Review of Radical Political Economics

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Abstract

This paper presents [...] wealth is a critical motive behind econ[...] classical approach to choice, [...]. When this theory of individual [...] economy in which individuals accumulate wealth in the form of financial claims (intermediated accumulation) and firms maximize profits, it generates a logical explanation of the causes of effective demand failures.

1.

1. The theory has its formal origins in the work of Thomas Malthus (1953). It was then developed by David Ricardo (1951), and finds its most complete expression in the work of Karl Marx (1984). Within the Marxian model it is the falling rate of profit that is the source of crisis, and under-consumption results from the attempts of capitalists to restore profits by wage cuts. The German socialist economists such as Hilferding (1981) and Luxemburg (1951) further developed the implications of under-consumption in their theories of finance capital and imperialism, while Hobson and Mummery (1898) were the leading exponents in England. In America the tradition was developed by Veblen (1909), although now it became disguised by his abiding interest in the anthropological characteristics of modem economic systems. Bleaney (1976) provides a review of under-consumption theory, while Devine (1983) applies the theory as part of an explanation of the Great Depression.

2.

2. This framework is interpreted as a meta-theoretical approach to the problem of agency, under which individual action and choice is explained as the outcome of the pursuit of perceived self-interest.

3.

3. Historians of economics have been little concerned with these social dimensions to theoretical and professional developments. However, an excellent discussion of such forces at work among professional psychologists is contained in Morawski and Hornstein (1990).

4.

4. Kohn (1986) has focused on Keynes' adoption of the equilibrium method as the decisive change within the General Theory, and he contrasts Keynes' equilibrium approach with Robertson's (1936) sequence analysis. The equilibrium approach is identified as a special instance of the sequence approach, representing the case where the economy has settled into a repetitive sequence. However, Kohn's objections can be readily reconciled with Keynesian theory, requiring only the correct identification of the sequence in which agents make choices and transact, and the nature of constraints (such as cash-in-advance) which bind those choices. The sequence approach therefore appears to be a qualification of the equilibrium method.

5.

5. Marshall (1961: 22-23) recognized this motivation to human action, but in the Allen-Hicks (1934) utility revolution of the 1930s consumption came to dominate as the single argument of the utility function.

6.

6. This includes existing financial claims (stocks and bonds) which are discussed later.

7.

7. This effect is disputed by neo-Ricardians (Barro 1974) who maintain that government bonds are not private wealth.

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