Q: How many Conservative economists does it take to change a light bulb?
A: None. Conservative economists just sit in the dark and wait for the Invisible Hand to do it.

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Introduction - Capitalism as Gestalt: A Contrast of Visions

A question seems to elude the grasp of modern economists, or rather to escape their interest: what is economics? In an impatient way, of course, we all know the conventional answers. Economics is 'the study of mankind in the ordinary business of life', as Marshall put it; or it is 'maximizing subject to constraints', as the mainstream of methodology from John Stuart Mill through Lord Robbins would have it; or perhaps it is the 'practice' of praxiology, as von Mises would insist. But if the question is pressed harder, these conventional answers lose their self-evident authority. What is the 'ordinary' business of life? Maximizing what, how? Are commissars praxiologists? Pressing the question home this way leads to the uneasy suspicion that we do not know exactly what economics is.

One aspect of this ignorance is our embarrassed inability to explain clearly why economists disagree. I do not mean why economists disagree about next month's GNP, which is no more puzzling than why meteorologists disagree about next week's weather. The question, rather, is why economists disagree about the main thrust of the system, its central tendencies, its inertial properties, its inherent vitality or morbidity. An easy answer to this problem would be that economists begin from identical premises — a set of institutions X, of behavioral vectors Y, of institutional channels Z — but thereafter proceed to apply different analytical methods, or to force the same analytical procedures to yield the results that they want of them. But I do not think that most economists would be happy with that explanation. The pride of the profession lies in its science-like clarity, in the existence of chains of causal and logical sequence that force economists of the most different 'persuasions' to arrive at the same conclusions, given the same initial conditions, drives, frictions and the like. Is it not the fact that Smith and Marx both agree that an increase in demand will result in a higher price of labor despite differences as to its effect on growth? Do not Malthus and Ricardo see eye to eye on the effects of population change on rent, although they disagree about the social usefulness of rentiers? Are not the supply-sider and the Keynesian of one mind that the multiplier will be determined
by the size of the leakage fraction, although one wants high savings propensities and the other wants low ones?

In other words, economics per se does not seem to be the reason why economists disagree. What, then, is the reason? I have already given away the answer when I mentioned those ‘persuasions’ that seem to lodge in economists’ heads before they begin their analytical work. Economists disagree because they are political animals, and because the practice of economics, like any social analysis, is shot through with the political suppositions and assumptions of its protagonists.

I do not intend to pursue here the manner in which these political premises enter into, and help determine, the complex work of scenario-building that is the task of economics. This is a matter I have looked into elsewhere (Heilbroner, 1973; 1983). Instead I would like to make a preliminary reconnaissance of the very important, but insufficiently explored terrain of those preconceptions themselves. What is the ‘mind set’, the ‘ideology’, or simply the beliefs that we recognize in others (not so often in ourselves) as radical and conservative? There exists no official canon of conservative or radical tenets, so I shall have to formulate my own.

I shall begin with five theses that to my mind capture the essence of the modern conservative position. This is a nutshell description of ‘capitalism’, the socioeconomic order that prevails in all advanced industrial nations, save only the USSR and its satellites (which also contain capitalist-like elements).

1. Capitalism is a ‘natural’ economic system, in that it accords in some deep way with human nature. It is the manner of organizing production and distribution to which mankind will spontaneously drift, once impediments of various kinds (including ignorance) are taken away.

2. Capitalism is an evolutionary system. Its evolutionary tendencies are described by the term growth, which means an increase in real per capita income. This increase, accruing first to entrepreneurs and innovators, then trickling down to the rest of the population, is perceived as bringing useful social and political consequences: higher individual morale, less political dissatisfaction.

3. Growth arises naturally within capitalism from the interplay of its two elemental constituents. One of these is the profit motive (embodied in both individual and institutional agencies) acting as a force for innovative and expansionary economic activity. The other is the restraining mechanism of competition. These two forces together comprise the thrust and feedback of the market system.

