations with other capitalists. This concern leads to various illusions about the nature of the economy that serve in part to maintain the system by confusing the issues and in part to undermine the system by rendering it unable to handle continued economic progress. We cannot here describe these illusions in detail. We can only mention in passing the basic bias in the market relation in exaggerating the role of capitalist cunning and entrepreneurship and downgrading the importance of labor cooperation in advancing civilization. It is because of this set of blinders, according to Marx, that “The capitalist mode of production is generally, despite all its niggardliness, altogether too prodigal with its human material, just as, conversely, thanks to its method of distribution of products through commerce and manner of competition,

7. See Herbert Gintis, “Education, Technology, and the Characteristics of Worker Productivity,” *American Economic Review*, LXI, No. 2 (May 1971), and “Towards a Political Economy of Education,” *Harvard Educational Review*, LXII, No. 1 (Feb. 1972), 70–96. See also: Samuel Bowles, “Unequal Education and the Reproduction of the Social Division of Labor,” *Review of Radical Political Economics*, III, No. 4 (Fall/Winter 1971), and “Contradictions in U.S. Higher Education,” in Richard Edwards, Michael Reich and Thomas Weisskopf, eds., *The Capitalist System* (Englewood Cliffs, N.J.: Prentice-Hall, 1972).

it is very prodigal with its material means, and loses for society what it gains for the individual capitalist."<sup>8</sup>

#### CONCLUSION

In closing, let us return to consider the relevance of the two paradigms to the questions posed by the New Left. We remember that Lindbeck originally accepted the questions of the New Left and promised to show how economics can be applied to "its critique of present-day capitalist societies . . . and the vision of how the economy should be *reorganized*" (p. 6, italics added). By the end of the book, however, he has indicated his acceptance of the "mixed economy" — i.e., the capitalist Welfare State — and argued that the only trouble with the United States is that it is underdeveloped! Thus, recalling our original metaphor, we find that the aim of Lindbeck's flashlight has induced him to change the questions.

As Lindbeck himself pointed out, the more you immerse yourself in the economics paradigm, the more conservative you become: "It is probably . . . true that many years of studying economics tend to increase respect for decentralization and markets" (p. 26). All problems become "market failures," and all solutions take the form of government intervention. But whatever is done, it must not interfere with the making of profits: "As economists have long tried to show, it is very difficult to find a better *criterion* for efficiency in the allocation of resources, in accordance with given consumer preferences, than that of production being directed according to profit prospects . . ." (pp. 70–71).

The Marxian paradigm offers an alternative perspective and produces a different set of answers. It shows that capitalism, because it is based on private property and promotes an individualist point of view, places strict limits on how much government interference it will tolerate. It argues that as the system advances, the contradiction between its social nature and its private organization becomes increasingly intense. And it recommends that we supersede the mode of production based on wage labor by striving consciously to control our own everyday life in production as well as in consumption.

The growing emphasis on econometrics should make economists increasingly aware of the biases and incorrect policy proposals that result from models that exclude important variables and equations. We have tried to show in this article that the balance sheet drawn

up by Lindbeck accurately represents the serious misspecification problem of the economics paradigm. We hope that Lindbeck's book stimulates a fruitful dialogue between radical and traditional economists on how to go beyond our present limitations in thought and action.

NEW SCHOOL FOR SOCIAL RESEARCH

8. *Capital*, Vol. III (New York: International Publishers, 1967), pp. 86–87.