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Theses on Weisskopf

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PREFACE

This working paper is one of a collection of papers, most of which were prepared for and presented at a festschrift conference to honor the life's work of Professor Thomas Weisskopf of the University of Michigan, Ann Arbor. The conference took place on September 30 - October 1, 2011 at the Political Economy Research Institute, University of Massachusetts, Amherst. The full collection of papers will be published by Elgar Edward Publishing in February 2013 as a festschrift volume titled, *Capitalism on Trial: Explorations in the Tradition of Thomas E. Weisskopf*. The volume's editors are Jeannette Wicks-Lim and Robert Pollin of PERI.

Since the early 1970s, Tom Weisskopf has been challenging the foundations of mainstream economics and, still more fundamentally, the nature and logic of capitalism. That is, Weisskopf began putting capitalism on trial over 40 years ago. He rapidly established himself as a major contributor within the newly emerging field of radical economics and has remained a giant in the field ever since. The hallmarks of his work are his powerful commitments to both egalitarianism as a moral imperative and rigorous research standards as a means.

We chose the themes and contributors for this working paper series, and the upcoming festschrift, to reflect the main areas of work on which Tom Weisskopf has focused, with the aim of extending research in these areas in productive new directions. The series is divided into eight sections, including closing reflections by our honoree himself, Professor Weisskopf. Each section except for the last includes comments by discussants as well as the papers themselves.

The eight sections are as follows:

1. Reflections on Thomas Weisskopf's Contributions to Political Economy
2. Issues in Developing Economies
3. Power Dynamics in Capitalism
4. Trends in U.S. Labor Markets
5. Discrimination and the Role of Affirmative Action Policies
6. Macroeconomic Issues in the United States
7. Applications of Marxist Economic Theory
8. Reflections by Thomas Weisskopf

This working paper is 2 of 3 included in Section 1.

- Jeannette Wicks-Lim and Robert Pollin

Theses on Weisskopf

Robert Pollin[1]

The following 10 theses are the result of reflections regarding Tom Weisskopf's extraordinary body of work in economics over the past 40 years.

1. KARL MARX'S 11TH THESIS ON FEUERBACH IS WRONG.

In 1845, Marx famously concluded his *Theses on Feuerbach* by declaring that "The philosophers have only interpreted the world in various ways; the point is to change it."

Since this statement was first published by Engels in 1886, it has given inspiration to all kinds of people committed to the political left—that is, to people who embrace the ideals of egalitarianism and democracy and are ready to fight for these ideals in the trenches of real-world politics.

Generations of leftist scholars, conducting research in a wide variety of fields, constitute a significant share of the people inspired by Marx's 11th thesis on Feuerbach. This is despite the fact that most leftist scholars devote the bulk of their working lives to the task of interpreting the world in various ways, whether or not they succeed in changing it. I would include Tom Weisskopf and Karl Marx himself as among the leftist scholars who have devoted most of their working lives to interpreting the world, as opposed being directly engaged in changing it. Few, if any, scholars have done more to change the world than Marx, in both good and some bad, if unintended, ways. But the only reason that Marx has exerted a profound influence in changing the world is that his voluminous works of interpreting the world were themselves profound.

Thus, if one has any aspiration to change the world for the better, one needs to work from a solid foundation of ideas and knowledge. The projects of interpreting the world and changing it for the better are inextricably bound.

2. RADICAL ECONOMICS IS A GREAT ENDEAVOR WITH AN OUTMODED NAME.

In a 1971 article in the Indian journal *Economic and Political Weekly* titled "Growth of Radical Economics in the U.S.," Tom Weisskopf wrote:

> The radical wants to understand better why poverty, racism and sexism persist in the United States, why American troops and bombs continue to be sent to distant lands to wreak havoc on innocent people, why the natural environment is destroyed in the name of progress, why increasing wealth does not appear to lead to greater human welfare but only to a heightened sense of alienation on the job, in the community and at home. The radical suspects that these problems are in fact deeply rooted in the basic institutions of American capitalism. To understand and to combat these problems, the radical requires an analysis of the fundamental nature, structure and dynamics of that society (1971, p. 2015).

Reflecting on Weisskopf's observation 40 years later, I am struck by how little one needs to change about this statement in terms of defining the radical economics project. The world has certainly changed over the past 40 years, in some ways for the better. Racism and sexism have diminished somewhat relative to 1971, though they persist as fundamental problems. The official U.S. poverty rate as of this writing, at 15.1 percent, is now fully three percentage points higher than in 1971. 46 million U.S. residents now live below the official poverty line, the highest figure since such statistics began being collected. In 2007, just prior to the onset of the economic crisis, the share of income going to the richest one percent of households reached its highest point since 1928. The U.S. is still dropping bombs on innocent people and still destroying the environment. We should take little solace in the fact that fewer innocent people have died in Iraq and Afghanistan than Vietnam, and that the environment is now being despoiled at a slower rate than in 1971.