4. The capitalist economy contains two sectors, one public, one private. The private sector is mainly responsible for growth. The public sector’s main responsibility is the provision of defense, law and order, and necessary public goods. Beyond these functions, whose boundaries are admittedly not always clear-cut, government is deemed to weigh on, and to diminish the vigor of, the private sector.

5. Capitalism is an international system, in that its constituent nation-states are bound together by market forces. There is therefore a world economy that exerts a restraining, and ultimately commanding, influence over the movements of its national capitalist members.

This is certainly not a complete listing of the identifying elements of capitalism as seen from the conservative side, but I think the vision that emerges is true to its conservative intentions. At any rate, it will serve as a contrast to the radical vision that I outline below. I make no attempt at a point-by-point refutation or comparison of these two visions. The two conceptions are so fundamentally different as to be almost impossible to compare in detail. Nor is the choice between them a simple empirical matter, for they are at too high a level of abstraction to be simply ‘set against the facts’. The following seven radical theses can be seen only as a rough counterpart to the conservative view:

1. Capitalism is quintessentially a means of organizing labor to produce a social surplus. By a surplus, I mean the production of wealth over and above that needed to replenish and restore the system. The line between surplus and replenishment is always blurred, as are most social distinctions, but in the large there is no difficulty in distinguishing the form and extent of surplus in all surplus-producing systems.

2. Capitalism is not the first surplus-producing system. Indeed, all social orders above the most primitive produce surpluses. This is true of ancient Egypt, European feudalism and the contemporary USSR. What is distinctive about capitalism is the form that its surplus takes. Other social orders use surpluses for war, for public adornment, for religious observances and for the maintenance of privileged classes. Capitalism also uses its surplus in part for these purposes, and indeed distributes increments in consumption more widely than any prior system. But its primary use is something else: surplus is employed to create the means to gather additional surplus. That is, ‘wealth’ under capitalism takes the form of machines, equipment, plant, factories. Such a form of surplus
4 Free Market Conservatism

exists in no prior society. Its persistence in the USSR and in other industrial 'socialist' societies testifies to their incomplete separation from capitalism.

3 Another distinguishing characteristic of capitalism is the manner in which surplus is gathered. Unlike other systems, it is not extracted by naked force, or by tradition backed by latent force. Surplus under capitalism accumulates as a consequence of the existence of wage labor as the mode by which production is carried on. Wage labor has the historically unique attribute of legally denying the worker the ownership of his labor-product, which belongs instead to the owner of the physical equipment with which he works.

In this regard it is always enlightening to reflect on who owns the cars that roll off General Motors' assembly line. The workers? No. The technicians? No. The management? No. The stockholders? No. (Try going in and claiming a car, waving a stock certificate as justification.) Who, then? The company -- the fictional person who owns the assembly line itself and the products that emerge from it. This is the unique capitalist wage-labor relation to which John Locke referred when he wrote, 'The grass that my horse has bit, the turfs my servant has cut, and the ore I have digged in any place ... become my property without the assignation of consent of anybody'. What a host of assumptions and mystifications lie in that italicized phrase, which goes to the core of the surplus-gathering process!

4 The separation of work from the right to claim the product of work establishes the rationale for the organization of the work process that is typical of capitalism. This is an organization in which the volume of output per hour takes precedence over most other considerations, such as fatigue, interest, creativity, etc. The hallmark of this mode of organization is the 'division' of labor, not just by occupational variety but by the fragmentation of physical and mental tasks into their simplest components. This division of labor is not a 'natural' tendency of mankind, and is not found in other societies to anything like the degree we find it in capitalism. The division of labor endows capitalism with its immense superiority with respect to productivity, but also saddles it with the need to maintain the strictest supervision over, and discipline within, the labor process.

5 The productive activities of capitalism are coordinated by market exchange among individuals and firms. This is the vaunted market mechanism, the source of capitalism's remarkable adaptability and its self-regulating properties. There are, however, two vital areas into which the buying and selling mechanism does not enter.

