

**SAMIR AMIN**

## **TALKING ABOUT THE MARKET**

Every honest economics teacher absolutely must make the book written by Rod Hill and Tony M]yatt ([‘The Economics Anti-Textbook’](#), Zed Books, 2010) compulsory reading for their students, fed almost exclusively on the conventional textbooks that are prescribed reading.

An honest teacher is one who contributes to developing the critical spirit in their students. They have to teach them how to deal with doubt, which depends on an open discussion of conflicting positions on any issue. Otherwise, the teacher becomes a bureaucrat, a cog in a brainwashing company. Unfortunately, the majority of our teachers already belong to this category, one in which they are getting further entrenched by espousing the privatisation of ‘research’ which will make them well-paid employees of those who they serve: monopoly capital.

‘The Economics Anti-Textbook’ is written like a standard textbook in its language and style and naturally leads the reader to some major conclusions which I won’t elaborate on (just read the book).

Standard textbooks use a method that eschews the most elementary logic. They don’t ask the real question: does the system (described as the ‘market’, in fact it’s capitalism) exist because it’s rational, or for other reasons? They replace this question with an a priori response, that is, because the system exists, it is rational. Obviously, the adjacent question - what is the nature and what are the limits of this self-evident rationality? - is also ignored in favour of an already-formulated response: it is rational from the standpoint of society, reduced to the sum of the individuals who compose it.

Textbooks are therefore quasi-fundamental religious texts, and nothing else. One has to believe them like one has to believe the biblical story (or dogma) of creation. In Europe during the Middle Ages, or in Saudi Arabia even today, questioning the text means risking one’s life. Descartes, who placed doubt at the origin of critical thinking (non-critical thinking is not thought), thereby flying in the face of the religious dogma of his times, is ignored by conventional economists, dogmatic in the very essence of their approach.

The ‘system’ imagined in textbooks is therefore an imaginary system (what I have called the substitution of real capitalism by an ‘imaginary capitalism’) similar to the story (or stories) of creation. In reality, there is no market economy, only monopoly capitalism.

The moment one raises the question of the rules which govern the passage from ‘micro’ (the rational decision of an individual or a firm) to ‘macro’ (the laws which govern the functioning of the system as a whole), one discovers that the theorems and explanations concocted to understand the micro lose their validity at the macro level. Society therefore, is not the sum of its individuals and this kind of imaginary society cannot possibly function. I will return to this central observation.

‘The Economics Anti-Textbook’ unravels the mechanisms used by textbooks to explain the wages of labour and shows how the reasoning behind is in fact pure and simple tautology. But it’s a useful tautology because it legitimises the exploitation of the labour force by simply eliminating it from the equation. I have nothing to add to this demonstration, which I have myself reproduced in my writings.

‘The Economics Anti-Textbook’ also shows how the reasoning that underpins textbooks eliminates from the outset the thorny question of the cost for ‘some’ and ‘benefit’ for others that is inherent in the use of the planet’s natural resources in any real process of production. The book goes further: it proves that suggestions to integrate externalities in conventional, supposedly rational economic calculations are in fact nothing but subterfuges whose value is at the very least debatable. But these subterfuges are nonetheless very useful because they allow monopoly capital to don ‘a green

cloak', to simultaneously use environmental arguments while looking for new avenues for its destructive expansion. Here too, I have nothing to add to the argument which I have also written about.

A first conclusion would be that textbooks, like all dogmatic texts, are not aimed at forming critical minds, but at brainwashing. Though I am wary of using the term 'totalitarianism' - which can mean everything and nothing at the same time - I don't see why those who use and abuse this kind of condemnation in reference to some kinds of thinking exclude the discourse of the conventional economy.

2

I equally recommend Ha-Joon Chang's book ['23 Things They Don't Tell You About Capitalism'](#) (Allen Lane, 2010).

The author uses a totally different approach. He addresses himself to the wider public and not to economics students. Written in a form and style perfectly suited to his aim, the author singles out 23 widely held ideas about the way the world works, regularly reproduced by the media. He dissects each case and shows why they are wrong, and how their arguments lack rigour and are contradicted by facts on the ground.

So why continue with this critique if Chang's analysis is so convincing? Actually, it's a very useful exercise because the ideas disseminated by the media are, alas, so dominant that they are accepted not just by the defenders of the system but even by many (probably the majority) of its critics.