The need for a radical economic and social transformation to overcome these problems is just as urgent now as it was in 1971. Moreover, all of these problems result, to a major extent, from the operations of capitalism in the United States, though they are certainly not entirely economic in nature. To the extent they are economic problems, I think it is fair to say there is little hope of overcoming them in the absence of a body of research that grapples with them from the perspective of radical economics. That is, if we want to change the world for the better, a necessary but not sufficient condition for achieving likely success is that radical economists do their job well.

But what does it mean for radical economists to do their job well? The first thing that needs sorting out is the relationship between political commitment, ideology, and research standards. That is, while a vision of social and economic injustice under capitalism certainly compels radical economists into undertaking research projects in the first place, the only way to make that research persuasive and effective for changing the world is to ground it firmly within rigorous research methods. Joseph Schumpeter (1954) explored insightfully this relationship between analysis and what he termed "pre-analytic vision," writing that, "Analytic work begins with material provided by our vision of things, and this vision is ideological almost by definition. It embodies the picture of things as we see them, and whenever there is any possible motive for wishing to see them in a given rather than another light, the way in which we see things can hardly be distinguished from the way in which we wish to see them." But then Schumpeter also emphasizes that "We also observe that the rules of procedure that we apply in our analytic work are almost as much exempt from ideological influence as vision is subject to it….They tend to crush out ideologically conditioned error from the visions from which we start," (1954, pp. 42-3).

In fact, Schumpeter placed excessive faith in the capacity of scientific procedures to overcome ideology in determining what research will receive the scientific seal of approval from the professional mainstream. Consider just the core area of "rational expectations" macroeconomics, which has been at the heart of professional economics work for a generation. This research literature offered sweeping claims about the self-regulating capacity of markets and the inevitable ineptitude of government interventions to promote full employment. But this was without having bothered to develop, just for starters, anything remotely resembling serious research on how real-life humans actually form expectations, rational or otherwise.[2] But Schumpeter's broader point still holds. To do their job well, radical economists will of course need to remain motivated by their visions of both just and unjust social structures and outcomes. At the same time, the most effective way to live by these commitments through their research is to embrace as much as possible, as Schumpeter put it, rules of procedure that are exempt from ideological influence.

What about the name "radical economics?" It was a good fit in the late 1960s when the Union for Radical Political Economics (URPE) was founded by Tom Weisskopf and others, since the precise meaning of the word "radical" connotes getting to the root of something. But more recently the term has been commonly used to describe various types of extremists, including those of the "radical right." The terms "progressive" and "heterodox" have emerged in places as substitutes. But "heterodox" implies no political orientation, while "progressive" is more descriptive of policy conclusions rather than research commitments. Many members of the radical economics community do self-describe as "Marxist economists." But I find it hard to think of Tom Weisskopf, for instance, as strictly a Marxist, since he clearly has learned a lot from Marx but just as much from other authors. We have a similar problem with Karl Marx himself, who openly declared that "I am not a Marxist" precisely to fight against people using his work dogmatically. I do not have a solution, other than to suggest we just proceed with our work, look out for new possibilities, and not worry about it too much otherwise. As Gertrude Stein observed, "a rose is a rose by any other name."

3. ONE MAJOR REASON WHY RADICAL ECONOMICS IS A GREAT ENDEAVOR IS THAT TOM WEISSKOPF HAS BEEN CONTRIBUTING TO IT FOR MORE THAN 40 YEARS.

Tom Weisskopf has been a central contributor to radical economics, first of all, by his very early explorations that articulated forcefully what the radical economics project was all about. He has also written textbooks as well edited collections of papers that made this approach accessible to students throughout the world. But important as this work has been, Weisskopf's most significant contributions have been through his research work, addressing four fundamental sets of issues:

Third World Development and First-World—especially U.S.—Imperialism. Before he became committed to a radical economic agenda, Weisskopf's early work was in development. He soon came to believe that the overarching barrier preventing development was U.S. imperialism. He thus was among the first to synthesize a radical perspective on third world development with an economic critique of U.S. imperialism.

Neo-Marxian Crisis Theory and Social Structures of Accumulation Analysis. There have been many contributors to Marxian crisis theory over the past 150 years, including Rosa Luxemburg, Michal Kalecki, and more recently Paul Sweezy, Glyn and Sutcliffe, Boddy and Crotty, John Roemer and Anwar Shaikh. What set Weisskopf apart from this eminent group was that he established a new level of clarity and discipline into the literature through his highly original formal modeling and empirical methods. Having accomplished this, Weisskopf then joined with Sam Bowles and David Gordon to advance the Social Structures of Accumulation (SSA) mode of analysis. This anchored the neo-Marxian approach closer to the ground by taking history and institutions seriously.