The first is the allocation of work within the office or factory. Production itself is carried on by socially constrained fiat, not by exchange. Second, the market does not make crucial macro allocations. Government often determines the direction in which the economy will go, as well as braking or accelerating it. For example, government builds the road network without which the auto industry could not function. So, too, government provides the research and development on which the agricultural sector depends, the schools from which its trained workforce emerges. In these ways government provides an indispensable, although usually overlooked, foundation for the accumulation process.

6 The wage-labor system effectively creates an 'economy' distinct from a 'society'. This separation of an economic sphere from its social matrix creates two pathologies for capitalism. The first is the generation of problems that arise because we systematically exclude consideration of the social consequences of economic behavior. Thus, agricultural enclosures, undertaken for economic reasons, bring unanticipated social distress; the creation of the factory brings the undesired mill town; the free workings of competition plunge regions into social decline or thrust them into the disorders of sudden affluence; the extension of the wage-labor system destroys the extended family; the development of advertising, indeed of marketing in general, corrodes moral virtue. It is characteristic of capitalism that it perceives no connection between these 'problems' and its underlying mode of production.

The second, more familiar pathology is the continuing difficulty in successfully accumulating surplus. Potential disruptions and mismatches lurk at every stage of the process, from engaging a labor force, through assuring its disciplined performance, to selling its output. These difficulties are recognized by conventional economists. A radical view stresses the self-generated nature of these problems, largely rooted in the wage-labor relation, and emphasizes the 'curative' role that crises can play in restoring the conditions for further accumulation.

7 Capitalism is a world system, but not merely because it is linked by market forces. The core of the world system of capitalism is the extension of the wage-labor system from the developed center to the 'underdeveloped' periphery, for the purpose of gathering surplus on a global scale. On the whole, this international surplus is gathered as effortlessly as is the case within national capitalsims, although resort may be had to military intervention from time to time, as is also the case within national capitalsims when troops are used to put down strikes.

The existence of a world system does not preclude tensions,
even wars, among ‘center’ countries, just as national systems often suffer severe conflicts among factions of the nation, all of whom benefit from the surplus. The systematic unity of the system, on a national or a global scale, is not perceived within, but only from without. This mystifying aspect of capitalism was first noticed by Adam Smith, who used the term the Invisible Hand to describe the coordination of individuals, unconnected to themselves. The equivalent of the Invisible Hand imposes a system of accumulation on a world scale over the appearance of international capitalist rivalry and discord.

This is assuredly not a complete enumeration of all the crucial elements of capitalism. The purpose of this sketch is only to project a vision that can be contrasted with and used to criticize that of modern conservative economics. Yet, in spite of some overlaps, it must be plain that they are simply two different gestalts. To my mind, the essential difference between them is the absence of a historic dimension in the conservative view, to which it will no doubt be returned that they see history, but not my history. Perhaps we must fight over gestalts as well as values. But it does not follow that we cannot say anything at all. Indeed, the only way we can decide between them is to explore their logic and implications.

Two very important conclusions follow from these alternative visions. Even if we cannot finally establish which vision is true and which a mere wraith, it will help us form a judgement to make these conclusions explicit.

First, the role of government is entirely different in the two visions. I have already indicated that government is regarded from the conservative side as an encroaching force, an intruder into the private sphere, a weight on the system. Its necessity is not denied, but its virtues are held to be minimal. In the radical view this demarcation becomes blurred and ambiguous. The designations ‘private’ and ‘public’ refer to functions that are directly, or only indirectly, connected with the generation of surplus. Both public and private roles and functions are seen as actively supporting the process itself.

From this viewpoint, the fact that there is often conflict, even bitter conflict, between those who directly work with the surplus-generating process and those who work at a remove from it is not surprising: the Roman imperium fought bitterly against senatorial privileges to maintain the empire; monarchs warred against barons to preserve an aristocratic social order; Parliament acted against the immediate interest of English factory owners to secure the future of the capitalist order; Roosevelt curbed the prerogatives of bankers and industrialists to ward off a feared social revolution. Governing elements within all social systems must often curb the activities of privileged groups within the system.

