



Post Walrasian and Post Marxian Economics

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Abstract

It is widely believed that the failure of the socialist experiment should have had a devastating effect on radical economics. Yet radical economics is not only alive and well, but flourishing. Years before the official demise of Marxist-socialism, they had broadened their critique of standard economics well beyond the received Marxist literature. Indeed, their arguments offered striking parallels with the mainstream critiques of Walrasian economics provided by the newly developing strand of thought I shall refer to as "information economics." In Walrasian economics, information is free. Moreover, there are no costs associated either with making or enforcing contracts. But with imperfect and costly information and incomplete risk markets, the field of information economics has established that: 1) in general, markets are not (constrained) Pareto efficient; 2) markets may not clear; 3) markets may not exist, or when they exist, may be thin; 4) rents are pervasive, and indeed, reputation rents are necessary to ensure that high-quality products get produced, that workers do not shirk, and so on; 5) even when there are many participants in a market, competition

may be highly imperfect; and 6) the distribution of income matters for economic efficiency.

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