Democratic Market Socialism. The overwhelming global response to the fall of the Berlin Wall and collapse of the Soviet Union in 1989 was to declare socialism dead. But there were also many on the left who saw this moment as a vindication of their longstanding critiques of Soviet-style socialism and an historic opportunity to renew the project of creating democratic egalitarian societies—that is, the only the types of societies that deserve to be called "socialist." Tom Weisskopf almost immediately became a leading contributor to this project of, as he himself put it in the title for one of his papers, exploring "A Socialism for the Future in the Wake of the Demise of the Socialism of the Past," (1992). His approach was to begin a new set of explorations around the concept of market socialism. This is an economy in which, for the most part, prices are set and resources are allocated by business firms engaged in competitive market activities. What distinguishes a market socialist economy as *socialist* is that there are limits on the levels of private ownership of businesses. After 1989, Weisskopf saw market socialism as offering the prospect of a relatively gentle incremental adjustment out of Eastern Europe's Communist administrative command system, as opposed to the 'shock therapy' approach of embracing raw capitalism without any institutional framework to support such a system.

Affirmative Action. Debates around affirmative action policies—or what Tom Weisskopf calls "positive discrimination" measures in his extensive writings on this topic since the early 2000s—have long been highly charged, and for good reason. On the one hand, such policies aim to attack patterns of racism that have marginalized and brutalized members of ethnically disadvantaged groups for centuries. On the other hand, the approach to redressing such historic and ongoing crimes is to discriminate in favor of disadvantaged groups, in areas such as university admissions standards and job opportunities, relative to members of ethnically advantaged groups, even if the particular members of the advantaged ethnic groups who now face reverse discrimination have not themselves personally received advantages.

Weisskopf's involvement with this issue emerged out of debates taking place at his own longtime workplace, the campus of the University of Michigan, in particular around admissions policies for the law school. Through participating in the debates at Ann Arbor, Weisskopf found that the body of high-quality scholarship on this topic that moved beyond broad philosophical principles was limited. Thus, similar to his initial engagement with Marxian crisis theory, Weisskopf pursued the task of reformulating the broad principles being debated into a series of sharply specified questions. In addition, he examined the question on a comparative basis—considering positive discrimination policies in both the United States and India, where they have been practiced since the early 1950s. This comparative approach helped to further break down the broad philosophical issues into specific questions facing distinct societies in different historical circumstances.

4. YOU WILL LEARN BY STUDYING WEISSKOPF, WHETHER YOU AGREE WITH HIM OR NOT.

This will become evident in what follows.

5. MANY UNDERDEVELOPED COUNTRIES OF THE 1960S COULD AND DID GROW UNDER CAPITALISM AND U.S. IMPERIALISM, BUT WEISSKOPF WAS STILL MORE RIGHT THAN WRONG.

In a 1973 article focused on India, Weisskopf concluded that:

> In the absence of a revolutionary transformation of the domestic class structure, an ex-colonial underdeveloped country faces a choice between economic stagnation or economic dependence on the major capitalist powers. The latter course opens the country to Western imperialist influence, which in turn reinforces the dependency relationship by strengthening those domestic classes most interested in a Western-oriented capitalist path of economic

> growth. Thus, dependence and imperialism and closely woven together in the fabric of international capitalism, (1973, p. 75).

With the benefit of 40 years of hindsight, we now know that, starting with South Korea, Taiwan, Hong Kong and Singapore, the original Asian Tiger economies, many developing countries, including Brazil along with other Asian countries, have grown at generally healthy rates within a global economy that is decidedly capitalist and dominated politically by U.S. imperialism. Average living standards in the original Asian Tiger countries are now roughly on par with or higher than those in Greece, Portugal and Eastern Europe, and the gap will almost certainly be growing as the Great Recession continues to batter Europe but not Asia. More recently, China and India—the two most populous countries in the world—have also experienced dramatic advances in economic growth, and have also been mainly sheltered from the worst effects of the global crisis, all while participating expansively in the global capitalist economy.

It is therefore clear that Weisskopf's writings in the early 1970s, along with those of many other leading leftist economists of that period such as Paul Baran and Andre Gunder Frank, were wrong about a key aspect of dependency theory—that underdeveloped countries would not be able to sustain a solid growth trajectory as long as they were closely aligned with global capitalism and U.S. imperialism. Moreover, it is undeniable that one of the primary engines of sustained growth for these countries was success in global export markets—that is, through becoming increasingly integrated in the global economy as opposed to insulating themselves from global market competition.