Second, conservative economics sees the capitalist order as tending ‘naturally’ – that is, in the absence of the artificial impediments and distortions introduced by government – toward equilibrium and harmony. By equilibrium I mean that there are no perceived obstacles that stand in the way of more or less steady growth, well-limited departures from full employment, reasonably smooth micro adjustments. Or rather, if there are such impediments, they stem from government intervention into the flux of the market process. By harmony I mean that the successful achievement of economic growth will bring social morale and political stability. In a word, there are no economic or social contradictions in the system, in the sense of dysfunctions brought about by the success – not the failure – of capitalist processes.

The radical view sees an almost opposite picture. The system tends naturally toward economic disequilibrium and toward social and political tension. The economic strains (crises) are the consequence of matters I have already mentioned, namely the difficulties of pursuing the accumulation process without constantly overreaching it. This is a matter that cannot be argued here. It rests on the long history of the theory of instability whose roots are to be found in Marx. The radical view also sees the process of change militating against harmony. In politics there is an intrinsic conflict between the ‘horizontal’ tendencies of a democratic (egalitarian) view and the ‘vertical’ tendencies of a hierarchical (inegalitarian) structure. In social life there are the strains that result from the continuous restructuring of ‘life’ as the side-effect of economic ‘growth’. Indeed, in place of the conventional assumption of a tendency toward stability and harmony, the radical view asks how it is possible to maintain social continuity in the face of continuous economic fluctuation, social insecurity and political strain. The answer is essentially by the use of government as a sustaining and restraining force.

This has been rather heavy going, so let me relax the pace by taking up two less momentous matters. The first of these concerns the question of government waste – the squandering of resources by the public sector to which supply-side economics devotes so much attention. I would be the last to deny the presence of waste: the MX missile system, the space shuttle, the tax subsidies to various upper-income groups, not to mention the petty cadging and occasional grand larceny among welfare groups. No doubt one could argue about all these instances. However, I want to call attention first to a curious aspect of the question of waste. It is that there is no waste in the private sector! This is the case because all ‘wasteful’ operations are eliminated by the
market. Contrariwise, whatever survives the test of the market is not waste. The five giant buildings being erected between 53rd and 57th Streets along Madison Avenue in New York are not waste, unless they cannot be rented. The Cadillac Seville is not waste, assuming that it sells. There is no waste in the production of anything that sells, because the very act of purchase provides the justification for whatever resources have been used.

Is this not interesting? Clearly it establishes that there are entirely different criteria for waste in the public and private domains. Suppose that the scrutiny ordinarily directed at government were brought to bear on private output, and that each act of production had to justify itself by some non-market criterion. Would we not find a great deal of waste in the private sphere? And suppose that the government produced only those things it could sell – pocket-sized armaments and vendible services of all kinds. Would not all waste now disappear from the public sphere? This leads one to think about the unnoticed distortions introduced from the vantage point of conventional economics.

I turn to a second related matter, namely the ideological element that colors our social perceptions, such as waste. To be sure, all social orders have ideologies, and none could exist without them. Therefore societies never think of their prevailing views as being ‘ideological’, but rather as expressing self-evident or natural truths. As Immanuel Wallerstein (1974, p. 351) has acutely remarked, during most periods of history there is effectively only one class that is conscious of itself, and this dominant class sincerely expresses its own views as representing those of the entire society. Thus the senators of Rome, the lords of the manor, the monarchs of France and England and the members of the Soviet elite all speak with unself-conscious assurance in the name of their societies. None feels itself to be a ‘privileged’ class or thinks its views to be other than universal.