I would like to draw attention to question 22: 'financial markets need to become less, not more efficient'. Chang demonstrates that the 'rationality' of the inventions of the contemporary credit system is useful only for speculators who made their fortune on it (they are even protected from the risk of devastating losses because they are bailed out by taxpayers' money) but it's destructive for the economy (and hence irrational for society).

3

The authors of these two books could have gone further than they have done. They seem to have decided to stop at what they wanted to demonstrate: that the theories taught to beginner economists and mainstream ideas about the economy were false and had nothing to do with the reality they claimed to analyse. And their superb demonstrations would have perhaps lost their force of conviction if they had gone further. They wanted to lay the seeds of doubt. They succeeded.

Nonetheless it is important to go further.

The authors of 'The Economics Anti-Textbook' could have gone further in their discussion of externalities and the cost of factors of production (in the plural) in chapters 7 and 8. This would have shown that conventional economy (in this case its fundamental marginalism) glosses over 'productivity', a key aspect of the factors (in the plural) of production. Marx wasn't around when these 'kinds of reasoning at the margin' were invented in order to contradict them. But he did demolish the basis for this kind of thinking in his famous critique of his predecessors, 'A Contribution to the Critique of Political Economy', the subtitle of 'Capital' - while serious economists (Adam Smith, David Ricardo) bear the brunt of his criticism, neither are the more frivolous ones of his time (and others) spared. Productivity can only be defined one way - something obtained from the process of production in given natural conditions and the results of the deployment of social labour on equipment invented by advances in technology. However, conventional economy, like scholastic theology, disassociates body from soul.

The two chapters in question could therefore have concluded that the law which governs the accumulation of capital destroys the two fundamentals of the wealth of nations: human beings are reduced to a marketable labour force (wage slaves?) and nature is seen merely as a commodity (or simply ignored). They would have discovered what Marx did without having to critique the theory of

marginalism. They would have learned never to confuse the concepts of value and wealth. Ignoring this means missing the distinction between the relative rationality of capitalism (governed and limited by immediate and maximum profit from investment) and social rationality. That is, what seems rational for monopoly capital is not rational for society as a whole.

Next, I would like to concentrate on the critique of fundamental research developed by the two greatest empirical, positivist economists after Marx, Walras and Sraffa, who both want to show that one can dispense with Marx and yet understand how the economy functions.

Wahas, as we know, puts forward a system of equations which describe the interdependency of prices and the costs of the factors of production. But he fails to show how this system, once functional, 'can be stable'. The system lurches from one instability to another without ever reaching a perceptible balance. But Walras was honest enough to admit this crucial weakness and concluded that stability is only possible if the system is governed by an 'auctioneer' (or the perfect uber-rational as the authors of 'The Economics Anti-Textbook' put it, that is to say the planner of the ideal Gosplan) who knows everything (the perfect forecasting capacity of economists adrift today).

Sraffa proposes another system in which wages disappear and are substituted by the consumption of merchandise bought by employees. He calculates the amount of profit (surplus) derived from this 'production of merchandise through the means of merchandise'. He too fails and is unable to define how a stable standard (and a standard which is not stable isn't a standard) can operate independently of wages, that is, independently of the rate of capital gains (the degree of exploitation of the labour force) and of the effects of technical progress on the evolution of relative prices.

These two failures - about which I have written extensively in my last book ('The Law of Worldwide Value') - prove that it is impossible to exclude value and the production of surplus from the equation. But to admit that would be to confess that conventional 'economics' cannot be considered to be a science.

It is not possible to understand nature - and hence the functioning - of capitalism without delving beneath the waves (market) of a troubled sea to discover the hidden depths of the mode of production in which value (and not wealth) and its distribution (surplus) are in fact produced. Marx based his critique of his greatest predecessors - he went beyond Smith and Ricardo - on placing this crucial aspect at the point of departure.

But this is not the path chosen by today's conventional economists, who despite the failure of Walras and Sraffa continue to rush headlong into an impasse in their market analyses. And when they come to a dead-end, they invent pseudo-concepts such as the 'forecasting capabilities' of economic players who determine the movement of the market. But the formulation of anticipated trends is no substitute for discovering the reasons behind the chronic and real instabilities of capitalism. They only amplify instability. Keynes understood this. But not one of the Nobel Prize for Economics winners of the past 30 years has recognised this. It is no surprise therefore that none of them (even the likes of Stiglitz, a self-declared critic) were able to see what others (whom they do not read) predicted as inevitable and unavoidable. These Nobel winners are the equivalents of the 19th-century academic painting prizes, awarded generally to producers of mediocre paintings.