But there are important areas in which the perspectives advanced by Weisskopf and others still hold firm. The first is that the growth in these countries was certainly not achieved through following a free market capitalist model. It was rather a result of extensive levels of economic planning and industrial policies. These policy interventions included heavily subsidizing technology transfers and manufacturing investments, supporting firms that were succeeding as exporters, and maintaining tight control over their financial systems[3].

All such initiatives were well encapsulated in Amsden's phrase "getting prices wrong." Amsden (2001) meant by this that if producers in less developed economies could not succeed as competitors at existing global market prices, they should not then simply surrender a potential market opportunity because the orthodox theory of comparative advantage would endorse such a course of action. The role of government policy was rather to support and cajole private businesses as well as mixed public-private firms, through subsidies, infrastructure investments and other measures, to produce at higher quality and lower costs, so they could deliver acceptable products at lower prices. The lesson is that the real barrier to economic growth was never capitalism per se, or even U.S. imperialism per se, but rather neo-liberal capitalism. Neoliberal policies applied to less developed countries was the proposition that underdeveloped countries would grow on the basis of "getting prices right"—that is, through countries discovering their particular niche in the global comparative advantage hierarchy as established by the bracing regimen of free trade, unsubsidized domestic enterprises, free flows of foreign direct investment and finance capital, and unregulated domestic financial markets.

Weisskopf also was right in 1973 when he posed the question, with India specifically in mind, that even if the obstacles to growth imposed by capitalism and U.S. imperialism could be overcome, "what kind of growth does capitalism offer a country like India?" Weisskopf argued that unbridled capitalist growth in India would produce: 1) mass unemployment, as farmers are forced to leave agriculture but are unable to find adequate job opportunities in either manufacturing or services; 2) ever widening inequalities of income and wealth, due to the rise in unemployment along with the expanding growing gains for society's privileged strata; and 3) a breakdown of traditional norms and institutions of community and solidarity, without adequate alternative forms of social protection emerging as substitutes.

What Weisskopf described in 1973 is indeed the broad pattern of social development that both China and India have experienced during their high-growth era. Yet as an important contrast, South Korea and Taiwan implemented measures capable of preventing excesses of inequality accompanying their growth experience. The key factors here were land reform, extensive pension systems supported by public policy, widespread access to decent-quality public education, as well as long-term employment contracts for those with jobs, with wage increases generally linked to productivity gains. At the same time, it is important to recognize that these policies were implemented alongside generally repressive policies toward labor unions and weak, and often non-existent, commitments to democratic institutions and practices. As such, the political dynamics pushing these models forward, including the cross-currents and pressures created by the cold war, were fraught with contradictions.[4] In terms of developing a sustainable growth trajectory for China and India, the biggest single challenge is to enable wages to rise and incomes to equalize, which in turn will provide a strong undergirding to the growth of domestic markets—that is, to establish a wage-led growth model not unlike that which Weisskopf and his co-authors proposed for the United States in the 1980s.

6. THERE IS NO SUCH THING AS AN ECONOMIC CRISIS INDEPENDENT OF A FINANCIAL CRISIS.

Weisskopf's initial major contributions to understanding economic crises was his work modeling alternative sources of profitability decline within the post World War II U.S. economy (1979). From that strong foundation, he then moved into a much more institutional and historical approach, working frequently on this with Sam Bowles and David Gordon, sometimes with other collaborators, as well as on his own (e.g. Bowles, Gordon, and Weisskopf 1984, 1986, 1991).

Examining these historical and institutional questions was a major step forward in bringing the debates that had been structured around Marx's analytic framework much closer to the day-to-day realities of U.S. economic life. This expanded research agenda yielded important new perspectives on the dynamics of capital-labor relations, the economic effects of U.S. dominance in the global economy, and the rise of citizen movements, such as the environmental movement, which were capable of constraining corporate profitability by increasing business regulations. Weisskopf's collaborator David Gordon introduced the term Social Structures of Accumulation (SSA) to describe this analytic approach.

Despite the substantial contributions that emerged from this work, it was also true that Weisskopf and his collaborators overlooked a fundamental feature of the overall historical and institutional landscape. This was the role of financial markets and institutions. Of course, looking backward, it is easy to see this gap in Weisskopf's work in the aftermath of the 2008-09 financial crisis and Great Recession. Such neglect of financial issues was also prevalent among radical economists in the 1970s and 1980s. Nevertheless, in terms of understanding the causes of profitability decline, as well as the sources of instability and crisis, there are at least five major reasons why it is necessary to incorporate the financial system into the analysis of economic crises. These are as follows:

A. If a first task with crisis theory is to understand the movements of the aggregate profit rate, one needs to be able to explain the sources of profits flowing to financial institutions. Marx, for one, defined his circuit of money capital—M→M'—in which profits appear to be generated through mere trading. This is in contrast with the circuit of productive capital—M→ C→ (MP + LP) → C'→ M'. With the circuit of productive capital, we see clearly how surplus value is generated through exploiting labor in the production process. Does the M→M' circuit merely represent one capitalist extracting a capital gain at the expense of other capitalists? Or is the M→M' circuit simply the most visible top layer of a set of structural changes occurring within the productive circuit of the economy? Operating strictly at a theoretical level for the moment, one cannot explain the movements of the aggregate profit rate without giving at least some attention to these issues.[5]

B. In terms of measuring profitability empirically, we of course need to settle on how exactly we are defining profits before proceeding further with the analysis of observed trends. Marx's own definitions usefully divides overall profits into two components: 1) the profits that are generated within productive nonfinancial enterprises and retained there, what Marx called "enterprise profits"; and 2) those profits that are generated at the level of productive enterprises, but get siphoned away from nonfinancial firms and into the banks' coffers as interest payments. Once we recognize this distinction between enterprise profits and interest payments, it then becomes clear that the observed fall in enterprise profits could be occurring simply because financial capitalists are getting a growing share of overall profits, with nonfinancial enterprises correspondingly receiving a smaller share. Before we can consider sources of aggregate profitability decline, we do have to be clear on how much this diversion of total profits into interest payments is affecting the trend for enterprise profits.[6]

C. Financial bubbles—in which overoptimistic assessments of new profit opportunities leading to large-scale overleveraging and persistently rising asset prices—have been endemic throughout the history of capitalism. "Hardy perennials" was the term Charles Kindleberger used in his classic 1978 book, *Manias, Panics and Crashes*, which developed historical perspectives on crises derived from Hyman Minsky's theoretical framework. Given this historical experience, it is simply not possible to tell a full story about the history and institutions associated with economic crises, broadly understood, if one neglects the role of financial history and institutions. This is true regardless of how one might see causation running between financial and non-financial factors in explaining the emergence and trajectory of crises.

D. In terms of causal forces in generating crises, there is also at least one critical issue to raise in exploring the nexus between financial and non-financial forces. That is, considered on its own, there is no reason to assume that a decline in the average aggregate rate of profit will cause an economic crisis as opposed to inducing only a slower rate of balanced growth. Building from discussions in Marx, Crotty explored this point in a 1985 paper. Crotty argued that what transforms a decline in average profitability into a crisis is that a chain of financial commitments has gotten formed based on assumptions that the rate of profit will remain at the high levels that had emerged during the bubble. If actual profit flows become significantly lower than those prevailing during the upswing, this then makes the economy increasingly vulnerable to the effects of defaults at any point along this full chain of financial commitments. This is how an incremental fall in the average profit rate can lead to a full-scale economic crisis.

E. We cannot understand the resolution of crises unless we take seriously financial bailouts as a policy tool. Considering just the United States experience, the massive bailouts in 2008-09 engineered through both the U.S. Treasury and Federal Reserve were widely derided. But in fact, without such bailouts, both the U.S. and global economies would have experienced a far more severe crisis than the one that resulted, which has been, of course, quite serious enough. The 2008-09 bailouts were also no aberration from past recent experiences. Bailouts have rather been the most important policy interventions in dealing with the 1987 Wall Street crash, the 1989-90 Savings and Loans collapse, the 1997-98 Asian crisis and collapse of Long-Term Capital Management, as well as the bursting of the dot.com bubble in 2001.[7]

A broader analytic issue also comes into play here. If such bailouts had not occurred, and thus if the consequences of economic crises had been significantly more severe than they actually ended up being, this would likely have exerted some significant influence over public opinion as to the stability, sustainability, and desirability of capitalism. Certainly the average person, but perhaps even policymakers, and maybe even a few mainstream economists, would have been more likely to put capitalism as a system on trial. Seen from the another angle, precisely because the bailouts have worked basically as intended, they have allowed the majority of mainstream economists, policymakers and the population in general to avoid asking hard questions about the stability of capitalism as a system.

7. THE BEST EMPIRICAL TESTS ARE ALMOST ALWAYS THE SIMPLEST ONES.

Weisskopf's 1979 article in the *Cambridge Journal of Economics* was a masterpiece of empirical economics, probably the first one that came directly out of the radical economics literature. It was the first effort to use empirical modeling to systematically compare alternative Marxian explanations for the decline in profitability of U.S. corporations that began in the mid-1960s relative to the previous 20 years after World War II. There had certainly been many prior efforts at utilizing Marx's three distinct explanations for the decline in profitability—i.e. the rise in the profit share for labor income relative to capital income (the profit squeeze approach); a weakening of market demand relative to the economy's productive capacity (underconsumptionism); and the rise in investment in plant and equipment relative to the profits that could be generated by this capital stock expansion (rising organic composition of capital). There had also been some valuable previous efforts to empirically examine the factors behind the profitability decline, both in the U.S. and elsewhere. But Weisskopf's paper was pathbreaking because it provided the first framework through which one could directly compare the empirical strengths of each of the alternative approaches against one another.