The upper class in capitalism also speaks with a universal voice – as witness the degree to which it speaks for the working man. Nonetheless, the view of the upper class under capitalism is more clouded than under other dispensations. This is the consequence of the rise of democratic, egalitarian and even revolutionary ideas at the same time as, and indeed as part of, the bourgeois struggle for ascendancy. These ideas remain to haunt the bourgeois serenity of spirit: as Schumpeter wrote, ‘... capitalism creates a critical frame of mind which, after having destroyed the moral authority of so many other institutions, in the end turns against its own’ (1942, p. 143). As a result, bourgeois ideology at its most refined strikes a defensive posture unlike that of any other social order. It recognizes the violent historic origins of capitalism, the vulnerability of its property rights, the shortcomings of its philosophy. Against these deficiencies it ranges the very great achievements of its economic system and the unparalleled political and intellectual accomplishments of bourgeois culture. Here we find the defense of capitalism offered by Schumpeter, by Weber, in a manner of speaking even by Marx himself.

There is, however, another vein of ideology – one that marshalls arguments that cannot withstand the examination of history, philosophy or social science in general. Here, for example, we find the most vulgar materialist reductionism, in which capitalism is presented as embodying a primordial and unchanging ‘economic man’. Jude Wan-niski (1978), for instance, writes, ‘In mother and father ... the child has a diversified portfolio’, a point of view that pervades his book. Such a view, which puts to shame the most blatant ‘economism’ of the Left, would be treated with the scorn it deserves if it were adduced as a defense of, say, the Marxian view of history. Yet it is treated with respect, even by so Burkean a critic as Irving Kristol. Or George Gilder (1981) tells us that love and altruism are the true essence of capitalism (they used to be trotted out as the soul of monarchy), and this equally grotesque statement is also treated as a ‘serious’ pronouncement. I console myself that Gilder will take his place alongside Bruce Barton, who wrote in the 1920s that Jesus was the most successful businessman who ever lived.

The question to be pondered is why modern conservatism has attracted the worst ideology, and why it has dulled the sensibilities of the best ideologists. I am ashamed to state the reason that occurs to me. It is that ‘neoconservative’ policies, such as supply-side tax cuts, have as their immediate objective the improvement of the conditions of the rich. What bonanzas will result from the lowering of the high marginal rate on property income and on the reduction of the capital gains tax! I, too, rub my hands at the prospect. To be sure, like all policies, the ultimate objective of supply-side economics is said to be the improvement of the condition of everyone. Just the same, I do not think neoconservative economic policies would adduce quite the same fervor, or quite the same dulling of critical sensibilities, if their immediate aim were the improvement of the poor and their ultimate aim the bettering of the rich. Self-interest has extraordinary powers of persuasion.

I have tried to remain at a distance from my subject, which is the exploration of the gestals that precede economic analysis proper. But it must be apparent that my own gestalt lies much closer to the radical than to the conservative view. I should perhaps add that there are elements in the older conservative tradition, exemplified in Smith’s Theory of Moral Sentiments, that seem to me to fill large lacunae in the radical analysis – elements that deal with the nature of authority.
and hierarchy, for example – but that is a matter for another paper.

If my purpose in this chapter is primarily expositional, however, I would not wish to conceal its complementary critical intent. The policies and programs of modern conservative economics have, to my mind, brought great and unnecessary suffering to the Western world, and my basic intent is to plumb the conceptions on which these policies and programs ultimately rest. I cannot claim that my interpretation of the conservative view of the social universe is the correct one, but I can at least challenge my critics to bring forth an exposition of its fundamental premises that is more cogent and persuasive than my own.

NOTES

1 The word ‘modern’ should be stressed. Conservative persuasions can certainly be traced back to the classical founders of our discipline, but their constitutive elements would depart in significant ways from that of the modern school, whether in its bland neoclassical version or its extreme supply-side incarnation. Adam Smith’s conception, for example, embraces some aspects of the radical view in its perception of capitalism as a surplus-acquiring system and of social problems as integrally associated with the surplus-producing mechanism — namely the degradation of the workforce as a consequence of the division of labor. Conservative gestalts can thus embody different premises. In the synopsis I have given, I have tried to capture the main elements of modern conservatism, without overemphasizing its more extreme supply-side variants. I have also tried to embrace a synoptic radical view that avoids the various special emphases that distinguish schools within that general orientation.

REFERENCES