When the question asked lacks pertinence (what is forecasting capability?), the answer must necessarily be irrelevant. That is why I have described the kind of research practised by our Nobel laureates as akin to the discussions amongst theologians during the Middle Ages (what is the sex of angels?).

The critique of capitalism is weak when it stops half-way. This is how for example, Joan Robinson, more Keynesian than Marxist, coined the unfortunate phrase that is still in use: 'the misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all'. Marx's analysis provides a counterpoint to Robinson's absolute opposition between the world of labour and that of the excluded and the marginal. For Marx, the active army and the passive army are two sides of the same coin, the process of proletarianisation.

Nonetheless, the majority of contemporary ‘radical critics’, especially those who one calls anti-globalists, have ambiguous positions. Their critiques are unable to understand the ‘financialisation’ of the system, which they still think is a derivative that can be rectified, that it is a product of moneytheism. This is now part of reality, and is as lethal as other dogmas, religious or not. But it is not the cause of disaster; it is the consequence of the exigencies of the reproduction of monopoly capitalism. This system can only continue by riding the crest of financial bubbles. These bubbles are not an obstacle to growth which it will hinder, but as John Bellamy Foster demonstrated, but the condition of growth. Neither the timid regulatory mechanisms proposed by the G7 nor the seemingly radical solutions put forward by the anti-globalists are capable of dealing with this challenge.

Those who refuse to understand the system, for fear of being attracted to Marx no doubt, cannot deconstruct and de-legitimise the system and its underpinnings. Critical discourse then disappears from the stage of scientific analysis and is replaced by sermonising. And so we sing the US refrain ‘yes we can’ when it would be more realistic to say ‘no we cannot’ as long as monopoly capital remains at the helm of the ship.

The true aim of the ‘science’ of conventional economics is simply to divest it of its political aspect and pretend it is something ‘neutral’, hence ‘objective’. The result is the annihilation of the capacity for critical thinking and reducing the citizen to being a mere spectator of history. The challenge can only be taken up by a renaissance of ‘political economy’, or better, historical materialism. Otherwise, it is impossible to de-legitimise the system.

An opinion poll (I don’t think it has been done yet) I would like to see conducted would show, I am fairly certain, that the vast majority of people in the US think capitalism is perfectly legitimate (and that sermonising would rectify the mistakes). There would be similar results, but perhaps with more reservations, in Europe (and in France more than elsewhere). In countries of the South, it would be accepted by the majority of the middle classes (particularly in Latin America), but it no longer has any meaning for most people in the global South, who constitute the bulk of humankind.

4

Analysing the market while disassociating it from the mode of production, from its operational framework as it were, is nonsensical and the conclusions obtained from such an analysis can hardly be relevant, since they were based on the invention of an imaginary world which has nothing to do with reality.

What we have is not a ‘market’ but a ‘capitalist market’, that is to say the market of the exploitation of wage labour.

Moreover, capitalism doesn’t just mean the capitalist market. As has been aptly shown by one of Marx’s successors, Braudel, through rigorous historical analysis, capitalism is also the product and offshoot of social forces that dominate and shape the market. Today, these forces consist of what I call ‘generalised monopolies’, a new stage in monopoly capitalism. In other words, the means used by these monopolies to cope with inherent structural instabilities, typical of this stage of senile capitalism, including the policies of depoliticising people and the expansion of imperialist plunder, are part and parcel of the apparent functioning of real markets.

But what future is there for the ‘market’ beyond capitalism? Undoubtedly, the capitalist market, which operates on the basis of the dominance of value, should disappear along with capitalism. Historical Marxism has stuck to this theory probably because it remains fixated on this historical concept of the market.

But if one defines the market as a synonym for the organisation of the division of labour and exchange, it should be evident that no society, even the simplest one, but more so complex ones, can ignore these aspects.

It is possible to imagine a ‘socialist market’ (if one can retain that term), one that organises the exchange of goods and services on the basis of a socialised economic management, a market that creates institutions which Marx qualified as ‘utopian’, which substitutes ready-made formulae with socialism derived from the struggles and experience of peoples, and a combination of (non-

bureaucratic) planning and political negotiations between all concerned (workers, consumers, producers, citizens). Certain forms of 'state capitalism' will probably continue to exist, because if I and many others are right, such structures will remain indispensable for a long time in the transition to socialism.

BROUGHT TO YOU BY PAMBAZUKA NEWS