The single most compelling feature of Weisskopf's approach in this paper was its clarity and simplicity. In his effort to accurately encapsulate, as he put it, "the extensive Marxian literature on capitalist crises," Weisskopf introduced an equation for the aggregate rate of profit, which he then decomposed into three component ratios. Each of the three ratios captured some essential features—though certainly not all features—of each of the Marxian approaches.

Weisskopf's equation for the rate of profit was as follows:

$$\varrho = (\Pi/K) \times (Y/Z) \times (Z/K)$$

where Π measures the volume of profits; K measures the capital stock; Y measures the actual output (or income); and Z measures potential output (or capacity). Thus, the aggregate rate of profit in this equation is definitionally equal to the product of the share of profits in income, the rate of capacity utilization, and the capacity/capital ratio. As Weisskopf put it, "Each of the three variants of Marxian crisis theory can be shown to focus on different elements in [this equation] as the initial source of decline in the rate of profit," (1979, p. 342). Within this simple framework, the paper explores in considerable depth each of the three explanations for profitability decline, including through further decompositions, as these became useful for expanding on his arguments.

One could certainly raise issues with Weisskopf's approach, and many people did so. One issue was whether one could accurately capture the main features of the Marxian arguments through relying on conventional data categories compiled within the national income accounts. Another issue, more serious in my view, was that the decomposition exercise was not capable of measuring potential causal and interactive relationships between these different effects as they unfolded over time. For example, a long-term trend stagnation in the growth of market demand, even if modest on a year-to-year basis, could be capable of establishing a ceiling for how high the profit share could rise at any given time. This could be true even while in terms of time sequencing and annual data that we observe, the decline in the profit share could dominate over the annual decline in the rate of capacity utilization within the overall movement in the profit rate. But regardless of such specific issues, Weisskopf's model succeeded in reshaping the terms of the debate and the methods for addressing the issues in an empirically rigorous way.

One measure of the strength of Weisskopf's simple modeling approach here is to compare it with the subsequent work he did on the profitability question and economic crisis in the series of publications with Sam Bowles and David Gordon (e.g. 1983, 1986, 1991). This later work certainly enriched the literature by incorporating sharply observed historical and institutional perspectives into an explanation of the long-term profitability decline in the United States beginning in the late 1960s. This later work did also make extensive use of formal empirical methods. But in my view, the formal features of this later work was less effective than Weisskopf's original 1979 paper, in large part because the simple modeling approach in the 1979 paper was not continued in this later work.

For example, in one version of this later work, Bowles, Gordon and Weisskopf developed an econometric model to explain the movements of corporate profitability in the postwar U.S. economy to that point (e.g. Bowles, Gordon and Weisskopf 1986). The explanatory variables in the model sought to capture what they hypothesized were the three basic factors pushing the profit rate down—the rise of workers' power in wage bargaining and at the workplace; the decline of U.S. power globally; and the gathering strength of citizens' movements, which in turn lead to increased business regulation. To represent each of these three factors, their model included up to 13 separate explanatory variables. Some of these were index numbers they had taken from other researchers, such as that which aimed to measure "the intensity of government regulation of business." However, considering this particular index number as a case in point, this measure of regulatory intensity took no account of possible variations in the degree to which regulations were enforced or actually imposing costs on businesses. Of course, Bowles, Gordon and Weisskopf were trying with this modeling approach to quantify a complex set of historical and institutional forces. But in significantly ratcheting up the level of complexity in their model relative to Weisskopf's earlier work, their later models also became much more vulnerable to pitfalls and alternative interpretations. In my view, with even such highly complex institutional considerations at play, their approach would have been more effective if, as much as possible, they had attempted, as with Weisskopf's earlier work, to break down the issues at hand into relatively straightforward empirical descriptions and decompositions.

The spirit of what I am proposing is expressed persuasively in what might seem like an unlikely source, which is an outstanding 1991 paper by Lawrence Summers titled "The Scientific Illusion in Empirical Macroeconomics." Summers writes in this paper that "just as not all demonstrations of virtuosity contribute to knowledge, most empirical work that actually contributes to knowledge does not display the author's capacity for statistical pyrotechnics…In large part, it is its simplicity that makes it persuasive," (1991, p. 146). Albert Einstein made the same point when he said "everything should be made as simple as possible, but not one bit simpler." This remains the fundamental lesson to extract from Weisskopf's classic 1979 paper.

8. PURSUING ETHNIC-BASED AFFIRMATIVE ACTION POLICIES AMID RISING ECONOMIC INEQUALITY IS PERILOUS.

Weisskopf's research in this field to date concludes with a tightly argued and cautious endorsement of affirmative action policies for both the U.S. and India. But less important than Weisskopf's conclusions per se are the characteristically rigorous research methods that he developed to reach those conclusions. For example, he finds that the viability of positive discrimination measures would depend on, among other factors, the extent of the prior discrimination, the magnitude of the preferences being provided, the level of elitism in society, and the job prospects for educated youths in the society.

The most important basis Weisskopf offers in support of affirmative action policies is that they can "bring about greater integration of society's elite, on the premise that society functions more efficiently, more equitably, more democratically, and more harmoniously if its professional, managerial, academic and political elite is ethnically well integrated," (2004 p. 244).

Of course Weisskopf equally supports other policies for promoting economic equality across all ethnic groups—i.e. policies that diminish the gap between the power and privileges of the elite strata and the rest of society. But he does not give adequate attention to a fundamental problem embedded in this dynamic. Consider the circumstance in which affirmative action policies succeed in breaking down barriers to entry for members of ethnic minorities to join the elite social strata, at the same time that the privileges showered on the elite are expanding while the opportunities available to the non-elites of all ethnic backgrounds are under attack. This is the situation that prevails in the United States today (not to speak of other countries for which my knowledge is more limited). In such a situation, it is imperative to not only intensify the fight for universal egalitarian policies as a first priority, but also to firmly link affirmative action initiatives to this broader egalitarian agenda.

Weisskopf does take pains to address this problem, but in the end avoids facing the hard questions. He writes:

> In an ideal world, one would adopt some policies designed to address the ethnicity-group inequalities…and some other policies to address socio-economic class inequalities. One set of policies need not compete with, much less exclude, the other. But these two kinds of policies could be seen as competitive in at least two important aspects: the political energy needed to get them seriously addressed, and the resources needed to implement them, (2004, p. 231).

Weisskopf argues that there should be no shortage of political energy to tackle both issues, since politicians and political movements deal with multiple concerns all the time. With respect to resource constraints, he says that affirmative action policies can be achieved at much lower costs than egalitarian economic policies. This means they can be implemented more quickly and without absorbing resources that could still be deployed for advancing economic equality.

The serious danger here is that unless there are broad groupings in society committed to equality—including a significant share of the economic elite—the growing gap between the elite and everyone else will, with justification, deepen class resentments. This then erodes the support for affirmative action, following Weisskopf's own standard that the viability of affirmative action policies diminish when elitism is more severe. This is true even in cases when affirmative action policies are not geared toward opening membership to society's elite strata, but rather to broadening opportunities at non-elite levels. For example, male construction workers will be much more open to affirmation action measures to support women getting hired into construction jobs when there is an abundance of jobs available for both men and women. Amid mass unemployment, the political case for affirmative action is still legitimate in principle, but is certain to meet with stiff resistance in practice. It is thus imperative to connect affirmative action policies with a broader egalitarian commitment and not allow the two to become separated.

9. SOCIALISM REMAINS A GREAT EMANCIPATORY PROJECT, AS LONG IT IS UNDERSTOOD TO BE A SERIES OF EXPLORATIONS AND CHALLENGES RATHER THAN A SET OF OFF-THE-SHELF ANSWERS.

Weisskopf wrote as follows in 1991:

> Market socialism seeks to promote socialist goals of equity, democracy and solidarity while largely retaining one major feature of capitalist economies—the market—but largely replacing another major feature of capitalism—private ownership of the means of production. For at least the major sectors an/or the most important enterprises in the economy, market socialists propose some form of *social* ownership of enterprises," (1991, p. 8).

This concept of market socialism was certainly not new, a variant of which had been developed conceptually as early as 1936 by Oscar Lange in his famous debate with Frederick Hayek around the prospects for advancing a workable socialist economic model.[8] The Yugoslavian economy under Tito operated for 40 years around broad principles of market socialism, and the Soviet Union itself explored this approach under the New Economic Policy during Lenin's last years in the early 1920s and prior to Stalin's takeover of power.[9]

In the particular historic circumstances of the early 1990s, Weisskopf held that developing a viable market socialist model would provide a third way for Eastern Europe after the fall of the Berlin Wall. Weisskopf's idea was that the then existing Eastern European economies could build upon the institutions and norms already in place that supported egalitarianism—job guarantees, small pay differentials, and an extensive welfare state—while eliminating the repressive state apparatus to which the egalitarian institutions had been tightly chained. Weisskopf's approach turned out to be a path not taken in Eastern Europe. But the broader issues he explored about how to organize a viable socialist economy through combining markets and competition with public ownership and other active forms of government intervention remain alive.

This is the case, in my view, because we have reached an historical juncture where we can conclude with confidence that a viable democratic, egalitarian economy will be one which includes markets, competition, self-interest, and even greed. These will operate in combination with institutions, laws and norms that promote social solidarity and restrict market freedoms. The real challenging questions are therefore: what is the right mix; how do we know when we have the right mix; and how do we achieve that mix? These are the precisely the questions that Weisskopf was grappling with as regards Eastern Europe in the 1990s.

As a general matter, the first answer to these questions should be: we don't know, and the only way we will know is through trial and error, amid ongoing struggles in behalf of social and ecological justice—that is, struggles for decent jobs and full employment, to defend the environment, and to maintain a well-functioning welfare state. In other words, slogans and exhortations aside, this is why socialism should be seen as a series of questions and challenges, not as a set of off-the-shelf answers. The model of a "participatory economy" advanced by Michael Albert and Robin Hahnel (1991a, 1991b)—which prohibits allocations through markets and develops highly specific voting systems through which allocations are to be made—is, in my view, an example of socialism as prepackaged answers, assuming we are meant to take their proposals at face value.

By contrast, Weisskopf's development of market socialist models for Eastern Europe in the early 1990s worked with the raw materials of historical experience. At that time, public ownership of the means of production still prevailed in Eastern Europe; and as such, his proposals were building constructively off of that reality. But that historic moment has passed in Eastern Europe and almost everywhere else in the world. As such, the socialist project today will best be served by learning from and building on the models that are still before us. The most notable case here is the social democratic model of Sweden and other Nordic countries.

The Nordic countries have achieved major successes on terms that should matter to socialists. They have succeeded in combining high levels of equality and average living standards while also maintaining expansive economic and political freedoms. Their commitment to environmental stewardship is the strongest in the world, as they produce levels of per capita GDP roughly on par with the United States while emitting roughly half as much greenhouse gases into the environment. They have accomplished these results through political movements achieving victories within the framework of capitalism. This is the place where virtually all countries find themselves today.[10]

This is not to say that the Nordic model is ideal or that its specific features can be readily transferred to other countries facing their own unique history, institutions and political and economic challenges. Indeed, it is more constructive to think in terms of what Robert Heilbroner used to call "slightly imaginary Sweden," (e.g. 1988). With slightly imaginary Sweden, we are still free to muse over own pure visions of just society. But we are then also bound to return from all such reveries to the realities before us. The projects of both envisioning and struggling to achieve versions of slightly imaginary Sweden in as many places in the world as possible would benefit greatly from the Weisskopf project for Eastern Europe in the 1990s—i.e. trying to advance a realistic framework for socialism amid the hard realities of economic and social collapse.

10. RADICAL ECONOMISTS OF THE WORLD UNITE, STANDING ON TOM WEISSKOPF'S SHOULDERS.

Isaac Newton observed in a letter in 1676 that "If I have seen a little further, it is by standing on the shoulders of giants." Radical economics will need to continually advance in creative and sometimes unforeseeable ways, and perhaps under a new name, in order for the fundamental principles of equality, democracy, solidarity, and ecology to have a fighting chance of prevailing over the next generation. Tom Weisskopf's lifetime of work as a radical economist will be an indispensible resource in this great project of building a more humane future.

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[2] Kahneman (2011) summarizes his own pathbreaking research with Tversky as well as that of others that seriously attempts to understand how people form expectations.

[3] Amsden (1989, 2001) are classic references in explaining such approaches to development.

[4] In addition to Amsden's work, additional important references describing these developmental patterns in Taiwan and other East Asian countries in addition to South Korea are Wade (1990), Rodrik, Grossman, and Norman (1995) and Kwon (2007).

[5] Pollin (1996) examines these questions in Marxian analysis.

[6] Pollin (1986-87) examines this issue in the context of the decline in U.S. corporate profitability experienced from the mid-1960s through the 1970s.

[7] Pollin (2009) briefly discusses this pattern with bailouts. The broader analytic point on the centrality of bailouts was advanced most forcefully by Minsky (1982, 1988).

[8] See also Lange and Taylor (1938) and Hayek (1937, 1945).

[9] Cohen (1973) presents a brilliant historical exposition of the debate on the debate in the Soviet Union on the New Economic Policy in this period.

[10] Erixxon (2010) is a good analysis of the Swedish economic model. Sassoon (1996) describes the broader historical setting for the emergence and development of the Nordic social democratic model. Data on greenhouse gas emissions in Sweden and other Nordic countries from U.S. Energy Information Administration (2011).